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MONITORING REPORT

The **Principles** of **Public** **Administration**

REPUBLIC OF NORTH MACEDONIA

November
2021

Monitoring Report

The Principles of Public Administration

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List of abbreviations and acronyms

AA	Agency of Administration
AG	Auditor General
CAF	Common Assessment Framework
CCC	Center for Civil Communications
CHU	Central Harmonisation Unit
CoG	centre of government
DAG	Deputy Auditor General
EI	European integration
eID	electronic identification
eIDAS	electronic identification, authentication and trust services
ENER	National Electronic Registry of Legislation
ESPEO	Electronic System for Reporting and Recording of Liabilities
ESPP	Electronic System for Public Procurement
EU	European Union
EUROSTAT	European Statistical Office
FMC	financial management and control
FS	Fiscal Strategy
GAWP	Government Annual Work Plan
GDP	gross domestic product
GS	General Secretariat
HR	human resources
HRM	human resource management
HRMIS	Human Resource Management Information System
IA	internal audit
IC	internal control
ICT	information and communications technology
INTOSAI	International Organisation of Supreme Audit Institutions
IPA	Instrument for Pre-accession Assistance
IPPF	International Professional Practices Framework
ISSAI	International Standards for Supreme Audit Institutions
IT	information technology
LAD	Law on Administrative Disputes
LAS	Law on Administrative Servants
LFAPI	Law on Free Access to Public Information

LGAP	Law on General Administrative Procedures
LO	Law on Obligations
LOOSAB	Law on Organisation and Operation of State Administrative Bodies
LPSE	Law on Public Sector Employees
LTMS	Law on Top Management Service
MA	managerial accountability
MISA	Ministry of Information Society and Administration
MoE	Ministry of Economy
MoF	Ministry of Finance
MoJ	Ministry of Justice
MP	Member of Parliament
MTBF	medium-term budgetary framework
NBRNM	National Bank of the Republic of North Macedonia
NGO	non-governmental organisation
NPAA	National Programme for Adoption of the Acquis
OBL	organic Budget Law
OPM	Office of the Prime Minister
PAR	public administration reform
PDL	Public Debt Law
PDMS	Public Debt Management Strategy
PFM	public financial management
PFMRP	Public Financial Management Reform Programme 2018-2022
PIFC	public internal financial control
PIMS	public investment management system
PPB	Public Procurement Bureau
PPL	Public Procurement Law
PPP	public-private partnership
PRO	Public Revenue Office
RIA	Regulatory Impact Assessment
RoP	rules of procedure
QA	quality assurance
SAA	Stabilisation and Association Agreement
SAC	State Appeals Commission
SAI	Supreme Audit Institution
SAL	State Audit Law
SAO	State Audit Office
SCPC	State Commission for the Prevention of Corruption

SEA	Secretariat for European Affairs
SL	Secretariat for Legislation
SMEs	small and medium-sized enterprises
SNERR	Single National Electronic Register of Regulations
SOE	state-owned enterprise
SPoS	Single Point of Services
ToC	table of concordance
TrIS	Treasury Information System
TQM	total quality management
TSA	treasury single account
UBLSU	Unit for Budgets of Local Self-government Units

Introduction

The Principles of Public Administration and the EU integration path – measuring the fundamentals

The *Principles of Public Administration*¹ set out what good public governance entails in practice and outline the main requirements to be followed by countries during the European Union (EU) integration process. Good public governance is key for achieving economic growth, competitiveness and better quality of life. Democratic governance and the rule of law require capable, accountable and effective public administrations. In its 2014 and 2018 Enlargement Strategies, the European Commission (EC) highlighted public administration reform (PAR) as one of three “fundamentals first” areas of the EU enlargement process: “Addressing reforms in the area of rule of law, fundamental rights and good governance remains the most pressing issue for the Western Balkans. It is also the key benchmark against which the prospects of these countries will be judged by the EU”².

A regional series, with a long-term perspective

This monitoring report assesses the state of play and progress in improving the quality of national public administrations. Given the geostrategic importance of the Western Balkans to the EU, and the ongoing accession negotiations, SIGMA (Support for Improvement in Governance and Management) conducts regular monitoring of the region. In 2017, SIGMA established a baseline in all areas of public administration. In 2019, monitoring was conducted against selected Principles. The full scope is covered again in this 2021 report, which compares performance against the 2017 baseline and regional averages. By analysing the long-term perspective, significant changes are identified.

The assessment period is from July 2017 to July 2021. The data collection period was February-May 2021. The COVID-19 pandemic was at its highest, so in-person meetings were replaced by virtual ones. National experts provided invaluable support during this period in securing the necessary data.

Structured to provide key insights and recommendations to decision makers and detailed performance data to practitioners

The structure of the report mirrors that of the Principles of Public Administration. Each Principle has a dedicated section for its associated indicator(s). A country executive summary and summaries for each of the six thematic areas have been introduced to the 2021 report. The analytical findings and the short- to medium-term recommendations are developed to guide reform efforts and inform the policy dialogue and discussions between the EC and the Government.

SIGMA wishes to thank the Government for its collaboration in providing the necessary administrative data and documentation, as well as for its active engagement during the two rounds of validation to improve the factual accuracy of all the information used. The collaboration with the Regional Cooperation Council on the Balkan Barometer has been excellent. We also thank the experts from EU member countries who contributed to the report. Finally, the support of the EC is, as always, appreciated.

¹ OECD (2017), *The Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>.

² European Commission (2018), *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*, p. 4, [communication-credible-enlargement-perspective-western-balkans_en.pdf \(europa.eu\)](#)

Methodology

Overall approach – focus on implementation and outcomes, analysing a variety of primary data sources against precise criteria and benchmarks for an objective assessment

The *Methodological Framework for the Principles of Public Administration*³ contains a set of standard indicators that SIGMA applies consistently to measure the preconditions and enablers of successful reforms (good laws, policies and procedures, institutional structures, human resources) and the actual implementation of reforms and subsequent outcomes (how the administration performs in practice).

The overall approach recognises that no single measurement method can fully capture the complex issues related to organisational and behavioural change. SIGMA uses information from administrative data, surveys, statistics, interviews, etc., which is cross-checked and triangulated to arrive at a balanced assessment.

Data sources and validation

The main quantitative and qualitative methods applied in the framework are:

- Desk reviews of legislation, regulations, reports (most recent are analysed if adopted before July 2021)
- Interviews (conducted virtually in 2021 from March to May with over 100 interviewees per administration, including civil society)
- Review of cases and samples of government documentation (most recent are analysed)
- Observations of practice and on-site verification (conducted virtually in 2021 from March to May with national expert support)
- Analysis of various administrative data from public registries and national statistics (most recent when possible, but generally from 2020)
- Surveys of the population and businesses through the Balkan Barometer (conducted February-March 2021)⁴
- Surveys of contracting authorities (conducted February-April 2021).

Data was collected through SIGMA's tool for data collection, analysis and validation (PAR.IS). More than 10 000 documents were received regionally for analysis. In 2021, hundreds of government officials were provided direct access to SIGMA's detailed working sheets for calculation of numerical sub-indicator values and justifications for fulfilment of each of the criteria, in addition to fact-checking the draft monitoring reports. The monitoring reports only show the overall indicator values, but the detailed criteria-level analysis will be accessible in 2022 through a public portal.

Indicator values reflect the level of maturity and preparedness of administrations – from 0 to 5

The indicator values provide an indication of the administrative capacity and overall performance of national public administrations. This provides an indication of the capability to effectively implement the EU *acquis* and participate in the policy-making processes of the EU. The point allocation is constructed so that a country can only receive an overall value of 2 on the basis of the quality of its legislative and regulatory framework; a value of 3 cannot be achieved without showing that implementation of key processes is happening in practice; and in order to obtain a value of 4, the country needs to show a consistent achievement of relevant outcomes. The value of 5 is reserved for outstanding performance and full compliance with the Principles and the standards for good public governance.

³ OECD (2019), *The Methodological Framework of the Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Methodological-Framework-for-the-Principles-of-Public-Administration-May-2019.pdf>.

⁴ Regional Cooperation Council, <https://www.rcc.int/balkanbarometer/home>.

In 2021, averages of the indicator values have also been calculated for each of the six thematic areas of the Principles of Public Administration. This enables comparison of overall trends across the whole administration, over time, and across the region, as shown in the indicator comparison charts:

1. Strategic framework of public administration reform
2. Policy development and co-ordination
3. Public service and human resource management
4. Accountability
5. Service delivery
6. Public financial management.

Understanding how the indicator values are calculated

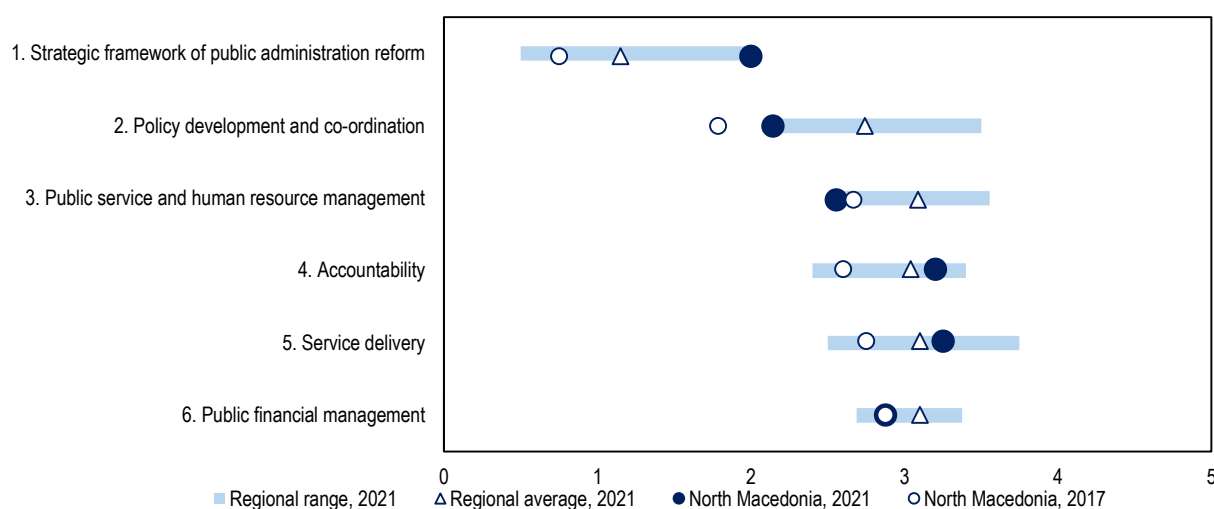
Across the six thematic areas, the framework is composed of 48 Principles. Each Principle has one or two indicators. There are 52 indicators in total, with 340 sub-indicators and 1 000 individual criteria. Indicator values are presented at the top of the overview tables, on a scale from 0 (lowest) to 5 (highest). The indicator value is based on the total number of points received for the sub-indicators. The point conversion tables are accessible in the Methodological Framework. A three-digit reference number precedes the titles of the indicators: the first number refers to the area, the second to the Principle and the third shows whether this is the first or second indicator belonging to that Principle.

If the required information to assess a sub-indicator is not available or is not provided by the administration, 0 points are awarded. All data requested is needed for a well-functioning public administration and SIGMA does not estimate performance in the absence of credible evidence.

Executive summary

The Republic of North Macedonia (hereafter 'North Macedonia') has made some progress in public administration reform (PAR) in recent years. Indicator values improved in four areas, while two areas show a slight decline compared to 2017. The strategic framework of PAR has the highest average indicator value in the Western Balkan region. However, the area averages of policy development and co-ordination and public service and human resource management (HRM) are the lowest in the region.

North Macedonia has progressed since 2017 in several areas, but performs poorly in half of the areas compared to its neighbours



Although solid legal and policy frameworks are in place in the areas of strategic framework of PAR, policy development and co-ordination, accountability, service delivery, and public procurement, they are not properly implemented. In public service and HRM, budget management, internal control and organisation of government, the Government has acknowledged the policy issues and has drafted comprehensive legislative packages to modernise these areas in close co-operation with international donors. Nevertheless, the adoption of these packages has been very slow. This shows the Government has ample and untapped potential with a more focused and dedicated approach on PAR.

Improved strategic planning for PAR, but slow implementation

Since 2017, strong progress has been made in establishing a strategic framework for PAR. The PAR Strategy and the PFM Reform Programme, as the two main strategic documents, have helped the administration steer reforms covering all key areas of public administration, including public financial management (PFM). At the same time, the implementation of actual reform measures and the quality of engagement of stakeholders have been weak. While tangible progress was made in initiating many reform activities, the overall implementation of the planned reforms, as measured by the level of annually completed activities, has been relatively limited: less than half of the annually planned measures were implemented. Involvement and engagement of non-governmental organisations in the formal structures of PAR co-ordination is weak.

Delays in implementation of key reforms in policy planning

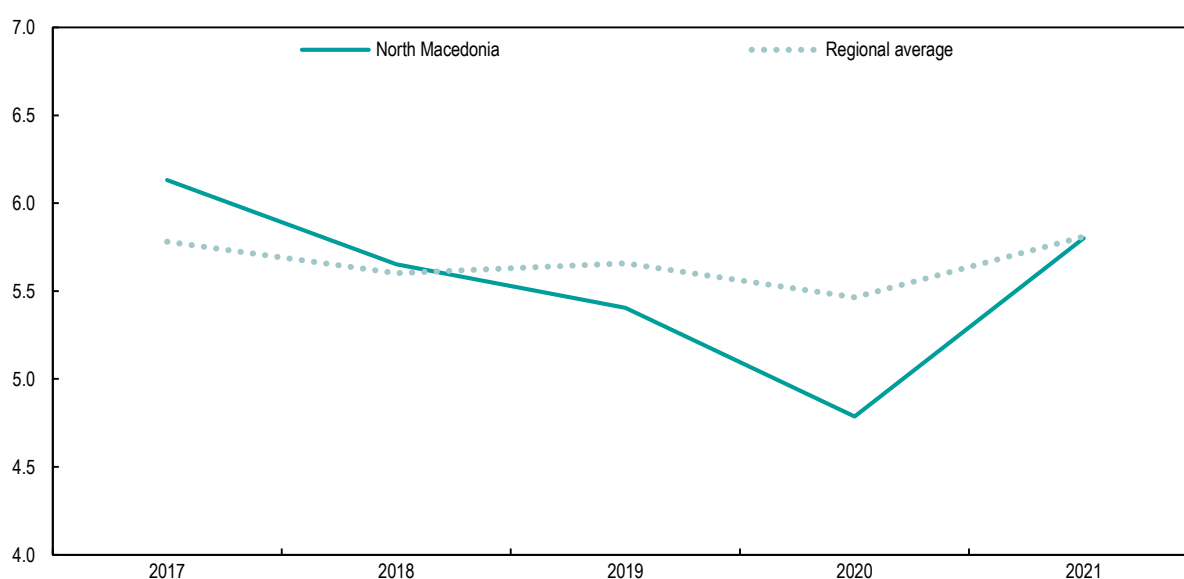
Key tools for public consultation and *ex-ante* analysis of new policy proposals through regulatory impact assessments have been successfully institutionalised. Their impact and use in the final policy design and decision making process are limited, however, and plans should be made to increase their scope and improve the quality of analysis, including through earlier planning and stronger central oversight. Essential regulations and methodologies for the effective functioning of the centre-of-government institutions and policy development are established, but gaps exist and implementation is inconsistent. While the average

indicator value for the policy development and co-ordination area has increased compared to 2017, the 2021 value is among the lowest in the region. No progress has been made in critical areas, such as sectoral planning, monitoring and reporting. The quality of government planning and monitoring, including for EU integration, has gaps in implementation, and some of the key co-ordination structures are not fully established and functional.

Human resources are still poorly managed and lack a professional top civil service system

The performance of North Macedonia remains amongst the weakest in the region, with an average indicator value of 2.6. A solid legal framework is in place, although some public administration bodies are out of its scope or manage to exclude themselves in some practical aspects. The appointments of top managerial positions in the public sector are based on political discretion, without a merit-based procedure, creating a lack of continuity and professionalism in ministries and public bodies. After some years of deterioration, the perception of meritocracy has improved, equalling now the regional average.

The perceived level of meritocracy in the public sector has improved significantly in the last year



Note: Respondents were asked to what extent they agree with the following statement on a scale from 1 to 10: 'In the public sector most people can succeed if they are willing to work hard'.

Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>).

Recruitment processes are insufficiently competitive, numerous dismissal and disciplinary decisions are not confirmed by the courts, and salary supplements provided for some institutions distort the formal remuneration system. The Ministry of Information Society and Administration (MISA) lacks human and financial resources to deliver professional development activities, therefore, the training provision is very limited and non-systematic. Nobody is co-ordinating the prevention of corruption in the civil service at the strategic or practical level.

Good progress in the accountability area

North Macedonia has progressed in most areas under accountability and is now a top performer in the region, although some important weaknesses remain. There is no clarity in the typology of public bodies, subordinated agencies are not properly accountable to their parent ministries and numerous bodies with executive functions are reporting to the Assembly. North Macedonia has a good system of access to information, but proactive disclosure of information and datasets on official websites remains very low. The productivity of administrative justice has improved, as the time people have to wait for a conclusion of an administrative case has diminished. Nonetheless, the trust in and perceived independence of the judicial system, the SAO, and the Ombudsman remain very weak.

Delivery of public services is slowly improving.

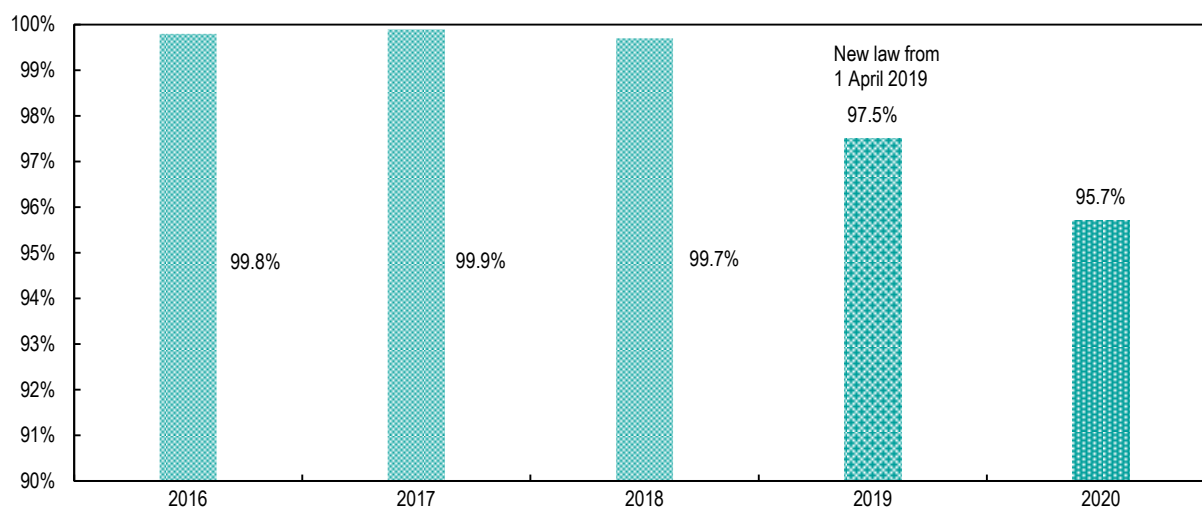
The average indicator value of 3.3 in the service delivery area has improved slightly, and is close to the regional average of 3.1. A sound policy and legal framework is in place, but the modernisation of services is fragmented and the ownership of some aspects remains unclear. The infrastructure for interoperability of basic registries is operational for the key ones, yet some registries are still not accessible via the common data infrastructure. The digital signature is available, though for a fee. This results in a very low number of digital services at a higher level of maturity. The MISA has drafted several guidelines to support the modernisation of services together with service standards, but they have not been adopted yet. The accessibility of services has deteriorated as the practical implementation of the policies related to the accessibility for people with special needs is poor.

Management of public finances is deteriorating pending the adoption of the key laws, public procurement laws need effective implementation.

The overall trajectory in PFM moved slightly downwards and is now below the regional average. However, the drafts of the organic budget law and the public internal financial control (PIFC) law, together with the draft Law on State Administration Bodies, have the potential to address several weaknesses. Not all budget organisations follow legal obligations for establishing internal procedures, nor do they consistently apply the related manuals. Effective decision-making on budget allocations is hampered, as budgeting is still mostly an annual process and not policy-driven. Fiscal discipline has improved the budget credibility, and deviations are reasonably limited. This reflects increased maturity in fiscal forecasting and discipline in budget execution. The level of public debt has risen gradually over the past seven years but it still low in the European context. The legal framework for establishing internal audit (IA) is in place, but its effectiveness suffers from the fragmentation across many small-scale IA units. The State Audit Office has invested heavily in its institutional capacity, but the impact of the external audit function is low, as reflected by the implementation rate of its recommendations and the lack of support by the Assembly. A new Law on Public Procurement correctly transposes the EU Directives, although the practice still shows a very high use of the lowest-price award criterion and e-auctions, with minimal improvements in competition. The Public Procurement Bureau (PPB) needs to strengthen the administrative capacity, in order to ensure the performance of all of its obligations.

A draft new law on public-private partnerships (PPPs) has been prepared and a new law is planned for concessions for goods of a general interest, although PPP projects have been limited in number and the PPP Council is still not active.

Lowest price criterion remains the dominant criterion for awarding public contracts

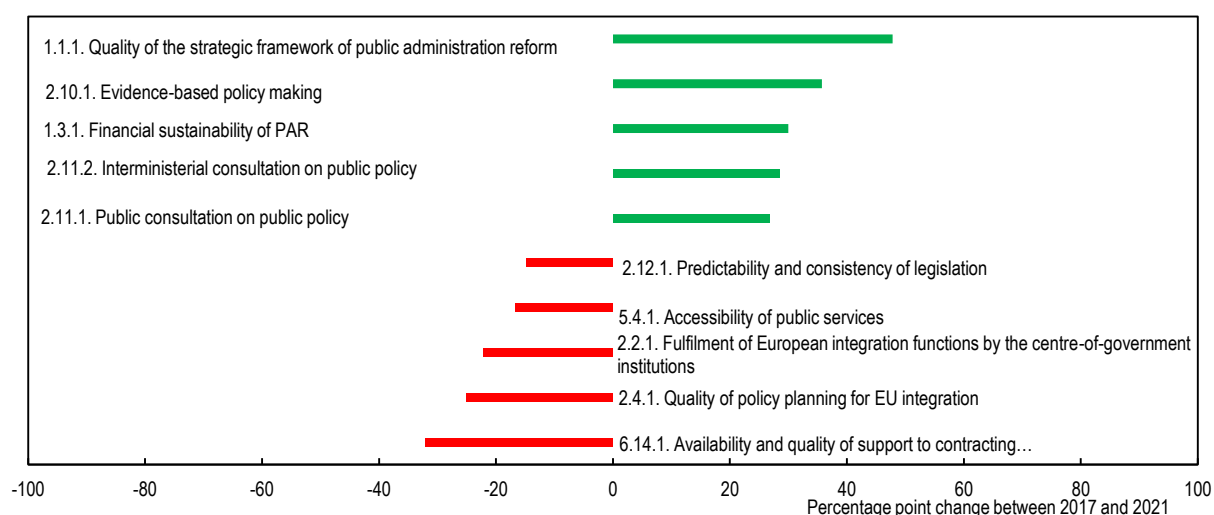


Source: Data provided by PPB, May 2021.

The way forward for PAR:

- The top management should be professionalised by adopting and implementing the Top Management Service Law.
- The key laws in the PFM area (organic budget law and PIFC law) should be adopted and effectively implemented.
- The Government should set a clear typology of central-government bodies and reduce the number of agencies reporting to the Assembly.
- The Government should ensure that the new legal packages are actually implemented by investing in administrative capacity of the responsible institutions and regular monitoring and evaluation.
- In developing the PAR and PFM reform agendas for the next period, the Government should ensure more purposeful implementation and monitoring through central planning and co-ordination, while involving the external stakeholders more systematically.

The quality, including financial sustainability, of strategies for PAR has improved from 2017 to 2021, as have evidence-based policy making and consultations on public policy. However support for contracting authorities in public procurement operations, then quality of policy planning for EU integration, accessibility of public services and scrutiny by external oversight bodies have all deteriorated during this period



Strategic Framework of Public Administration Reform

The Principles of Public Administration

Strategic Framework of Public Administration Reform

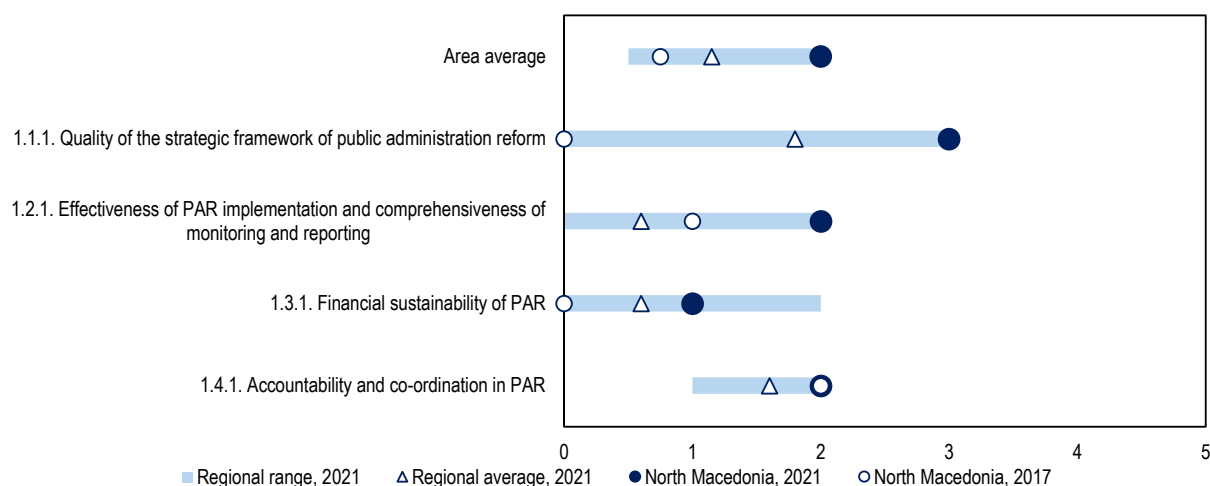
Principle 1	The government has developed and enacted an effective public administration reform agenda which addresses key challenges.
Principle 2	Public administration reform is purposefully implemented; reform outcome targets are set and regularly monitored.
Principle 3	The financial sustainability of public administration reform is ensured.
Principle 4	Public administration reform has robust and functioning management and co-ordination structures at both the political and administrative levels to steer the reform design and implementation process.

Strategic Framework of Public Administration Reform

Summary and recommendations

Compared to 2017, North Macedonia has made solid progress in the area of strategic framework of public administration reform (PAR), but some gaps and weaknesses still exist in the monitoring framework, co-ordination and the implementation of reforms. The average value of the four strategic framework of PAR indicators for North Macedonia is 2, which is higher than the value given in 2017 (0.8). It is also the highest in the region as of the end June 2021. Albania and North Macedonia are the only countries in the region that had valid and complete strategic frameworks covering all key areas of public administration as of the end of the assessment period in June 2021. North Macedonia has made solid progress in three out of four components of the strategic framework of PAR, but significant challenges exist, particularly with regard to effective monitoring and implementation of the planned measures.

Visible progress has been made in three out of four main strategic framework of public administration reform indicators compared to 2017. Accountability and co-ordination in PAR remain the same value, but still above the regional average.

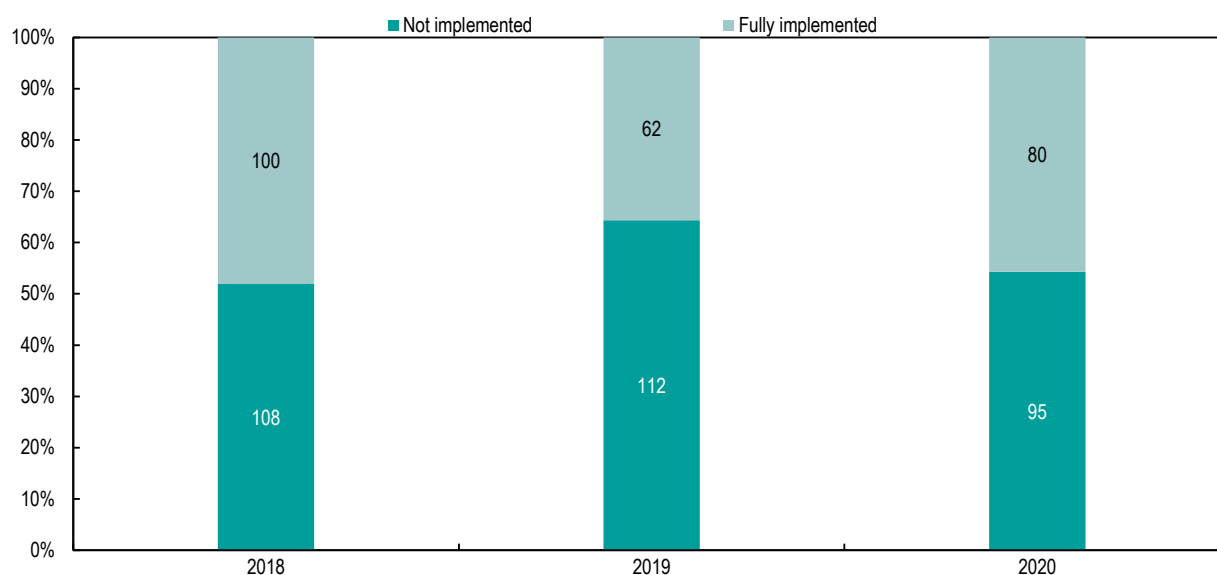


The overall quality of the strategic framework of PAR has improved since 2017, following the adoption of two strategic planning documents in 2018 and the establishment of key co-ordination structures for PAR. The current strategic framework covers all key areas of public administration and public financial management (PFM). Nevertheless, gaps and weaknesses still exist, particularly in the area of the prioritisation of PAR and alignment of PAR strategic documents with other key government planning documents, such as the Government Annual Work Programme (GAWP) and Economic Reform Programme. Both strategies are due to expire in 2021-2022, which necessitates active work on developing new strategic planning documents to ensure the continuity of reforms.

The actual effectiveness of reform implementation, as measured by the rate of full implementation of the annually planned activities, has been weak. Less than half of the annually planned PAR measures were fully implemented in 2018-2020. This highlights underlying weaknesses in the PAR planning, as well as potential gaps in resource allocation for reforms in public administration, which hinders full implementation of all planned measures. Key processes and structures for effective monitoring and reporting are established for both strategies. Annual progress reports are prepared and published regularly for both planning documents, but the process is often delayed and concluded very long after the end of the reporting period. This reduces the overall impact and relevance of monitoring and does not help address potential implementation issues on time. Assessing the progress of reforms towards the ultimate policy objectives is not possible, as the relevant outcome-level indicator framework is incomplete.

The financial sustainability of reforms is weak. Cost estimates are provided in the relevant planning documents, but confirming the source of funding for all planned measures requiring additional resources for implementation is not possible due to methodological issues. In general, financial monitoring of reforms is not conducted through annual progress reports and meetings to highlight potential gaps and weaknesses. Potential gaps in funding the reforms could be one reason for the overall low implementation of PAR activities.

Relatively slow implementation of planned reform activities in the PAR and PFM areas (annually planned and fully implemented activities), 2018-2020



Source: Annual monitoring reports of the PAR Strategy and PFM Reform Programme.

Organisational and management structures for PAR co-ordination, at both the political and administrative levels, are established, but they do not meet regularly or frequently enough to monitor PAR implementation effectively. Consultation and engagement with non-governmental organisations (NGOs) is not systematically done, particularly for the Public Administration Reform Strategy 2018-2022 (PARS). External stakeholders are primarily engaged during written consultation on draft planning documents or monitoring reports, but are less engaged through the formal monitoring structures.

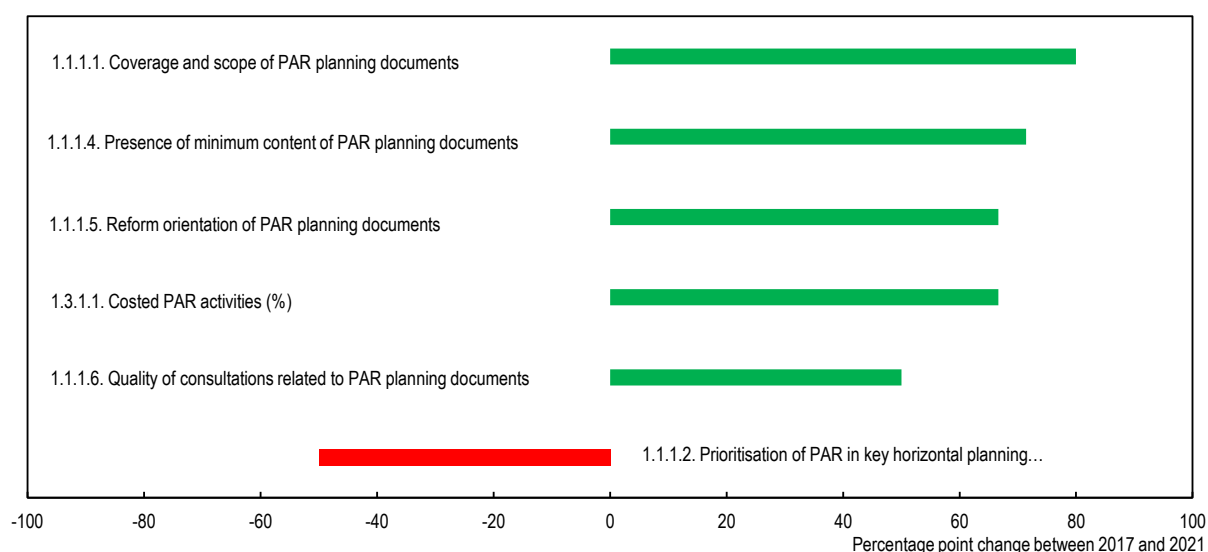
Short-term recommendations (1-2 years)

- 1) The Ministry of Information Society and Administration (MISA) and the Ministry of Finance (MoF), as the two key ministries responsible for PAR and PFM reforms, should monitor the implementation of planned reforms more closely to address potential issues and bottlenecks, including gaps in resource allocation and funding.
- 2) The MISA, through the relevant co-ordination structures, should strengthen its internal capacities for overall co-ordination and monitoring of the whole PAR agenda and ensure closer, more regular discussion of implementation issues with other key institutions, such as the General Secretariat (GS) and the MoF.
- 3) The MISA and the MoF should prepare and publish annual monitoring reports early in the reporting year and aim to complete the process, ideally by the end of the first quarter after the end of the reporting year. Findings of the monitoring report should be discussed thoroughly, with the involvement of external stakeholders, and corrective measures should be taken to address implementation issues.
- 4) The MISA and the MoF should develop and approve a new comprehensive PAR and PFM strategies beyond 2021-2022. The elaboration of new strategies should be based on a robust evidence and performance measurement methodology and ensure the active participation of all internal and external stakeholders.
- 5) The relevant co-ordination bodies for PAR and PFM reforms should engage and consult more actively with key external stakeholders and non-state actors throughout the monitoring process, including involving them in consultative meetings.

Medium-term recommendations (3-5 years)

- 6) The MoF, the MISA, the GS and other relevant institutions should develop and introduce a new methodology of costing strategic documents, to be used for financial planning, costing and monitoring of the strategic documents. The administration should ensure adequate funding of all reforms and conduct more regular financial monitoring of strategies to ensure financial sustainability of reforms.
- 7) The MISA and the MoF should initiate evaluation of the co-ordination and monitoring structures of the PAR and PFM strategies, particularly the functioning of the political- and administrative-level bodies based on the past experience, to ensure more effective functioning and better co-ordination across the two main reform areas.


The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Many sub-indicators recorded progress compared to 2017. However, the prioritisation of PAR in key government planning documents was found to have weakened



Analysis

Principle 1: The government has developed and enacted an effective public administration reform agenda which addresses key challenges.

Overall, the value for the indicator 'Quality of the strategic framework of public administration reform' is 3. This demonstrates significant progress since 2017, when the value of the indicator was 0. The main reason for the improvement is the fact that the Government has developed and enacted a comprehensive PAR agenda, which has been implemented since 2018.

Indicator 1.1.1 - Quality of the strategic framework of public administration reform						
This indicator measures the quality of the strategy for public administration reform (PAR) and related planning documents (i.e. to what extent the information provided is comprehensive, consistent and complete), including the relevance of planned reforms.						
A separate indicator (1.1.3) measures financial sustainability and cost estimates in detail.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Coverage and scope of PAR planning documents				4/5	+4	
2. Prioritisation of PAR in key horizontal planning documents				0/2	-1	
3. Coherence of PAR planning documents				0/4	=	
4. Presence of minimum content of PAR planning documents				5/7	+5	
5. Reform orientation of PAR planning documents (%)				2/3	+2	
6. Quality of consultations related to PAR planning documents				1/2*	+1	
Total				12/23	+11	

Note: *Data not available or provided.

In 2017 and 2018, the Government elaborated and adopted a new PAR strategic framework consisting of the Public Administration Reform Strategy 2018-2022 (PARS)¹ and the Public Financial Management Reform Programme 2018-2022 (PFMRP)². Both strategies are supported by detailed action plans to guide and help implementation in a co-ordinated and timely manner. Adoption of the new PAR strategic framework marks a significant improvement compared to 2017, when there was no planning document for steering the public administration reforms.

¹ Public Administration Reform Strategy (PARS) 2018-2022, February 2018. 2018-2022 Public Administration Reform Strategy Action Plan. <https://mioa.gov.mk/?q=en/node/2381>.

² Public Finance Management (PFM) Reform Programme 2018-2021, December 2017. <https://finance.gov.mk/public-financial-management-reform-programme-2018-2021-5/?lang=en>.

Table 1. Validity of PAR agenda strategies

	Adoption year	Revision(s) of the relevant Action Plan	Validity period until
Cross-cutting Strategy of Public Administration Reform 2018-2022 (PARS)	February 2018	October 2019	2022
Public Financial Management Reform Programme 2018-2021 (PFMRP)	December 2017	Annually	2021

Source: Documents and information provided by the administration.

The current PAR agenda comprehensively covers all PAR policy areas³. Analysis of major problems, policy objectives and specific reform activities is systematically elaborated for all five PAR areas. The only exception is the analysis of the current situation in the field of PFM, which lacks sufficient depth and is limited to brief references to some conclusions and findings of external assessments, without any analysis of the current state of affairs, major challenges or achievements supported by evidence.

The prioritisation of PAR in key horizontal government planning documents is weak. PAR is partially identified in the Government Programme of Work 2020-2024, covering only three out of five priority areas (public service and human resource management, accountability and service delivery). Even weaker prioritisation is observed in the Economic Reform Programme 2021-2023, as it addresses reform priorities only in the service delivery and PFM areas. Because there was no valid national plan for European integration for the assessment period, assessing the prioritisation of PAR in that horizontal planning document⁴ was not possible.

Analysis of PAR planning documents reveals several incoherencies and weaknesses. In particular, the level of ambition pertaining to indicator targets differs between the PFMRP targets and those provided in the annual action plans⁵. As the PFMRP action plan is approved on an annual basis, the relevant indicator targets, including the outcome-level targets for all policy objectives, are also being revised annually through the adoption of updated action plans. Such frequent revision of the targets is not envisaged in the PFMRP and makes the performance framework elusive.

A PAR-related legislative agenda is not consistently reflected and planned in the GAWP. Only one out of six laws planned in the PAR planning documents for adoption in 2021 was also included in the GAWP for 2021⁶.

PAR planning documents include policy objectives and indicators and provide a comprehensive set of activities with clear deadlines and information about responsible institutions. The process and standards of monitoring, reporting and evaluation are discussed in separate sections of the PFMRP and the PARS. Some 79% of all the PAR activities are assessed to be reform orientated. Specific targets are provided for only 69% of outcome-level indicators, including only 50% of those relevant for the PARS.

³ Key areas as defined in *The Principles of Public Administration (2017)*: policy development and co-ordination, public service and human resource management, accountability, service delivery and public financial management. <http://www.sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>.

⁴ The new National Programme for Adoption of the Acquis was approved by the Government on 29 June 2021.

⁵ For example, the target for the performance indicator 'Variance between total revenue outturn and original budgeted' is set at 95% in the strategy, while it is 70% in the action plan; the indicator for measuring the use of simplified procedures in customs controls is 5% to 10% (2022/2024), while there is no target in the action plan.

⁶ The following legislative initiatives from the 2021 Action Plan are not included in the 2021 GAWP: New Organic Budget Law; New Law on Private Public Partnership; Law on Concessions for goods of general interest; Law on Public Internal Financial Control; and harmonisation of the legal framework for the national e-portal and e-services (law not specified).

Table 2. PAR reform orientation and alignment with the Government Annual Work Programme (GAWP), 2021

	2021
Reform orientation of PAR activities (%)	79%
Alignment of PAR planning documents with GAWP) – share of planned draft laws that were also included in the GAWP (%)	17% (1 out of 6 planned laws was included in the GAWP)

Note: Calculated by SIGMA, based on SIGMA's Methodological Framework and using publicly available data and information.

Source: Publicly available data and information provided by the administration.

Although both strategies involved non-state actors in the development of the original PAR strategic document, engagement with stakeholders during the revisions of action plans at later stages has been limited. The PARS, its original Action Plan and the revised Action Plan of 2019 were presented and discussed in the framework of the Working Group and Thematic Working Groups established by the MISA⁷, as well as in several public events organised by the MISA in 2017 and 2019. The PFMRP Action Plans 2020 and 2021 were consulted via a written procedure⁸ with the PFM Sector Working Group⁹ and with the PFM Policy Dialogue; both structures involve representatives of NGOs.

However, no evidence was provided that the PARS, the PFMRP or their respective action plans had been exposed to broad public consultation for a period of at least two weeks. In general, NGO representatives raised the lack of structured engagement with external stockholders as an issue at a consultation meeting organised during the fact-finding stage of the assessment¹⁰.

The PFMRP is expiring at the end of 2021, while the expiry date of the current PARS is 2022. The administration has started a process of updating the PAR strategic framework¹¹.

Conclusion

The Government has enacted a comprehensive framework for PAR that covers all priority areas. PAR planning documents provide adequate information and analysis about policy objectives, indicators and activities and describe the monitoring frameworks, except for the PFM situation analysis, which is limited. PAR is identified as a priority only in the GAWP, but the coherence and alignment between PAR and other government planning documents are not fully ensured. Engagement with stakeholders during the preparation of PAR strategic planning documents has been limited.

⁷ Order of the Minister of Information Society and Administration No. 08/1-2336/2 of 26 July 2017 on the formation of Working Group for development of PAR Strategy (2017-2022).

⁸ According to the administration, written consultation was initiated because of the COVID-19 situation.


⁹ Minister of Finance Decision No. 04-6191/1 of 2 October 2020 on the formation of the PFM sector working group.

¹⁰ Based on feedback received from representatives of selected NGOs who attended the (online) consultation meeting with SIGMA in April 2021.

¹¹ Discussions have been held with SIGMA to provide methodological support during the preparation of the new PAR strategies and will continue in the second half of 2021.

Principle 2: Public administration reform is purposefully implemented; reform outcome targets are set and regularly monitored.

Overall, the value for the indicator 'Effectiveness of PAR implementation and comprehensiveness of monitoring and reporting' is 2. This marks an improvement compared to the 2017 assessment, when the same indicator was assessed to be 1. The progress is mainly due to the fact that regular PAR monitoring reports were prepared and published during the past period, albeit with some delays.

Indicator 1.2.1 - Effectiveness of PAR implementation and comprehensiveness of monitoring and reporting						
This indicator measures the track record of implementation of PAR and the degree to which the goals were reached. It also assesses the systems for monitoring and reporting of PAR.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021		Change from 2017	
1. Comprehensiveness of PAR reporting and monitoring systems			5/7		+2	
2. Implementation rate of PAR activities (%)			1/4		+1	
3. Fulfilment of PAR objectives (%)			0/4		=	
Total			6/15		+3	

The monitoring and reporting framework for the PAR agenda is established and functioning, with some weaknesses that affect the overall implementation. The MISA (for the PARS) and the MoF (for the PFMRP) are the two lead ministries responsible for the PAR strategic framework in their respective areas. They are tasked with ensuring the effective functioning of the monitoring and reporting framework under the leadership of two political-level bodies: the PAR and PFM Councils.

Both strategies contain indicators linked to all policy objectives, but they are not described in detail, which limits effectiveness and use. Only 50% (8 out of 16) of PARS indicators have detailed information on the definition, data sources and calculation formulas that are provided in indicator passports. However, there is no evidence that these passports, which are separate documents, are formally approved and published. None of the PFMRP indicators are described in detail. This creates weaknesses in the effective monitoring of progress towards the agreed objectives.

Annual PARS and PFMRP monitoring reports have been regularly prepared and submitted to the PAR and PFM Councils for discussion and subsequent approval. However, the preparation and publication of other monitoring reports envisaged by the formal monitoring frameworks of these strategies, such as semi-annual reports, were prepared with varying frequency (Table 3). Six monthly PARS reports are prepared and published regularly, as envisaged by the PARS¹². Semi-annual monitoring reports for the PFMRP are also prepared regularly, but they cover different reporting periods.

Additionally, annual monitoring reports for both strategies are generally prepared very long after the end of the reporting year. The 2020 PARS monitoring report was prepared and first discussed by the MISA in June 2021 but only formally approved by the Government in August 2021¹³. Late approval of annual progress reports limits the effectiveness and usefulness of monitoring and reporting and makes it very hard to make effective and timely interventions to improve implementation in problematic areas.

¹² PARS Chapter 4 envisages that the MISA will submit a report on the implementation of the PARS Action Plan 2018-2022 to the PAR Council every six months and to the Government once a year. The reports will be published on the MISA website.

¹³ The 2020 monitoring report was discussed at an online meeting, organised by the MISA, on 16 June 2021. It was later discussed at the meeting of the PAR Council in July 2021 and approved by the Government on 3 August 2021.

Table 3. Frequency of publication of PAR and PFMRP monitoring reports and the formal requirements

	Actual monitoring reports produced			Formal requirements based on strategic framework
	Year	Annual	6 monthly	
Public Administration Reform Strategy (PARS)	2020	Yes	Yes	Annual/6 monthly
	2019	Yes	Yes	
	2018	Yes	Yes	
Public Financial Management Reform Programme (PFMRP)	2020	Yes	Yes (8 months)	Annual/6 monthly
	2019	Yes	Yes	
	2018	Yes	Yes (5 months)	

Source: SIGMA analysis, based on the information provided during the assessment.

The annual monitoring reports of the PARS and the PFMRP generally contain information on the implementation of reform activities and measures. The PARS monitoring report also provides information about the outcome-level indicators, while the PFMRP does not report on progress towards the achievement of objectives and outcome-level indicators.

NGOs are involved in monitoring the implementation of both PAR planning documents. The MISA consulted (in writing) with NGOs on the draft 2019 PARS monitoring reports before they were finalised and approved. There was a written (e-mail) consultation with the members of the PAR Sector Working Group, which includes non-governmental stakeholders, on the draft 2020 PARS report. The members of the PFM Sector Working Group and the PFM Policy Dialogue were consulted on the PFMRP annual reports; both bodies involve NGO representatives. The original deadlines for providing comments were found to be short. But more time was allowed for comments in practice because of the postponement of the planned meeting. Limited consultation was confirmed to be an issue during the assessment interviews SIGMA had with selected civil society organisations.

Overall, the implementation rate of PAR activities is rather low. In 2020, only 46% of activities are assessed to have been fully implemented¹⁴.

Table 4. Implementation rate of PAR activities for reporting years 2018-2020

	2018	2019	2020
All planned PAR activities (including those carried forward)	208	174	175
<i>Public Administration Reform Strategy (PARS)</i>	120	70	73
<i>Public Financial Management Reform Programme (PFMRP)</i>	88	104	102
Fully implemented PAR activities	100	62	80
PARS	56	31	16*
PFMRP	44	31	64
Overall PAR implementation rate (%)	48%	36%	46%

Source: SIGMA analysis, based on the annual monitoring reports and official implementation results provided by the administration during the SIGMA monitoring assessment. Calculations are based on the annually planned and fully implemented activities.

The fulfillment rate of PAR objectives for 2020 could not be fully assessed because only the PARS monitoring report contains information on the achievement of objectives. Six out of fifteen PARS objectives

¹⁴ Based on the information provided as of June 2021. The relevant sub-indicator assessing the implementation rate is 0 because the implementation rate (46%) is below the 50% threshold established by the SIGMA Monitoring Assessment methodology.


were fully achieved at the end of the assessment period (40% fulfillment rate). The PFMRP report does not provide any information about progress towards the achievement of outcome-level indicators.

Conclusion

Key elements of the monitoring and reporting framework for the PAR strategic framework are formally established. Annual monitoring reports for both strategies are prepared and published regularly but with significant delays during the reporting year, which reduces their usefulness and relevance. The actual implementation of the planned measures is low for both strategies. The performance measurement framework for measuring progress towards the achievement of objectives is incomplete, as outcome-level indicators are not fully established and monitored for either strategy. NGOs are involved in PAR agenda monitoring, but the engagement mechanisms and timeline for consultation is limited.

Principle 3: The financial sustainability of public administration reform is ensured.

Overall, the value for the indicator 'Financial sustainability of PAR' is 1. This marks an improvement compared to 2017, when the value of the indicator was assessed to be 0. The progress is mainly due to the fact that the new PAR strategic agenda provides information about cost estimates and sources of funding for reform measures.

Indicator 1.3.1 - Financial sustainability of PAR						
This indicator measures to what extent financial sustainability has been ensured in PAR as a result of good financial planning.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021		Change from 2017
1. Costed PAR activities (%)				2/3		+2
2. Completeness of financial information in PAR planning documents				1/4*		+1
3. Actual funding of the PAR agenda				0/3		=
Total				3/10		+3

Note: *Data not available or provided.

Overall, about 92% of PAR activities planned for implementation in the PARS and the PFMRP have cost estimates provided in the respective planning documents. However, detailed information about the calculation method and source data is not always presented clearly and transparently. This raises concerns about the overall financial sustainability of the reform programme.

Both the PARS and the PFMRP provide information about the sources of funding of the costed reform measures. Over half of all reform activities are planned to be funded by donors. The administration has a practice of amalgamating and presenting the financial costs of multiple donor-funded activities under a single budget line of a donor-funded project or programme in the PAR planning documents. In the absence of full information about the actual budgets of those donor-funded programmes, it is not possible to understand and verify fully those financial estimates. The share of activities presented in this manner is particularly high in the PFMRP, where about 52% of all activities are cross-referenced under other, combined activities. The share of such activities for the PARS is 13%.

Furthermore, 24% of all activities planned in the PARS and the PFMRP are categorised as "not requiring funding" (29% for the PARS and 4% for the PFMRP). This suggests that the administration expects the reforms to be implemented without requiring additional administrative and/or financial resources.

However, a detailed review of a selected number of such activities suggests that additional resources might be needed to ensure full implementation of the planned changes¹⁵.

The PARS costing is carried out based on a detailed costing model that provides information about various categories of costs, such as temporary/one-off (e.g. training, investment) and recurrent (e.g. wages, office). No detailed information about the method or categorisation of various costs needed for implementation of PFMRP measures is available.

A sample of PAR reform measures planned to be funded by the state budget and donors was reviewed as part of the assessment to confirm the availability of estimates and funds. However, relevant information from the state budget and donor-funded programme was not available, which raises further concerns about the financial sustainability of reforms.

Financial information is not systematically monitored, reviewed and updated by the respective bodies responsible for monitoring the implementation of the PARS and the PFMRP. This is particularly an issue with regards to activities that are not costed.

Conclusion

Although cost estimates and sources of funding are indicated for the majority of PAR measures of the PARS and PFMRP, there are concerns about the reliability and robustness of those estimates. Funding of activities relies heavily on external aid, with over half of activities planned to be implemented with donor support. No monitoring of financial resource allocation and spending on reforms is conducted, and no information is available about the current financial gap of PAR. Weak financial planning of reforms might be one reason for the low implementation of PAR.

¹⁵ For example, the following PARS activities are categorised as not requiring additional cost: A 3.1.2.6 Reorganisation of state administration bodies, agencies and central government inspection services; and A 4.2.2.5 Translation and adaptation of the latest Common Assessment Framework (CAF) model version (CAF2020).

Principle 4: Public administration reform has robust and functioning management and co-ordination structures at both the political and administrative levels to steer the reform design and implementation process.

Overall, the value for the indicator ‘Accountability and co-ordination in PAR’ is 2. The assessment of the indicator has not changed since 2017. While formal management and co-ordination structures for PAR exist, they are not effectively functioning in practice.

Indicator 1.4.1 - Accountability and co-ordination in PAR						
This indicator measures the extent to which leadership and accountability in PAR are established, the regularity and quality of co-ordination mechanisms at both the political and administrative level, and the performance of the leading institution.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Establishment of organisational and managerial accountability for PAR				4/6	=	
2. Co-ordination mechanisms for PAR				2/10	=	
Total				6/16	=	

The overall framework for PAR agenda management, co-ordination and monitoring remains unchanged compared to the 2017 assessment. The MISA is the main body responsible for PARS co-ordination and management, while the MoF is the lead institution responsible for the PFMRP¹⁶.

The PARS and the PFMRP define the MISA and the MoF as lead institutions in charge of the preparation of monitoring reports. These two ministries also serve as secretariats for the relevant political- and administrative-level co-ordination bodies.

Two new political-level co-ordination bodies have been established to steer the overall PAR agenda: the Public Administration Reform Council¹⁷ (chaired by the Prime Minister) and the Public Financial Management Council¹⁸ (chaired by the Minister of Finance). Both Councils convene to discuss PAR agenda issues, but they have not been meeting regularly in recent years. While the PFM Council met twice in 2020, no meetings of the PAR Council took place in the main assessment year¹⁹.

At the administrative level, two separate bodies – the PAR Council Secretariat²⁰ (chaired by the Deputy Minister of Information Society and Administration) and the PFM Sector Working Group²¹ (chaired by the Minister of Finance) – were established to co-ordinate and lead the implementation of reforms. The administrative co-ordination bodies were not meeting regularly. In 2020, the PAR Council Secretariat met once, and the PFM Sector Working Group met three times.

There is no evidence of co-ordination of activities, such as discussion of the draft agendas or timetables of meetings, of the structures responsible for PAR and PFM to ensure overall coherence of PAR agenda implementation. Furthermore, there is no evidence that political- and administrative-level discussions cover substantial PAR agenda issues. With the exception of the PAR Council meeting discussions in

¹⁶ Law on Organisation and Operation of State Administrative Bodies, Official Gazette No. 58/2000, No. 44/2002, No. 82/2008, No. 167/2010 and No. 51/2011.

¹⁷ Order of the Government of North Macedonia No. 24-8582/1 of 19 December 2017 on the formation of the PAR Council.

¹⁸ Order of the Vice Prime Minister No. 44-638/1 of 6 February 2018, Official Gazette No. 28 of 12 February 2018.

¹⁹ No evidence of the meeting was provided during the assessment.

²⁰ Decision of the Minister of Information Society and Administration No. 08/14215/1 of 16 February 2018.

²¹ Decision of the Minister of Finance No. 04-6191/1 of 2 October 2020.

202022, the majority of the issues considered relate to the approval of periodic reports or annual action plans²³.

The managerial responsibility for PAR is assigned to an organisational unit in the MISA responsible for the co-ordination of the development of public administration. The unit is responsible for the co-ordination of the process of preparing, monitoring and reporting PAR strategies and action plans²⁴. The Instrument for Pre-accession Assistance (IPA) and the National Programme for Adoption of the Acquis (NPAA) Unit within the MoF act as a technical secretariat to support the functioning of the PFM Sector Working Group and the PFM Council²⁵. Managerial or specific organisational unit-level responsibility for reform activities is not established for most of the measures.

Non-governmental stakeholders are not systematically involved in the co-ordination mechanisms of the PAR agenda. Consultation is taking place largely through formal structures (such as the PFM Sector Working Group) or in writing (e-mail) during the preparation of the monitoring reports. There is no evidence of NGO involvement in the meetings discussing the monitoring of the PARS.

Conclusion

Organisational and managerial responsibility is formally established for the overall co-ordination and monitoring of the PAR agenda. Separate political- and administrative-level co-ordination bodies are established to steer, co-ordinate and manage the reforms, but they do not meet regularly. Consultation and engagement with NGOs is not systematically done for the PARS.

²² On 16 and 24 December 2020, the PAR Council discussed the issue of state reorganisation implemented by a project funded by the European Union (EU).

²³ The PFM Sector Working Group also discussed issues related to programming EU support, which is not considered to be a PAR agenda-related item.

²⁴ Rulebook of systematisation of the Ministry of Information Society and Administration No. 01-1716/2 of 27 May 2020.

²⁵ Rulebook of systematisation of the Ministry of Finance of October 2020.

Policy Development and Co-ordination

The Principles of Public Administration Policy Development and Co-ordination

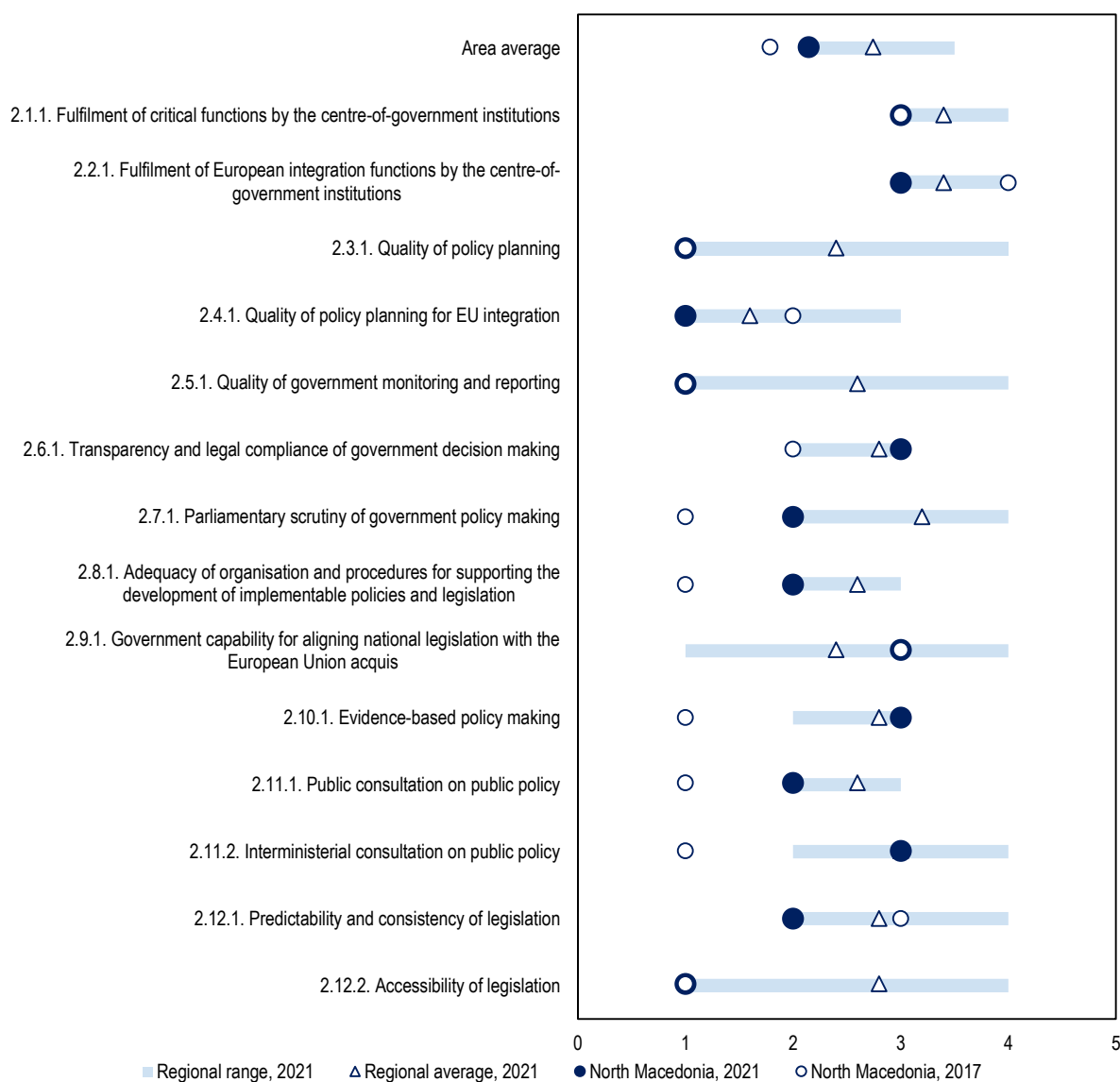
Principle 1	Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.
Principle 2	Clear horizontal procedures for governing the national European integration process are established and enforced under the co-ordination of the responsible body.
Principle 3	Harmonised medium term policy planning is in place, with clear whole of government objectives, and is aligned with the financial circumstances of the government; sector policies meet the government objectives and are consistent with the medium term budgetary framework.
Principle 4	A harmonised medium term planning system is in place for all processes relevant to European integration and is integrated into domestic policy planning.
Principle 5	Regular monitoring of the government's performance enables public scrutiny and supports the government in achieving its objectives.
Principle 6	Government decisions are prepared in a transparent manner and based on the administration's professional judgement; legal conformity of the decisions is ensured.
Principle 7	The parliament scrutinises government policy making.
Principle 8	The organisational structure, procedures and staff allocation of the ministries ensure that developed policies and legislation are implementable and meet government objectives.
Principle 9	The European integration procedures and institutional set up form an integral part of the policy development process and ensure systematic and timely transposition of the European Union <i>acquis</i> .
Principle 10	The policy making and legal drafting process is evidence based, and impact assessment is consistently used across ministries.
Principle 11	Policies and legislation are designed in an inclusive manner that enables the active participation of society and allows for co-ordination of different perspectives within the government.
Principle 12	Legislation is consistent in structure, style and language; legal drafting requirements are applied consistently across ministries; legislation is made publicly available.

Policy Development and Co-ordination

Summary and recommendations

Overall, compared to 2017, North Macedonia has made some progress in the policy development and co-ordination area. The average value of the policy development and co-ordination indicators rose during the assessment period, from 1.8 in 2017 to 2.1 in 2021. However, it is still lower than the regional average of all Western Balkans countries (2.7). The improvement in the indicator value compared to 2017 is primarily due to a more consistent application of the critical tools for evidence-based and participatory policy making and to some improvement in the transparency of government decision making. However, major weaknesses and gaps still exist in both the regulatory and the methodological frameworks for government policy development and policy planning and monitoring, including European Union (EU) integration planning, as well as in the implementation and enforcement of key procedures and functions required for the effective functioning of the centre of government (CoG).

While some improvement is observed compared to 2017, North Macedonia results are below the regional average of Western Balkans countries



Most CoG functions are formally established, but weaknesses and gaps exist in regulations and guidance, as well as in implementation and policy co-ordination by the CoG institutions.

Co-ordination and co-operation among CoG institutions during the preparation of key planning documents, such as the Government Annual Work Programme (GAWP), are not fully ensured. Final checks on policy proposals and supporting materials by the CoG, including checks on the quality of policy coherence, are not systematically carried out. In 2020, several new structures were created within the Office of the Prime Minister (OPM) to reinforce the implementation of the strategic planning, monitoring and policy co-ordination functions. However, these changes risk creating overlaps and confusion among other key CoG institutions, such as the General Secretariat (GS), regarding the ultimate ownership and responsibility for performing those essential functions.

The institutional and regulatory framework for European integration (EI) co-ordination was revised and upgraded in 2019 to be better prepared for the EU accession negotiations phase.

However, the new co-ordination mechanisms are not yet fully functional. The Secretariat for European Affairs (SEA) is the key CoG institution tasked to lead and co-ordinate the EI activities. The SEA has a strong organisational structure and leadership under the Deputy Prime Minister of the Government in charge of European Affairs, but EI planning and monitoring have gaps and weaknesses in both the regulatory and the methodological frameworks, as well as in the actual implementation. The new national plan for the EU *acquis* alignment (National Programme for Adoption of the Acquis [NPAA]) for 2021-2025 was approved by the Government in June 2021, about 18 months after the expiry of the previous plan, creating a gap in government planning for EI. Implementation of procedures and tools for effective EU law transposition, such as tables of concordance (ToCs) and interministerial consultations, are well institutionalised, organised and implemented in practice. However, the organisation of translations of the *acquis* is not planned and ensured adequately and in a timely manner.

A medium-term government planning system is established, but it has gaps, particularly in the area of sector strategy development and monitoring, and the quality of the planning documents is still weak.

Despite the recent efforts of the GS, the preparatory process of the new regulatory basis for sector strategy development is slow, and the whole area remains unregulated. Alignment and coherence between government plans is not ensured, and a high number of GAWP measures are carried forward from one year to another (58% from 2020 to 2021). Central oversight, monitoring and quality control on sector strategy development is not institutionalised. Sectoral strategies of ministries are prepared using differing methodological approaches and standards and often lack action plans to help plan and monitor implementation to achieve the ultimate policy goals. There is no practice of preparing and publishing regular monitoring reports on the implementation of key government planning documents, with the exception of the report on the state budget.

Some progress is observed in the area of the transparency and legal compliance of government decision making, largely because the agenda and minutes of the government sessions are now publicly available through a central website.

This may have contributed to the improvement in businesses' perception of the clarity and stability of government policy making, as measured by the Balkan Barometer survey.

North Macedonia has one of the highest rates of processing and adopting laws in shortened or urgent proceedings, which remains a major concern (60% in 2020).

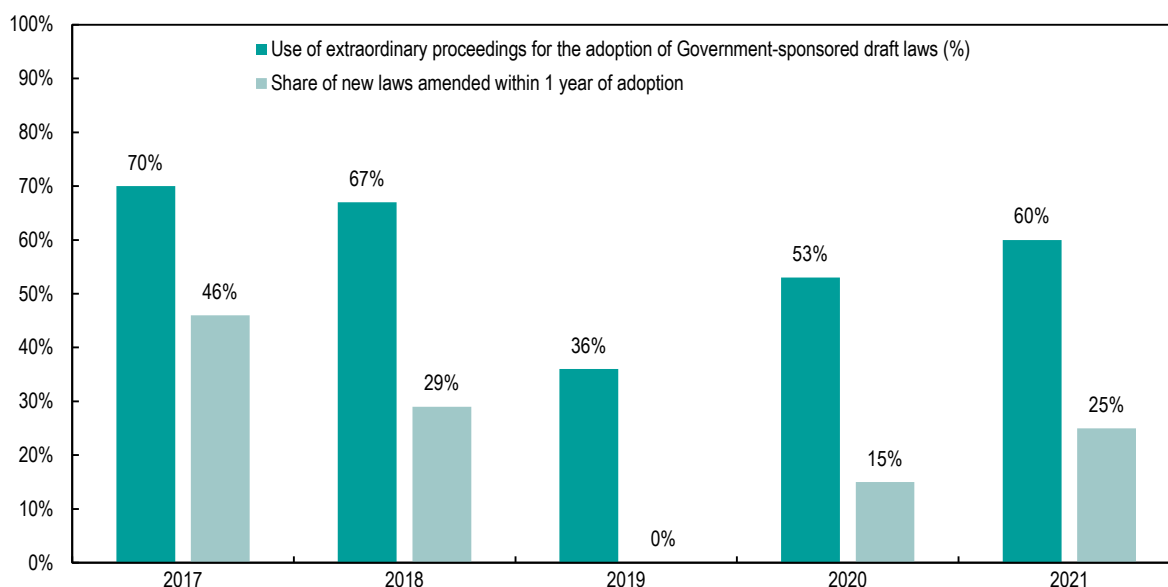
Overall, the level of implementation of the government legislative plan is low; only 15% of all approved government-sponsored laws in 2020 were originally planned in the GAWP, which shows the shortcomings in government legislative planning. Formal rules and procedures for the Parliament's scrutiny of policy making and co-ordination of legislative activities are established, but the Parliament does not initiate evaluation of major policies and laws.

Some improvements are observed in the area of evidence-based and consultative policy making compared to 2017, largely due to a more consistent application of the Regulatory Impact Assessment (RIA) and public consultation rules.

However, the quality of RIA reports and their impact on final policy design and decision making by the Government remain very limited. The process of RIA is initiated late. The capacity and mandate of the Ministry of Information Society and Administration (MISA), as the oversight body, in scrutinising the content of RIA reports and overseeing the overall management

of the system is not adequate to the demands and workload. There is a comprehensive online register of regulations (Single National Electronic Register of Regulations [SNERR]), which is utilised effectively to provide key guidance documents and facilitate public consultation. Other tools and methods for engagement with stakeholders during policy development are not systematically used. The function of oversight over the public consultation process is not institutionalised, and no reporting on public consultation exists. Interministerial consultations are carried out more consistently compared to 2017.

The share of laws adopted through shortened or urgent proceedings and the share of laws amended within a year of adoption are worryingly high for North Macedonia, suggesting serious problems in legislative planning and the quality and stability of laws



Source: SIGMA analysis, based on publicly available data on the legislative activities of the preceding year, and the SIGMA assessment methodology. Information from an unofficial report of the Parliament was used to estimate the share of laws approved through extraordinary proceedings in 2020 because the full annual report was not available.

No major changes are recorded in the area of the predictability, consistency and accessibility of legislation since 2017. The share of new legislation amended one year after adoption decreased from 46% in 2017 to 25% in 2021. The mandatory bylaws are not prepared and approved in time to ensure a complete and clear regulatory framework for policy implementation. The accessibility of primary and secondary legislation to the public remains limited, as online access to the full database of laws is not free. Legislation and regulations are accessible through several alternative sources, ensuring easy access by businesses and citizens to major laws. This may have contributed to a slight improvement in businesses' perception of the accessibility of legislation, as the share of positive responses to the survey increased from 60% in 2017 to 65.5% in 2021. Consolidated official versions of legislation are still not available.

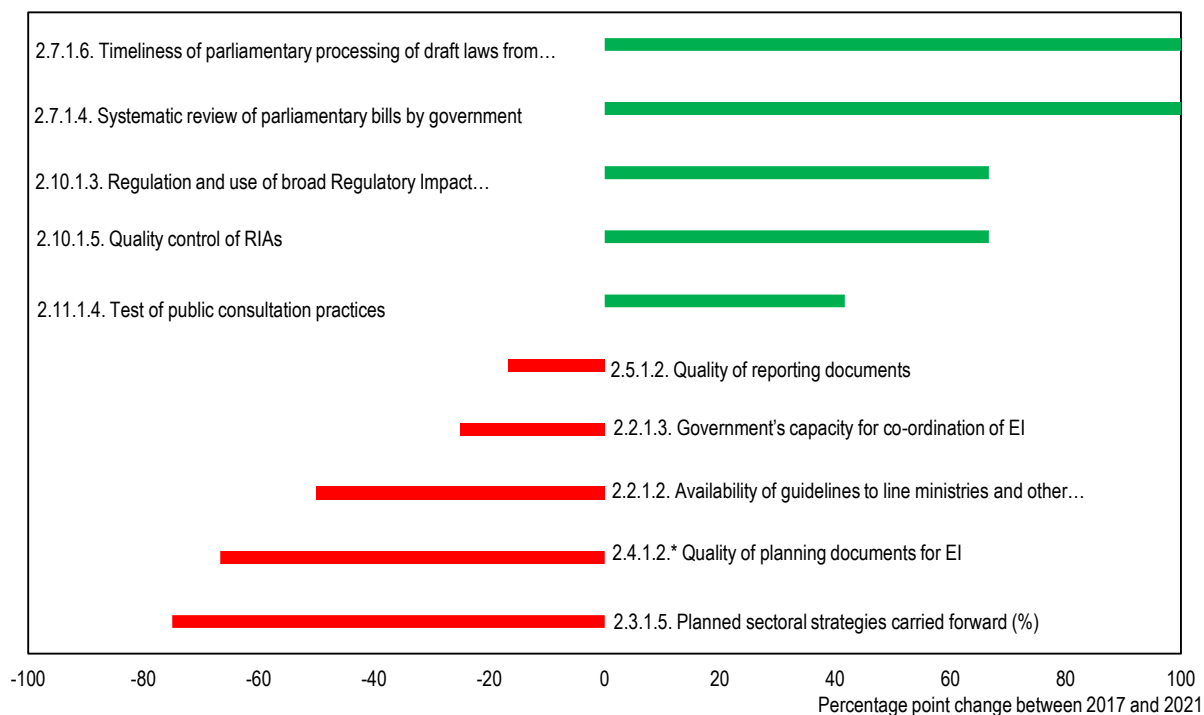
Short-term recommendations (1-2 years)

- 1) The GS should ensure consistent and full implementation of all assigned CoG functions, including final checks on the content of proposals, to ensure policy coherence and checks on compliance with the RIA and public consultation requirements. The role of the OPM secretariats in policy planning, monitoring and co-ordination needs to be clarified to avoid confusion and unnecessary duplication with core functions performed by other CoG institutions, such as the GS.
- 2) The Government, in consultation with the Parliament, should review the existing regulations, criteria and practice for approving laws through urgent proceedings with the objective of reducing the number of laws processed through non-standard procedures to a minimum.
- 3) The GS, in collaboration with the Ministry of Finance (MoF) and other key institutions, should develop and approve a new regulatory and methodological framework for sector strategy development and monitoring, including costing of strategies. It should result in the adequate funding of strategies through better costing and financial planning in the state budget.
- 4) The Government should strengthen the regulations for regular monitoring and reporting on government performance, including reporting on the GAWP and the NPAA, and ensure their consistent and full implementation.
- 5) The GS should make sure that the draft agendas of the government sessions are published before the meetings.
- 6) The SEA should strengthen the regulatory and methodological framework enabling NPAA development, monitoring and reporting. The SEA should prepare annual updates to the multi-year NPAA to ensure that the EI plan is relevant, up to date and aligned with other planning documents, such as the GAWP.
- 7) The SEA and the MoF should ensure the adequate planning, funding and preparation of translations of the *acquis* to help achieve evidence-based transposition of EU law.
- 8) The Government should strengthen the mandate and capacity of the MISA, as the RIA oversight body, to ensure more effective and consistent quality control of RIAs, including checks on the content and analysis, and ensure regular trainings for ministries to improve the quality of RIAs and the initiation of RIA early in the process.
- 9) The Government should strengthen central oversight and reporting on public consultation by assigning the function to a CoG institution. More consistent checks should be carried out.
- 10) The Government should ensure that all secondary legislation and guidelines required for the effective implementation of primary laws are developed and adopted before the relevant provisions are set to come into effect.

Medium-term recommendations (3-5 years)

- 11) The SEA, in collaboration with other key government institutions, should assess the effectiveness of the EI co-ordination mechanisms and the planning system to make sure that they are adequate to the needs and requirement of the next stage of EI and accession negotiations when they commence.
- 12) The Government, in consultation with the Parliament, should develop and implement a programme for preparing official consolidated versions of all primary and secondary legislation. All legislation should be made available free of charge to the public through the Official Gazette website.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Some of the biggest changes in sub-indicator values since 2017 demonstrate the improvements in evidence-based policy making, but also highlight the gaps and weaknesses in government planning



Note: The * marks where points have been deducted because data was not available or of poor quality.

Analysis

Principle 1: Centre-of-government institutions fulfil all functions critical to a well-organised, consistent and competent policy-making system.

Overall, the value for the indicator 'Fulfilment of critical functions by the centre-of-government institutions' is 3. Despite some changes in the existing regulations and procedures, the overall assessment remains the same as in 2017. Co-ordination and co-operation among the CoG institutions during the preparation and approval of key planning and policy documents remain weak.

Indicator 2.1.1 - Fulfilment of critical functions by the centre-of-government institutions

This indicator measures to what extent the minimum requirements for functions critical to a well-organised, consistent and competent policy-making system are fulfilled by the centre-of-government (CoG) institutions.

As this indicator is used to assess the fulfilment of the minimum requirements, it does not measure outcomes or include quantitative sub indicators. The outcomes of some of these critical functions are captured by other indicators on policy development and co-ordination.

Overall 2021 indicator value	0	1	2	3	4	5
				Points	Change from	
				2021	2017	
1. Critical functions are assigned to CoG institutions by legislation				7/8	=	
2. Availability of guidelines to line ministries and other government bodies				3/4	=	
3. Institutionalisation of co-ordination arrangements between the CoG institutions				0/4	=	
Total				10/16	=	

The legislative and regulatory framework necessary for the implementation of the critical CoG functions is built around the Law on Government²⁹ and the government rules of procedure³⁰ (RoP). The RoP establish detailed procedures and rules on the organisation and functioning of the government decision-making system, the key steps and processes of government policy planning and policy making.

Almost all key CoG functions³¹ required for effective and well-organised policy making and policy planning are formally established in the existing regulations and are assigned to the relevant institutions. The existing regulations do not establish clear requirements and procedures for a CoG body to carry out systematic checks on policy content of individual proposals to make sure that they are coherent and aligned with the Government's priorities.

The main CoG institutions performing the critical functions are the GS, which is responsible for the preparation and organisation of the government sessions, the co-ordination and preparation of approval of government priorities, and the GAWP, monitoring the Government's performance and co-ordinating activities with other state institutions, as well as co-ordinating and supporting the Government's communication activities. The Secretariat for Legislation (SL) is responsible for ensuring the legal conformity of policy proposals and the compatibility of new legislation with the *acquis*. The MoF is tasked to perform fiscal impact and financial affordability checks on policy proposals. This supplements the implementation of the RIA on all primary legislation, which is overseen by the MISA. The SEA is

²⁹ Law on the Government, Official Gazette No. 59/2000 with subsequent amendments.

³⁰ Rules of Procedure (RoP) of the Government, Official Gazette No. 38/2001 with subsequent amendments.

³¹ Critical functions of the CoG, defined in OECD (2017), *The Principles of Public Administration*, OECD, Paris, p. 19, http://www.sigmaxweb.org/publications/Principles-of-Public-Administration_Edition-2017_ENG.pdf.

responsible for the co-ordination of the EI process. 2020 data on staffing levels in key CoG institutions shows that there is a large discrepancy between the planned and actual number of staff³².

Table 1. Planned and actual staff allocated to perform key CoG functions (estimated)

Centre-of-government function	Centre-of-government institution	Number of staff	
		Planned (2020)	Actual (2020)
Co-ordination of the preparation of the government sessions	General Secretariat of the Government	57	29
	Department for normative and legal matters related to the government sessions and the working bodies of the Government		
Ensuring legal conformity	Secretariat for Legislation	68	16
	Departments for financial policy, fiscal policy, political system and public interest affairs, and sustainable development		
Co-ordination of the preparation and approval of the Government's strategic priorities and work programme	General Secretariat of the Government	14	8
	Department for strategy, planning and monitoring		
Co-ordination of the policy content of proposals for the Government's decision, including defining the policy preparation process and ensuring coherence with the Government's priorities	General Secretariat of the Government	21	17
	Department for policy analysis and co-ordination		
Ensuring that the policies are affordable; co-ordination of public-sector resource planning	Ministry of Finance	56	27
	Budget and Funds Department		
Co-ordination of the Government's communication activities to ensure a coherent government message	General Secretariat of the Government	36	21
	Department for public relations		
Monitoring the Government's performance to ensure that the Government collectively performs effectively and keeps its promises to the public	General Secretariat of the Government	14	7
	Department for strategy, planning and monitoring		
Managing the relationship with i) the Parliament and ii) the Office of the President	General Secretariat of the Government	7	2
	Unit for co-operation with the Parliament and the President		

Note: Some units may be performing and/or supporting several CoG functions.

Source: SIGMA analysis, based on the data and information provided by the North Macedonia administration during the data-collection process in March 2021.

Formal guidelines³³ are available for line ministries and government institutions to contribute to the preparation and monitoring of the GAWP and ministerial strategic plans. These guidelines include methodological advice, templates and tools on how to prepare and contribute to the preparation and monitoring of the key government planning documents. Guidelines are also available on legal drafting, policy development and public consultations. However, there is still no regulation or methodology for the

³² Based on the information provided by the administration during the data-collection process in March/April 2020. It is estimated that, on average, as of the end of 2020, about half of the planned positions in key CoG units were vacant. There are likely to be issues with the quality and reliability of the estimates of the planned staffing levels, which are based on the systematisation of the relevant institutions. Regardless, this poses concerns about the quality of planning and resource allocation for key CoG institutions.

³³ Guidelines for the handling of ministries and other state bodies in the preparation and monitoring of the implementation of the GAWP, Official Gazette No. 22 of 16 February 2015; Instructions for amending the Guidelines for the handling of ministries and other state bodies in the preparation and monitoring of the implementation of the GAWP, Official Gazette No. 222 of 28 October 2019.

preparation and monitoring of sectoral strategies. This was identified as a gap in 2017, but no progress has yet been made to address the issue.

Co-ordination and co-operation among CoG institutions during the preparation of key planning documents and in reviewing and scrutinising major policy proposals to ensure their coherence and consistency with the Government's priorities is limited. There is no formal requirement or practice to co-ordinate and harmonise positions of the CoG bodies to provide unified advice for final decision making.

The RoP were amended in 2020 to strengthen the role of the OPM in government decision making, which can strengthen the CoG³⁴. Three secretariats were created within the OPM to support the implementation of several CoG functions³⁵. However, it is not clear how the enhanced role of the OPM will affect the overall co-ordination and effectiveness of the implementation of the core CoG functions by the GS and other CoGs, such as the SEA, the LS and the MoF. Moreover, if roles and responsibilities are not clearly established, a risk of overlap and confusion will be created by this recent change.

Conclusion

All CoG functions, except those for the co-ordination of policy content, are formally established through regulations and are assigned to the relevant CoG bodies. Implementation of the CoG functions are enforced by a set of official guidelines, except for strategy development. Co-ordination and co-operation among CoG institutions in the preparation of the GAWP and in consolidating final CoG opinions on proposals remain weak. There are risks of potential overlap between CoG bodies in performing some functions.

³⁴ Decision on Establishment of the OPM of the Republic of North Macedonia, Official Gazette No. 9/03, No. 15/07, No. 20/12, No. 156/16, No. 6/20 and No. 279/20.

³⁵ In 2020, three new secretariats were established within the OPM: i) the Secretariat for Organisation and Administration of the Work of the Prime Minister, which provides administrative and legal support to the Prime Minister; ii) the Secretariat for Communication and Public Policies, which is responsible for the Communication Strategy of the Government, transparency, public relations and protocol; and iii) the Secretariat for Monitoring and Support of the Institutions in the Implementation of the GAWP of the Republic of North Macedonia and its Strategic Projects, which ensures the monitoring of tasks assigned to various public bodies, supports the preparation and monitors the implementation of the GAWP, as well as informs the Prime Minister on the harmonisation status of national legislation with the *acquis*.

Principle 2: Clear horizontal procedures for governing the national European integration process are established and enforced under the co-ordination of the responsible body.

Overall, the value for the indicator ‘Fulfilment of European integration functions by the centre-of-government institutions’ is 3. The new EI co-ordination mechanism that was established in 2019 is not yet fully operationalised. There was no formally approved strategic planning document for EI during the assessment year. Consequently, the value of the indicator registered a decrease compared to the previous assessment in 2017 when it was assessed to be 4.

Indicator 2.2.1 - Fulfilment of European integration functions by the centre-of-government institutions

This indicator measures to what extent the minimum criteria for European integration (EI) functions are fulfilled by the CoG institutions.

As this indicator is used to assess the fulfilment of the minimum criteria, it does not measure outcomes or include quantitative indicators. The outcomes of some of these critical functions are captured by other indicators on policy development and co-ordination.

Overall 2021 indicator value  since 2017

0 1 2 **3** 4 5

	Points 2021	Change from 2017
1. Proportion of the EI functions that are assigned to the CoG institutions by law	6/6	=
2. Availability of guidelines to line ministries and other government bodies	2/4	-2
3. Government's capacity for co-ordination of EI	2/8	-2
Total	10/18	-4

The current legislative framework³⁶ establishes all critical functions and related procedures for an effective co-ordination of the EI process. The main CoG institution responsible for the co-ordination of the EI functions is the SEA.

A comprehensive package of new regulations³⁷ was approved by the Government in 2019, setting a new framework for the interministerial co-ordination of the EI process. For the co-ordination of the negotiation, at the political level, the Committee for Accession Negotiations of the Republic of North Macedonia to the European Union was established to act as the highest political body of EI. It is chaired by the Prime Minister and includes ministers and the Government's Chief Negotiator. The State Delegation for accession negotiations leads on the political negotiation with EU institutions and the Member States.

At the administrative level, the Negotiating Group is the core expert and technical body of the Government responsible for conducting the negotiations with the EU. The Secretariat for Accession Negotiations, which comprises officials from the SEA, the Office of the Chief Technical Negotiator and the Directorate for European Union within the Ministry of Foreign Affairs, provides all the administrative and technical support to the negotiation process.

The responsibility for the overall EI co-ordination is assigned to the Working Committee for European Integration (WCEI), a revised institutional arrangement of the old WCEI that functioned prior to 2019, when

³⁶ Law on the Government, Official Gazette No. 59/2000 with subsequent amendments; RoP of the Government, Official Gazette No. 38/2001 with subsequent amendments; and Rulebook on internal organisation of the SEA.

³⁷ The decisions approved by the Government on 9 July 2019 included: i) Decision on establishing a Committee for Accession Negotiation of the Republic of North Macedonia to the European Union (EU); ii) Decision on establishing a State Delegation for accession negotiations of the Republic of North Macedonia to the EU; iii) Decision on establishing the Group for the Accession Negotiations; iv) Decision on establishing an Office of the Chief Technical Negotiator for accession negotiations; v) Decision on performing activities on accession negotiations; vi) Decision on establishing the Working Committee for European Integration; and vii) Decision on establishing working groups for preparation of the NPAA.

changes were made in the overall structures of EI. The WCEI is chaired by the Deputy Prime Minister of the Government in charge of European Affairs, with the Chief Technical Negotiator acting as a deputy. The WCEI is composed of all state secretaries of ministries, the General Secretary of the Government, the State Secretary of the SEA and the Secretary of the LS. At the technical level, there are working groups responsible for the preparation of the NPAA and the preparation of the negotiating positions for various *acquis* chapters. These are established as auxiliary bodies of the WCEI, organised for each negotiation chapter, being responsible for the preparation and monitoring of NPAA commitments.

The updated institutional framework for EI co-ordination and negotiation is not yet fully operationalised. With the exception of the first constitutive meeting of the Committee for Accession Negotiations³⁸, no meetings were organised in 2019 and 2020. Interministerial co-ordination of EI is ensured mainly through the SEA, which leads on the monitoring and updating of the NPAA. Urgent EI matters are being discussed during the regular government sessions, as there is a “default” item included in the agenda.

Guidance³⁹ is available for line ministries to support the implementation of several key EI processes, including legal harmonisation and transposition, translation of the *acquis* and planning and monitoring the EU assistance and the preparation of the NPAA. However, some of the existing guidelines and methodologies (such as the Technical Guideline for monitoring, evaluation and implementation of the NPAA) are not formally approved⁴⁰.

Despite the existence of formal co-ordination structures and the availability of the guidelines, implementation of several key EI functions, particularly those related to EI planning, has been weak and inconsistent during the assessment period. There was no valid EI planning document for 2020 and the first half of 2021 following the expiry of the NPAA 2017-2019 in 2019⁴¹. Furthermore, there is no formal requirement or practice to prepare and publish monitoring reports on the implementation of the NPAA.

The SEA has a strong institutional and regulatory basis to lead and co-ordinate EI. It is systematically consulted to review and comment on all EI transposition cases during the interministerial consultation and final decision-making processes⁴².

Conclusion

All key EI functions are formally established in the regulations, and the SEA is the lead CoG institution responsible for co-ordinating and managing EI. Horizontal procedures and mechanisms for governing the EI and negotiation processes were revised in 2019, but they are not yet fully operationalised. After the expiry of the 2017-2019 NPAA, there is no official valid EI planning document in force. Guidance to support implementation of important EI functions, such as planning and monitoring EI, is incomplete, and no official monitoring reports are available on the NPAA.

³⁸ The constitutive meeting occurred on 3 September 2019.

³⁹ Handbook on transposition of the *acquis* into the legislation of Macedonia (2016); Decision for Amending the Decision for the templates of the letter, memorandum, content and form of ToCs and the Declaration for compliance of the document with the *acquis* (2010); Decision on establishment of the mark (*) for legal acts of the EU in national laws that transpose *acquis* (2016); Methodology for Transposition of EU Acquis (2009); Decree for regulation of mutual relations between the bodies in the IPA structures (2016); NIPAC Manual of Procedures (2016); Guidelines for translation of the legal acts of North Macedonia; Guidance for the preparation of the NPAA (2020); and Technical Guideline for monitoring, evaluation and implementation of the NPAA.

⁴⁰ The guidelines were shared with ministries through a circular letter issued by the Deputy Prime Minister of the Government in charge of European Affairs that aimed to provide guidance and support for the preparation of a new planning document. It did not cover the monitoring and reporting aspect.

⁴¹ The 2021-2025 NPAA was approved on 29 June 2021. The previous NPAA, covering 2017-2019, was approved in 2017. That document was not updated in 2019 or 2020.

⁴² Based on a review of a sample of 2020 transposition cases reviewed as part of the assessment.

Principle 3: Harmonised medium-term policy planning is in place, with clear whole-of-government objectives, and is aligned with the financial circumstances of the government; sector policies meet the government objectives and are consistent with the medium-term budgetary framework.

Overall, the value for the indicator 'Quality of policy planning' is 1, the same as in 2017. Additional weaknesses are observed in the planning of sector strategies. In general, the whole area of sector strategy development and monitoring remains unregulated.

Indicator 2.3.1 - Quality of policy planning			
This indicator measures the legislative, procedural and organisational set-up established for harmonised policy planning and the quality and alignment of planning documents. It also assesses the outcomes of the planning process (specifically the number of planned legislative commitments and sector strategies carried forward from one year to the next) and the extent to which the financial implications of sectoral strategies are adequately estimated.			
Overall 2021 indicator value	0	1	2 3 4 5
		Points 2021	Change from 2017
1. Adequacy of the legal framework for policy planning		4/7	=
2. Availability of guidance to line ministries during the policy-planning process		1/4	=
3. Alignment between central policy-planning documents		0/6	=
4. Planned commitments carried forward in the legislative plan (%)		0/4	=
5. Planned sectoral strategies carried forward (%)		0/4	-3
6. Presence of minimum content in sector strategies		4/6	new ⁴³
7. Completeness of financial estimates in sector strategies		1/5	=
8. Alignment between planned costs in sector policy plans and medium-term budget		0/3*	=
Total		10/39	+1

Note: *Data not available or provided.

The status and hierarchy of the main policy planning documents are established through several key laws and regulations⁴⁴. The policy planning system comprises short- and medium-term planning documents, and key procedures are established in the relevant guidelines aimed to ensure smooth implementation and alignment between key policy and financial planning documents⁴⁵.

The whole-of-government policy priorities and perspective are covered through several horizontal planning documents, which are operationalised and supported through individual ministerial strategic plans. For the medium term, the Government Programme sets the overall policy priorities and commitments of the Government for a four-year period; the Fiscal Strategy (FS) defines the priorities and objectives of the Government's fiscal policy for a three-year period; and institutional strategic plans of ministries aim to ensure financial and policy alignment by providing linkages with the state budget. The GAWP and the state budget, as well as the annual work plans of ministries, are the main short-term plans

⁴³ This is a new sub-indicator since the 2017 assessment.

⁴⁴ Law on the Government, Official Gazette No. 59/2000 with subsequent amendments; Law on Budget, Official Gazette No. 64/2005 with amendments; RoP of the Government, Official Gazette No. 38/2001 with subsequent amendments; Guidelines for the handling of ministries and other state administration bodies in the preparation and monitoring of the implementation of the GAWP, Official Gazette No. 22 of 16 February 2015; Methodology for Strategic Planning and Preparation of the GAWP (2008, 2018, 2019); and Strategic Planning Manual (2014).

⁴⁵ The Methodology for Strategic Planning and Preparation of the GAWP (2008 with subsequent amendments) provides an integrated calendar to ensure alignment between measures proposed in various documents, as well as consistency with the fiscal framework. The Guidelines on the Manner of Acting of the Ministries and other State Administration Bodies in the Preparation and Monitoring of the Implementation of the GAWP (2015) require that NPAA-related measures be included in the plan.

of the Government. The NPAA is the main planning document for EI, covering several years⁴⁶, while sectoral strategies provide a basis for medium- and long-term planning of reforms in specific policy areas and sectors.

Overall responsibility for co-ordinating and managing the government policy-planning system is delegated through regulations to the GS, the MoF (for fiscal planning) and the SEA (for EI). However, there is no specific mandate for planning or co-ordinating, monitoring and ensuring quality control of the sector strategies by any CoG body. The 2019 amendments to the RoP provide an increased role to the OPM in steering policy planning and monitoring of the GAWP, but it is not yet clear what specific role it will have in preparing and monitoring various policy-planning documents⁴⁷.

There is still no regulation or methodology on the process and standards for the development, monitoring and quality control of sector strategies. The GS has taken initiative to prepare a new regulatory and methodological framework for sector strategies, but this process is not yet finalised⁴⁸. Planning of sectoral strategies is carried out through the GAWP. The quality of planning of sector strategy development is weak, as evidenced by a large number of planned strategies carried forward from the 2020 to the 2021 GAWP (56%).

The GAWP includes both regulatory and non-regulatory proposals, such as policy programmes, sectoral strategies and reports. All initiatives included in the GAWP are categorised as high, medium and low based on a three-level prioritisation system to support implementation. Overall, the quality of the GAWP is weak, as evidenced by a large number of items carried forward from one year to another: 58% of the planned draft laws in the 2020 GAWP were carried forward to the 2021 plan⁴⁹. GAWP implementation reports are not being regularly prepared and published⁵⁰.

The alignment and coherence between different government planning documents, such as the GAWP and the FS, and between the action plans of sector strategies and the GAWP are not possible to assess due to the lack of relevant information and data. Furthermore, in the absence of a valid NPAA for 2020 and 2021 (first half), it is not possible to assess the alignment between the EI plan and the GAWP. The Government's mid-term priorities are mentioned in both the FS and the GAWP, but there are no outcome-level indicators included to measure progress towards the achievement of the Government's priorities.

In the absence of a regulatory and methodological framework, the sector strategies prepared by ministries differ significantly in scope, structure or content. There are also different standards and processes used for monitoring and reporting. Most of the sample strategies⁵¹ reviewed included adequate analysis and information about the existing problems objectives or outcome-level indicators. However, significant weaknesses were observed in the monitoring, reporting and evaluation requirements and processes across strategies. In fact, not all sectoral strategies are supported by detailed action plans to indicate how

⁴⁶ The most recent NPAA, approved in June 2021, covers 2021-2025.

⁴⁷ The Secretariat for Monitoring and Support of the Institutions in the Implementation of the GAWP of the Republic of North Macedonia and its Strategic Projects is given an additional role in government planning by the Decision on Establishment of the OPM of the Republic of North Macedonia, Official Gazette No. 9/03, No. 15/07, No. 20/12 and No. 156/16 and Official Gazette of the Republic of North Macedonia No. 6/20 and No. 279/20.

⁴⁸ Based on SIGMA's discussions with the officials of the GS.

⁴⁹ Five out of the nine strategies planned in the 2020 GAWP were also included in the 2021 GAWP; 60 out of the 104 draft laws were carried forward from 2020 to 2021.

⁵⁰ As of June 2021, no evidence was provided to the SIGMA assessment team to confirm that annual monitoring reports were prepared and published for 2019 and 2020.

⁵¹ The sample included the following strategic documents: Strategy for reform of the tax system 2021-2025; Strategy for regional development of the Republic of North Macedonia 2020-2030; Energy Development Strategy of the Republic of North Macedonia until 2040; National Strategy for Diabetes in North Macedonia 2020-2030; and Tobacco Production Strategy for the period 2020-2026 with Action Plan.


the strategic objectives and goals will be achieved⁵². Similarly, the level and quality of costing of sector strategies was found to be weak.

Conclusion

Although a comprehensive framework of policy planning of government work is formally established, there are still gaps and weaknesses in the regulatory and methodological framework related to some aspects of government work planning. There is still no regulation or methodology to establish clear rules, procedures and standards for sector strategy development, monitoring and reporting. The quality of central planning documents is weak, as evidenced by low implementation and a high number of measures carried forward from one year to another.

Principle 4: A harmonised medium-term planning system is in place for all processes relevant to European integration and is integrated into domestic policy planning.

Overall, the value for the indicator 'Quality of policy planning for European integration' is 1. The negative trend compared to 2017, when the value was set at 2, is mainly due to the fact that there was no valid NPAA for the main assessment year of 2020 and 2021 (first half). The new NPAA was approved by the Government at the end of June 2021 and is not fully assessed in this report⁵³.

Indicator 2.4.1 - Quality of policy planning for European integration								
This indicator analyses the legislative set-up established for policy planning of the European integration (EI) process and the quality and alignment of planning documents for EI. It also assesses the outcomes of the planning process (specifically the number of planned legislative EI-related commitments carried forward from one year to the next) and the implementation rate of planned EI related commitments.								
Overall 2021 indicator value		since 2017	0	1	2	3	4	5
						Points 2021	Change from 2017	
1. Adequacy of the legislative framework for harmonised planning of EI						2/2	=	
2. Quality of planning documents for EI						2/6	-4	
3. EI-related commitments carried forward (%)						0/4*	=	
4. Implementation rate of the government's plans for EI related legislative commitments (%)						0/4*	=	
Total						4/16	-4	

Note: *Data not available or provided.

EI planning is primarily regulated by the provisions of the Law on Government, which assigns the overall responsibility for the co-ordination of EI to the SEA⁵⁴. The requirements for the preparation of the NPAA as a key planning document for EI, its status and the procedures for development, updating and monitoring are further elaborated in several other regulations or methodologies⁵⁵.

⁵² Three out of the five strategies included in the sample had no action plan. The general action plans of the other two did not foresee any legislative changes.

⁵³ The SIGMA Monitoring Assessment methodology requires the existence of a formal plan for the main assessment year of 2020 to calculate several key indicators, such as the implementation rate and alignment with other plans. This was not possible to do in the absence of a valid NPAA during the assessment period.

⁵⁴ Article 40b of the Law on the Government.

⁵⁵ Rulebook on internal organisation of the SEA (2016); Guidance for preparation of the NPAA (2020), Technical Guidelines for monitoring, evaluation and implementation of the NPAA.

There was no valid NPAA for 2020 and 2021 (first half). The Government approved the new NPAA for 2021-2025 on 29 June 2021⁵⁶. After the expiry of the NPAA 2017-2019⁵⁷, the administration, under the leadership of the SEA, started a process of preparing a new NPAA for the next period. The process was delayed, creating a gap in the overall planning system of about 18 months. Although the SEA has been co-ordinating the overall EI process using their own informal plans, tools and information technology (IT) system, as well as other government plans, such as the GAWP⁵⁸, effectively, the absence of a formal, publicly available plan for EI has created shortcomings, as well as challenges for the effective implementation of necessary reform measures.

In the absence of a valid EI plan for the main assessment period, it is not possible to assess the quality of the EI planning or its implementation rate and alignment with other government plans, as required by the assessment methodology. According to the internal analysis of the SEA, and based on the administration's own information and data, the implementation rate of EI legislative activities in 2020 was 73%⁵⁹.

The NPAA for 2021-2025⁶⁰ is a comprehensive document, detailing the EI policy agenda of the Government, the concrete commitments and the associated time frame for the implementation of the measures structured around the negotiation chapters. The lead institutions are identified for each planned measure. The NPAA 2021-2025 annexes provide information about the objectives, activities and funding sources. Despite the fact that information on potential sources of funding, including EU and other donor assistance or the state budget programmes, is presented⁶¹, the costing of NPAA measures remains problematic and not properly reflected in the document. There is no practice of updating the NPAA annually to improve its quality and relevance and increase the effectiveness of monitoring and reporting (particularly to ensure that delayed or newly added EI measures are adequately included in the plans to allow for effective preparation and implementation).

Conclusion

The quality of EI planning and implementation was negatively affected by the absence of a formally approved, valid medium-term government planning document for EI in 2020-2021 (first half). Despite the SEA's efforts to co-ordinate and manage EI activities based on other government plans and informal systems and tools, the absence of a valid EI plan created additional challenges for the effective monitoring and reporting of EI-related activities. The new NPAA 2021-2025, approved in June 2021, is a comprehensive document setting the policy agenda of the Government for EI and accession negotiation, but some gaps still exist, particularly in the area of costing.

⁵⁶ Government by Conclusion made on the eighty third Government Meeting held on 29 June 2021.

⁵⁷ 2017-2019 NPAA approved by the Government on 31 July 2017.

⁵⁸ Based on the information provided by the SEA during the fact-finding interviews and fact-checking consultations. It is not possible to verify and confirm these estimates.

⁵⁹ From 160 laws planned for approval in 2020, the SEA estimates that 117 were approved, demonstrating a 73% implementation rate. These are the SEA's own calculations provided during the assessment interviews with SIGMA. No official report is available to verify these results.

⁶⁰ Government by Conclusion made on the eighty-third Government Meeting held on 29 June 2021.

⁶¹ NPAA 2021-2025 Annex 3 on budget, Annex 4a on the Instrument for Pre-Accession Assistance funding and Annex 4b on the Technical Assistance and Information Exchange.

Principle 5: Regular monitoring of the government's performance enables public scrutiny and supports the government in achieving its objectives.

Overall, the value for the indicator 'Quality of government monitoring and reporting' is 1. There was no change in the indicator value from the 2017 assessment. However, less points were allocated because the GAWP and the NPAA monitoring reports were not prepared in 2019 and 2020, and the report on the implementation of the state budget remains the only formal monitoring report on a government planning document prepared and published by the administration.

Indicator 2.5.1 - Quality of government monitoring and reporting						
This indicator measures the strength of the legal framework regulating reporting requirements, the quality of government reporting documents and the level of public availability of government reports.						
Overall 2021 indicator value	0	1	2	3	4	5
			Points 2021	Change from 2017		
1. Adequacy of the legislative framework for monitoring and reporting			3/8	-1		
2. Quality of reporting documents			0/12*	-2		
3. Public availability of government reports			1/5	=		
Total			4/25	-3		

Note: *Data not available or provided.

The legal and regulatory framework for monitoring and reporting on the Government's performance is fragmented, consisting of various laws, regulations and methodologies⁶². The regulations stipulate monitoring and reporting on the implementation of the main horizontal planning documents, such as the GAWP and the annual budget, as well as the ministerial strategic plans. However, there is no requirement or procedure for monitoring and reporting on sectoral strategies. The regulatory framework for monitoring and reporting on the implementation of the NPAA is not formally established either.

Guidelines⁶³ require the GS to prepare semi-annual and annual reports on the implementation of the GAWP. However, the actual implementation of this requirement has been weak in recent years, as evidenced by the fact that no report was prepared on the 2019 or the 2020 GAWP⁶⁴. Some line ministries prepare reports on the implementation of the ministerial annual work plans, but the process is not centrally co-ordinated or monitored⁶⁵.

In the absence of a formal EI plan for 2020-2021, monitoring and reporting on the EI activities during the reporting period was carried out by the SEA using the GAWP and internal IT monitoring platforms⁶⁶. However, there was no EI monitoring report prepared and published during the assessment period. The Government was informed on the progress of the implementation of important EI measures through

⁶² Law on the Government, Official Gazette No. 59/2000 with subsequent amendments; Law on the Budget, Official Gazette No. 64/2005 with amendments; Rules of Procedure of the Government, Official Gazette No. 38/2001 with subsequent amendments; Guidelines for the handling of ministries and other state bodies in the preparation and monitoring of the implementation of the GAWP, Official Gazette No. 22 of 16 February 2015; Guidelines for Ministries and Other State Administration Bodies in the Process of Monitoring, Evaluation and Reporting on the Implementation of the Strategic Plan and Annual Work Plan, Official Gazette No. 131/2018; and Rules on Internal organisation of the SEA.

⁶³ Guidelines on the Acting of Ministries and State Administration Bodies in the Process of Preparation and Monitoring of Implementation of the GAWP, Article 7: "[the] General Secretariat shall prepare semi-annual and annual reports on the implementation level of the Annual Programme, and it will submit them for review to the Government".

⁶⁴ As of June 2021, no reports were provided to SIGMA.

⁶⁵ Based on the information and data provided by the administration during the fact-finding interviews.

⁶⁶ Based on the information provided during the assessment interviews.

discussions and updates provided during the government sessions. According to the SEA, reporting on implementation of the NPAA is carried out as part of the situation analysis of the next plan⁶⁷.

The preparation of monitoring reports on sector strategies is not systematic in practice. Based on the review of a sample of strategy implementation reports⁶⁸, it is clear that different standards and requirements were followed. There is little information on the achievement of outputs, and almost no structured information is provided on the achievement of outcomes. The strategy reports are rather descriptive and process-oriented, with limited performance focus and little reference to the original commitments of the strategy or progress in the achievement of the foreseen outputs or outcomes.

The Law on Government requires regular communication from the Government on the achievement of the committed measures. However, with the exception of the annual report on the implementation of the state budget, no other report is made publicly available. In fact, there is no explicit requirement in the legislation stipulating publication of reports on the implementation of the GAWP.

Conclusion

Monitoring and reporting on the Government's performance is only partially regulated, and the implementation is weak. The government does not prepare regular reports on the implementation of major planning documents, such as the GAWP and the NPAA. There is no formal requirement for monitoring and reporting on the implementation of sector strategies. The quality of reports on sector strategies is weak. There is no legal requirement to make the reports on planning documents publicly available, and with the exception of the report on budget, no other report is published.

⁶⁷ Based on information provided to SIGMA during the fact-finding and fact-checking consultations with the SEA.

⁶⁸ The following sample reports were analysed: Annual Report on the implementation of the Gender Equality Strategy for 2019; Report on implemented activities from the National Strategy for development of the concept for One society and Inter-culturalism; National Transport Strategy 2018-2030, First Progress Report 2018-2019; Annual Report on the work of the financial inspections in the public sector and on the implementation of the National Strategy for combating fraud and protection of the EU financial investments in 2019; and Report on the implementation of measures and activities from the Government Strategy for co-operation with and development of civil society (2018-2022).

Principle 6: Government decisions are prepared in a transparent manner and based on the administration's professional judgement; legal conformity of the decisions is ensured.

Overall, the value for the indicator 'Transparency and legal compliance of government decision making' is 3. This is an improvement compared to 2017, when the indicator value was 2. This positive trend is mainly due to some improvements in the openness of government decision making and the business sector's more favourable perception of the clarity and stability of government policy making.

Indicator 2.6.1 - Transparency and legal compliance of government decision making						
This indicator measures the legal framework established for ensuring legally compliant decision making, the consistency of the government in implementation of the established legal framework, the transparency of government decision making, and businesses' perception of the clarity and stability of government policy making.						
Overall 2021 indicator value - ↑ since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Adequacy of the legislative framework for government session procedures				3/5	=	
2. Consistency of the CoG in setting and enforcing the procedures				1/4	+1	
3. Timeliness of ministries' submission of regular agenda items to the government session (%)				0/3*	=	
4. Openness of the government decision-making process				3/4	+1	
5. Perceived clarity and stability of government policy making by businesses (%)				3/4	+1	
Total				10/20	+3	

Note: *Data not available or provided.

The RoP⁶⁹ establish the rules and procedures, internal processes and deadlines necessary for the smooth implementation of the government decision-making process and the organisation of the government sessions. The RoP clarify and confirm the roles and responsibilities of the GS and other government institutions, as well as those of the working bodies of the Government during the decision-making process, including the process and timeline of the consideration of the items by the General Collegium and the Committees⁷⁰. They also establish the requirements for regular communication on the results of the government sessions⁷¹.

Formal requirements and procedures are in place for CoGs to check if the items submitted to the Government for approval are legally compliant and have been prepared following the established standards of policy development and consultations. Opinions of several CoG institutions are required by the regulations for processing the items through the system for final approval. These include opinions of the LS on the legal conformity of all draft regulations, opinions of the SEA on items arising from the EI obligations and the NPAA, assessment by the MoF of the fiscal affordability of all proposals, and opinions of the MISA on RIAs.

The GS is the designated CoG body responsible for overseeing the process and ensuring that the final checks on individual policy packages are carried out in compliance with the set standards and requirements. However, the rules are not being fully and consistently implemented, and items can be presented and processed without meeting the full requirements, such as the set deadlines⁷². The review

⁶⁹ RoP, Section III and IV and other relevant articles.

⁷⁰ There are three basic commissions (Commission on Political System, Commission on Economic System and Current Economic Policy and Commission on Human Resources and Sustainable Development) and four special commissions (Commission on Privatisation, Commission on Housing Issues, Commission on Special Purposes Production and Commission on Appointments) established to review proposals in their area of competence.

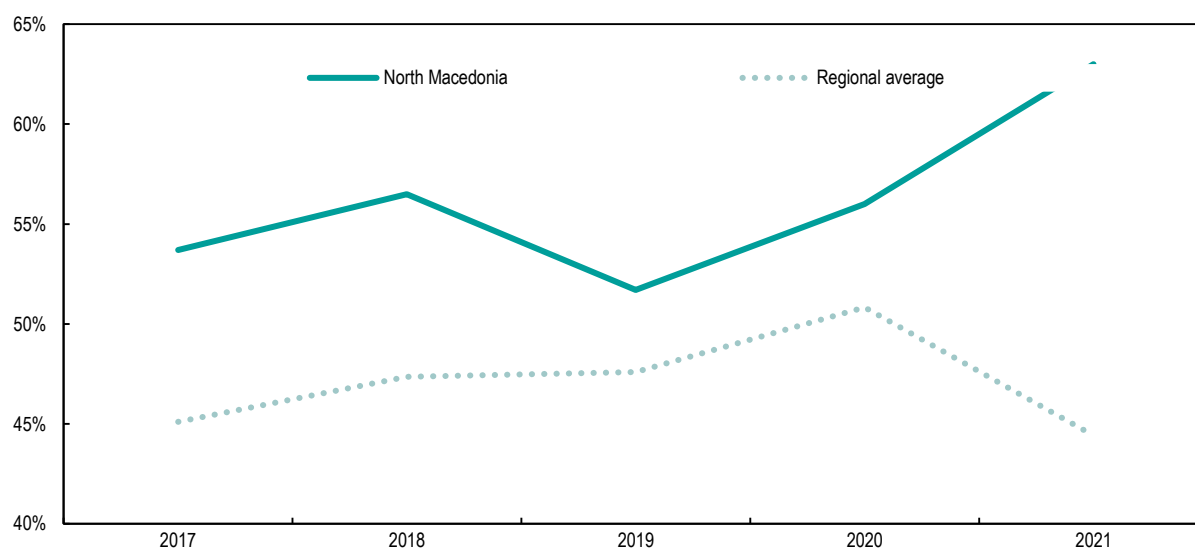
⁷¹ RoP, Articles 120-124.

⁷² Based on the assessment interviews with the GS and ministry officials.

of a sample of five draft laws⁷³ approved by the Government in late 2020 shows that the implementation and enforcement of the procedural requirements for the preparation of the government sessions has some weaknesses. While the legal conformity was duly checked for all five sample proposals (as confirmed by the availability of the relevant LS opinion), the relevant packages did not include two RIA reports, one ToC and one MoF opinion on the fiscal impact assessment, despite their requirement by regulations⁷⁴. Furthermore, the draft secondary legislation (to accompany the draft law proposal⁷⁵) was not included for any of the packages, despite its requirement for all draft laws.

There is no regulatory requirement or practice in place for the GS to review and check systematically the coherence of new policy proposals with the Government's priorities and previously announced policies. Similarly, the GS, as the main CoG institution, does not have a mandate to return items based on the weaknesses and shortcomings identified in the actual content of the policy proposal or analysis.

Figure 1. Perceived clarity and stability of government policy making by businesses, 2017-2020



Note: Positive responses (“Strongly agree” and “Tend to Agree”) to the question whether the laws and regulations affecting businesses are considered.

Source: Regional Cooperation Council, Balkan Barometer Business Opinion database (<https://www.rcc.int/balkanbarometer>).

The GS unit responsible for the organisation of the government sessions collects and manages a large number of statistics about the items processed through the government decision-making system. This is done through an internal government IT platform, as well as the SNERR⁷⁶. However, assessment of the

⁷³ The following five laws were included in the analysed sample: draft law on Census of population, households and apartments (34th session of the Government, 25 December 2020); draft Law on Balanced Regional Development (29th session of the Government, 12 December 2020); draft Law on system for Internal financial control in public sector (35th session of the Government, 29 December 2020); draft Law on the Intelligence Agency (34th session of the Government, 25 December 2020); and draft Law on Ratification of the Agreement between the Government of the Republic of North Macedonia and the Government of the Republic of Serbia on Amending the Agreement between the Government of the Republic of North Macedonia and the Government of the Republic of Serbia for reciprocal recognition of driving licenses (30th session of the Government, 15 December 2020).

⁷⁴ A RIA report was not included in the package of the draft Law on System for Internal financial control in public sector or the draft Law on the Intelligence Agency; a ToC was not included in the package of the draft Law on the Intelligence Agency; an MoF opinion was not included in the package of the draft Law on Balanced Regional Development.

⁷⁵ Articles 66 (4) and 66 (5) of the RoP require that draft secondary legislation be submitted with the draft law proposal and that proposed law not accompanied by draft secondary legislation should not be reviewed.

⁷⁶ Based on the information provided during the assessment interviews.

timeliness of submission and processing of items for the government sessions was not possible to complete due to the absence of data about the number of items submitted in compliance with the established deadlines and procedures⁷⁷.

Compared to 2017, a positive development is recorded in the area of the openness and transparency of decision making, as the government sessions agenda and the respective minutes are now systematically published. However, the agendas of the government sessions are published on the designated government website⁷⁸ only after the government sessions. Government decisions and the minutes of the government sessions are publicly available, and the relevant GS units provide regular briefings after each government session.

Businesses' perception of the stability and clarity of government policy making has improved since 2017: in 2021, 63% of the businesses in North Macedonia agree or strongly agree that laws and regulations affecting their companies are clearly written, not contradictory and do not change too frequently. This positive trend puts North Macedonia in a strong position on this particular indicator compared to its neighbours in the region.

Conclusion


Detailed rules and procedures governing the decision-making process and the preparation of the government sessions are formally established but are not consistently and fully implemented and enforced in practice. The GS, as the main gatekeeper and guardian of the established rules and procedures for government decision making, does not consistently check and enforce them. Checks on the quality and coherence of CoG draft policy proposals are neither regulated nor exercised in practice. The transparency of the Government's decision making has improved, as the agenda and minutes of the government sessions are publicly available, but only after the sessions.

⁷⁷ A large database of statistics on various government items was shared during the assessment. However, it was not clear from the database which items respected the established submission deadlines.

⁷⁸ Government of the Republic of North Macedonia website. <https://vlada.mk/vladini-sednici>.

Principle 7: The parliament scrutinises government policy making.

Overall, the value for the indicator ‘Parliamentary scrutiny of government policy making’ is 2, which is an improvement from 2017, when the indicator value was 1. This is due to improvements in the consistency of the Government’s review of legislative proposals initiated within the Parliament and in the timeliness of parliamentary approval of government-sponsored draft laws.

Indicator 2.7.1 - Parliamentary scrutiny of government policy making						
This indicator measures the extent to which the parliament is able to scrutinise government policy making. The legal framework is assessed first, followed by an analysis of the functioning of important parliamentary practices and outcomes.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021		Change from 2017	
1. Strength of regulatory and procedural framework for parliamentary scrutiny of government policy making			4/5		=	
2. Completeness of supporting documentation for draft laws submitted to the parliament			0/3		=	
3. Co-ordination of governmental and parliamentary decision making processes			1/2		=	
4. Systematic review of parliamentary bills by government			1/1		+1	
5. Alignment between draft laws planned and submitted by the government (%)			0/2		=	
6. Timeliness of parliamentary processing of draft laws from the government (%)			2/2		+2	
7. Use of extraordinary proceedings for the adoption of government sponsored draft laws (%)			0/5		=	
8. Government participation in parliamentary discussions of draft laws			1/2		-1	
9. Basic parliamentary scrutiny of the implementation of policies			0/2		=	
Total			9/24		+2	

The existing legislative framework⁷⁹ stipulates parliamentary scrutiny over the Government’s policy making. Procedures in place allow the Parliament to debate and scrutinise government policies and provide an opportunity for Members of Parliament (MPs) to raise written and oral questions for the Government on various policy issues.

The Government’s participation in policy deliberations in the Parliament is required when issues under its responsibility are being discussed. When government-sponsored laws are being debated in the Parliament, the relevant government representative (minister or deputy minister responsible for the area) normally participates in the relevant meetings to elaborate or defend the Government’s position⁸⁰.

The Parliament’s RoP are aligned with the Government’s RoP, particularly when it comes to the processes, standards and requirements for legal drafting. The review of a sample of laws submitted to the Parliament in 2020 showed that all documents required by existing regulations were included in the packages submitted⁸¹. However, RIA is not part of the mandatory documents submitted to the Parliament.

⁷⁹ The Constitution of the Republic of North Macedonia, Official Gazette No. 52/1991; Law on the Assembly of the Republic of Macedonia, Official Gazette No. 104/09; Law on Government, Official Gazette No. 59/2000; Rules of Procedure of the Assembly of the Republic of Macedonia, Official Gazette No. 91/08; and Rules of Procedure of the Government, Official Gazette No. 38/2001.

⁸⁰ Based on the information provided during the assessment interviews and reports.

⁸¹ The following draft laws and supporting documents were checked: draft law for the Intelligence Agency; draft Law on Amending the Law on Control of Emissions of Volatile Organic Compounds when Using Gasoline; Proposed Law on amending the Law on Crafts; draft Law on amending the Law on registration of cash payments; and Proposed Law on amending the Law on tax procedure.

Hence, the Parliament does not get the full information on the rationale and potential impacts of the proposed legislation contained in the RIA reports.

The provisions in the legal framework⁸² stipulate for the Parliament to consult the Government on the draft laws initiated by the MPs, and this is carried out in practice. The government opinions were provided on all of the three sample laws⁸³ initiated by MPs in 2020 that were reviewed.

The Government is regularly informing the Parliament about its legislative agenda and upcoming initiatives; information about the planned legislative measures is submitted to the Parliament twice a year⁸⁴. Revisions to the Government's legislative plan can take place during the year⁸⁵. However, there are no mechanisms for regular meetings or discussions between the administrations of the Parliament and the Government to review, discuss and plan legislative activities.

Table 2. Alignment of planned and submitted draft laws and the timeliness of parliamentary processing

	2017 assessment	2021 assessment
Alignment between planned and submitted draft laws submitted by the government (%)	10%	15%
Timeliness of parliamentary processing of draft laws from the government within 12 months of submission (%)	71%	100%

Note: SIGMA calculation, based on data submitted for SIGMA assessments in 2017 and 2021. The analysis of indicators are based on statistics on submitted and approved laws of preceding year(s).

Source: Publicly available data and information provided during the assessment.

Overall, the quality of legislative planning and the co-ordination of legislative activities between the Government and the Parliament is poor. Only 15% of the government-sponsored laws submitted to the Parliament in 2020 were included the GAWP of the year they were submitted⁸⁶. This is, however, a slight improvement compared to the 2017 situation (10%).

The Parliament approves the draft laws initiated by the Government within a reasonable time frame, as all draft laws submitted by the Government to the Parliament in 2019 were approved within a year. However, despite a decreasing trend compared to 2017 (Table 3), the share of laws adopted through shortened or urgent procedures in the Parliament remains very high compared against neighbours in the region (Figure 2). In 2020, about 60% of laws were adopted through non-standard procedures, bypassing important procedures and timelines that can affect the quality of final adopted laws.

⁸² RoP of the Parliament, Article 138.

⁸³ The following proposed laws initiated by MPs in 2020 were reviewed: draft law on amending the Law on Internal Affairs; Proposed Law amending and supplementing the law on Citizenship; and draft Law Amending and supplementing the law on healthcare.

⁸⁴ Based on the information provided during the assessment interviews.

⁸⁵ The list with legislative measures that the Government intended to approve by the end of 2020, submitted to the Parliament on 29 September 2020, was amended twice (4 and 6 October).

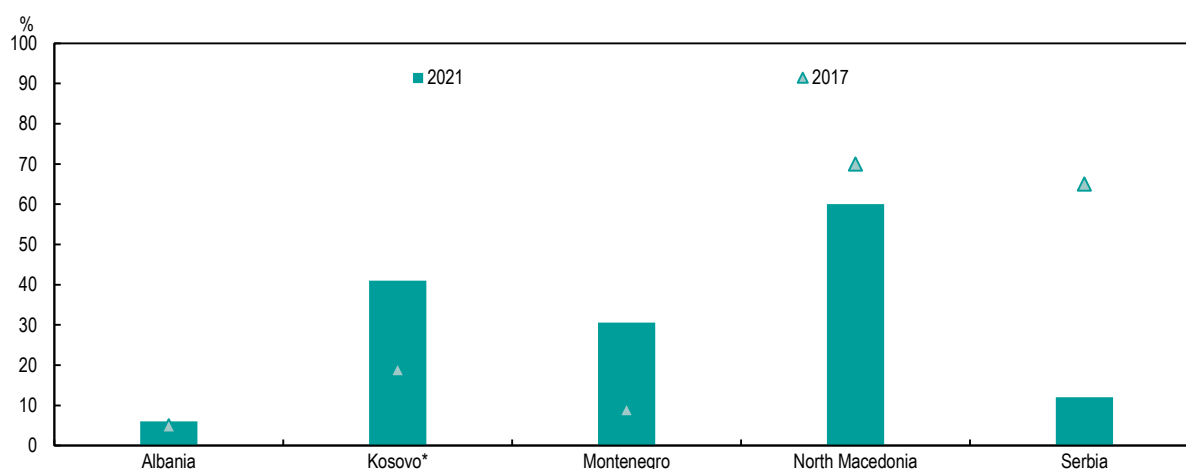
⁸⁶ From a total of 106 draft laws submitted by the Government to the Parliament for approval in 2020, only 16 were included in the relevant GAWP. In the absence of the Parliament's 2020 annual report, the calculation was done based on the list of laws adopted by the Parliament in 2020 and the 2020 GAWP.

Table 3. Share of laws approved through urgent or shortened procedures, 2017-2021

	2017	2018	2019	2020	2021
Use of extraordinary proceedings for the adoption of government-sponsored draft laws (%)	70%	67%	36%	53%	60%

Note: Statistics on all approved laws from preceding year are used.

Source: SIGMA calculation, based on publicly available data and information provided during the 2021 monitoring assessment. The full official report of the Parliament for 2020 was not available, so data is based on the unofficial report that was provided. Analysis includes all laws that were approved through either urgent or shortened procedures, including ratification of international agreements.

Figure 2. Use of extraordinary/shortened proceedings for the adoption of government-sponsored draft laws (%)

Note: *This designation is without prejudice to positions on status and is in line with United Nations Security Council Resolution 1244/99 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence. Information about all levels of the BIH administration was not available to report.

Source: SIGMA analysis, based on the information collected from the Parliament administration, publicly available reports and data provided from the administrations.

The Parliament does not regularly scrutinise the implementation of major laws and policies⁸⁷. There are meetings and debates organised by various commissions of the Parliament; however, these are not focused on assessing the implementation of already approved policies or on the impact they have generated.

Conclusion

The regulatory framework is in place for the Parliament to scrutinise the Government's policy making and for the co-ordination of legislative activities with the Government, but weaknesses exist in legislative planning and implementation. A significantly high number of laws (60%) are still being adopted by the Parliament using shortened or urgent procedures, and a large number of laws submitted to the Parliament by the Government (85%) were not included in the GAWP.

⁸⁷ No evidence was available that would confirm the Parliament reviewing and evaluating major government policies or laws during the assessment year.

Principle 8: The organisational structure, procedures and staff allocation of the ministries ensure that developed policies and legislation are implementable and meet government objectives.

Overall, the value for the indicator ‘Adequacy of organisation and procedures for supporting the development of implementable policies’ is 2, compared to 1 in 2017. However, this improvement is mainly attributed to the better data provision by the administration for the 2021 monitoring assessment. In particular, more data and information about the existing capacities of ministries and a sample of legislative proposals were made available.

Indicator 2.8.1 - Adequacy of organisation and procedures for supporting the development of implementable policies						
This indicator measures the adequacy of the regulatory framework to promote effective policy making, and whether staffing levels and the basic policy-making process work adequately at the level of ministries.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021	Change from 2017		
1. Adequacy of the regulatory framework for effective policy making			2/4	=		
2. Staffing of policy development departments (%)			1/2	+1		
3. Adequacy of policy-making processes at ministry level in practice			2/6	+2		
Total			5/12	+3		

The RoP stipulate that ministers have the primary right and duty to develop policies and draft regulations⁸⁸. For that, they organise and manage the work of the ministries. While legislation defines the division of policy areas among ministries⁸⁹, the mandate to develop new legislative proposals is not limited to these ministries. Independent state administration bodies⁹⁰ have the mandate to develop laws and sub-legal acts for adoption by the Government⁹¹.

Ministers have the ultimate responsibility for the policy development and law making of line ministries and can delegate tasks to deputy ministers⁹². This ensures that policy development and law making is overseen by a sufficiently high level person within the organisation. The review of analysed samples and interviews shows that only ministers submit policy proposals to the Government for adoption even though the RoP allows directors of some independent state administrative bodies to submit proposals for interministerial consultation and government adoption⁹³ which is not a good practice.

Ministries have rulebooks of their internal structures and systematisation of jobs that define in general terms the roles and responsibilities of various units responsible for policy development and legal drafting. However, detailed internal working processes are not established through existing regulations. It is not clear, for example, how the process of policy preparation and internal consultations on a draft proposal is organised and completed to ensure effective input from all bodies. Working groups are the main recurring mechanism through which ministerial departments directly co-ordinate the design of important strategies and laws. How these working groups decide on the timeline and key steps, such as those necessary for initiating and managing interministerial or public consultation, is not defined.

⁸⁸ RoP of the Government, Articles 8 and 11.

⁸⁹ Law on Organisation and Operation of State Bodies, Articles 15-28.

⁹⁰ Law on Organisation and Operation of State Bodies, Articles 12.

⁹¹ Law on Organisation and Operation of State Bodies, Articles 13.

⁹² Law on Organisation and Operation of State Administrative Bodies, Article 48.

⁹³ RoP of the Government, Articles 68 and 64, respectively.

The lack of clear internal procedures for policy development does not guarantee full and consistent implementation of all general requirements for evidence-based and inclusive policy development, including those for RIA, public consultation and interministerial consultation, as those are not integrated fully into the working processes of line ministries. The involvement of relevant ministerial departments and expert teams is thus not fully guaranteed. As a result, processes such as public consultation, interministerial consultation and adoption by the government can be initiated without uniformly applied quality and process standards.

The share of staff dealing with policy development is assessed to be low in one out of four of the sample ministries. Large departments within the Ministry of Agriculture, Forestry and Water Economy deal with policy enforcement and inspection, including at regional levels. In the absence of clear internal rules and procedures for law making, this can further complicate and confuse the process of policy making within the ministries. For example, the role of (deputy) ministers and senior management is not necessarily focused on policy development and law making but is responsible for implementation. Moreover, foreseen staffing levels for ministerial departments are often not met, as evidenced by the high number of vacancies reported.

Conclusion

Line ministries are insufficiently oriented towards policy development and law making. They lack internal procedures and rules, as well as stronger internal capacities to implement their policy-making tasks effectively. The responsibility for policy development is attributed to ministers and the top management level in each ministry. While ministerial rulebooks on internal organisation describe the areas of responsibility for each sector and department, there are still no rules or written procedures that regulate the policy-development process within ministries. Effective policy development and law making are thus not ensured at the internal ministerial level.

Principle 9: The European integration procedures and institutional set-up form an integral part of the policy-development process and ensure systematic and timely transposition of the European Union *acquis*.

Overall, the value for the indicator ‘Government capability for aligning national legislation with the European Union *acquis*’ is 3, the same as in 2017. There are no major changes compared to the previous assessment period, and the challenges and weaknesses identified during the previous assessment are still relevant.

Indicator 2.9.1 - Government capability for aligning national legislation with the European Union <i>acquis</i>						
This indicator measures the adequacy of the legal framework for the <i>acquis</i> alignment process, the government’s consistency in using tables of concordance in the <i>acquis</i> alignment process and the availability of the <i>acquis</i> in the national language. It also assesses the results of the <i>acquis</i> alignment process, focusing on the planned <i>acquis</i> alignment commitments carried forward from one year to the next and how the government is able to achieve its <i>acquis</i> alignment objectives.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Adequacy of the regulatory framework for the <i>acquis</i> alignment process				5/5	=	
2. Use of tables of concordance in the <i>acquis</i> alignment process (%)				2/2	=	
3. Translation of the <i>acquis</i> into the national language				2/2	=	
4. <i>Acquis</i> alignment commitments carried forward (%)				0/4*	=	
5. Implementation rate of legislative commitments for <i>acquis</i> alignment (%)				0/4*	=	
Total				9/17	=	

Note: *Data not available or provided.

The legal harmonisation with the EU *acquis* is integrated into the Government’s overall policy-development process. In addition, at the outset of any regulatory process, ministries check whether the proposed legislation interacts with the issues mentioned in the Stabilisation and Association Agreement (SAA) or is required by the SAA. EU-related legislative initiatives are marked with the EU flag⁹⁴.

The SEA is responsible for co-ordinating the everyday process of transposing the *acquis*⁹⁵. The regulatory framework establishing the SEA’s role in planning, co-ordinating and monitoring the *acquis* alignment process is adequate. However, as discussed in the Principle 4 section, the quality of planning of EI, including the planning of legal harmonisation work, has weakened since the previous assessment in 2017. There was no valid EI plan for 2020, as the new NPAA for 2021-2025 was adopted only at the end of June 2021. The planning and implementation of EU law transposition was organised based on an internal monitoring system of the SEA. Gaps in the EI planning can be expected to reduce significantly the capacity of the administration regarding the resource allocation, preparation and informed and timely transposition of the *acquis*.

The RoP of the Government establish the standards and processes for development and adoption of the laws that aim to harmonise legislation with the *acquis*. These are governed by the same requirements as national policy proposals. For example, the requirements for RIA, costing and public consultation of national proposals apply in the same manner to the transposition of the *acquis*.

⁹⁴ RoP of the Government, Article 73 (1).

⁹⁵ Law on the Government, Article 40-b (2).

For policy proposals that aim to harmonise legislation with the *acquis*, the RoP additionally require the use of a ToC⁹⁶ for transposition cases. These tables are consistently produced, as evidenced by the review of a sample of five transposition cases⁹⁷.

In 2017, EI co-ordination was established at both the political and administrative levels, including through NPAA Working Groups led by the responsible line ministries. In 2019, this system was changed through a series of government decisions, and the new system is not yet fully operationalised⁹⁸. While the current situation is suboptimal, it does not appear to affect negatively the means for conflict resolution during the legislative alignment process. Further changes were expected in the EU co-ordination mechanisms in the second half of 2021⁹⁹.

The SEA is fully involved in the interministerial consultation process and is represented in the Collegium of State Secretaries¹⁰⁰. It is mandatory for ministries to consult with the SEA on all items that are included in the NPAA or those that concern planning and use of EU funding.

The SL performs quality control on the approximation of legislation with the *acquis*¹⁰¹, while the SEA is responsible for translating the *acquis*. The SEA has advised that translation is currently contracted out, and planning and allocation of funds for translation has been an issue. Translations of the relevant sample cases of the *acquis* were available for all samples reviewed¹⁰². However, challenges remain regarding ensuring that translations of the *acquis* are available in time for the transposition process¹⁰³. Delays in developing the NPAA for 2020-2021 will also have an impact on the timely planning of translation. It is not possible to ensure robust analysis and preparation of policies and legal proposals without having fully translated EU laws available early in the process.

Since there was no formal NPAA covering the assessment year 2020, the implementation rate of the legislative commitments for *acquis* alignment and the EI-related legislative commitments carried forward from 2020 to 2021 could not be determined. In 2017, the implementation rate was 16%, and 50% of legislative commitments were carried forward, indicating clear challenges with ensuring realistic planning for EI.

There are no official reports prepared and published on NPAA implementation in North Macedonia. The SEA has its own internal estimates of implementation of the planned transposition cases based on internal methodologies and data. This lack of reporting provides for a system that is not transparent. This could negatively affect the ability of the SEA to co-ordinate the overall EI process. Weak planning of transposition

⁹⁶ RoP of the Government, Articles 66 and 73-a.

⁹⁷ Findings based on the analysis of the following five transposition cases: Law amending the Law on Ambient Air Quality;

Law on international cooperation in criminal matters; Law on the control of narcotic drugs and psychotropic substances;

Law on protection against discrimination; and Rulebook on deactivation of arms.

⁹⁸ The analysis under Principle 2 on the co-ordination of European affairs provides further details.

⁹⁹ The information was confirmed during the fact-checking consultation with the SEA in June 2021.

¹⁰⁰ RoP of the Government, Articles 68 and 70.

¹⁰¹ Law on the Government, Article 40 (2).

¹⁰² Translations of the *acquis* were submitted for the transposition through the draft Law on Consumers Protection, draft Law on Prevention of Money Laundering and Financing of Terrorism, draft Law on amendment of the Law on Electronic Communications, and draft Rulebook on the Methods and Procedures for Calculation of Average Net Imports and Average Net Domestic Consumption. The relevant transposition for the draft Rulebook Amending the Rulebook on Prevention and Eradication of Newcastle Disease was not available.

¹⁰³ The finding is based on interviews with various representatives from the administration related to the *de facto* implementation of the translation process.


work, including translation and preparation of RIA conducted at the EU level, will ultimately affect the quality of laws. It also reduces the possibilities for the Government to steer the process more effectively.

Conclusion

Despite the existence of formal processes and tools, there was no valid NPAA in place after the expiry of the old plan in 2019. This has affected the effectiveness of the planning, preparation and implementation of EU law harmonisation work, including the timely organisation of translation. ToCs are systematically produced, and the *acquis* alignment cases are subject to the same requirements for policy development as domestic policy proposals.

Principle 10: The policy-making and legal-drafting process is evidence-based, and impact assessment is consistently used across ministries.

Overall, the value for the indicator 'Evidence-based policy making' is 3. This marks a significant improvement compared to 2017, when the value was 1. It is the result of a more consistent implementation of the process for budgetary impact assessment, better application of the requirement to develop RIAs, more consistent quality control of RIAs by the MISA, and some improvements regarding the quality of analyses in RIAs.

Indicator 2.10.1 - Evidence-based policy making						
This indicator measures the functioning of evidence-based policy making. It assesses the legal requirements and practice regarding the use of basic consultative processes, budgetary impact assessment and impact assessment. Moreover, it assesses the availability of training and guidance documents for impact assessment, the establishment of the quality control function, and the quality of analysis supporting the approval of draft laws.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Regulation and use of basic analytical tools and techniques to assess the potential impact of draft new laws				2/2	=	
2. Regulation and use of budgetary impact assessment prior to approval of policies				3/3	+2	
3. Regulation and use of Regulatory Impact Assessments				3/3	+2	
4. Availability of guidance documents on impact assessment				2/2	+1	
5. Quality control of impact assessment				2/3	+2	
6. Quality of analysis in impact assessment				3/15	+3	
Total				15/28	+10	

The RoP set out the requirements for the use of RIA for all proposed primary legislation. The fiscal impacts on the state budget of all proposals submitted to the Government must be assessed¹⁰⁴. Draft laws adopted through urgent procedures are exempt from RIA¹⁰⁵ and public consultation¹⁰⁶.

¹⁰⁴ RoP of the Government, Article 8. Proposed laws must be supported by RIA unless they are adopted through an urgent procedure. Specific proposed laws are excluded from the RIA requirement by default: law proposals on the ratification of international agreements, laws on conducting terminology harmonisation with other laws, proposed Budget of the Republic of North Macedonia, Law on the Execution of the Budget of the Republic of North Macedonia, Law on Borrowing by the Republic of North Macedonia and Law on Guarantee by the Republic of North Macedonia.

¹⁰⁵ RoP of the Government, Article 66.3.

¹⁰⁶ RoP of the Government, Article 68-a (3).

The RIA Regulations adopted by the Government¹⁰⁷ state that the RIA process should go hand in hand with the general legislative process and identification of alternative policy options. Guidelines on how to plan and conduct RIA analysis are available online¹⁰⁸. They include guidance on how to conduct problem analysis, identification and comparison of possible solutions, and several possibilities for consultation with interested parties through the SNERR. However, the guidelines are from 2013 and can be deemed outdated, considering that the practice, expertise and system has evolved since then. Moreover, RIAs are not submitted to the Parliament together with the draft proposal for which they have been developed, since there is no formal requirement.

While the MISA is responsible for performing RIA quality control, it lacks the overall capacity and mandate to do so effectively. It can only issue an opinion on the RIA, which is non-binding¹⁰⁹. The MISA does not have the right to return RIAs to line ministries with comments and a request for further consideration in case of major flaws found in the evidence base and analysis. Neither is it guaranteed that the MISA receives all proposals before they are submitted to the Government for adoption¹¹⁰.

The MoF is responsible for scrutinising policy proposals to assess the quality of budgetary impact assessments¹¹¹ and issuing an opinion on the costing estimates. The MoF has issued a standard form that ministries need to fill in when presenting a proposal for adoption by the Government. However, no detailed guidance exists on costing. The MoF does not assess the fiscal impact of the required budget based on the policy goals expected to be achieved¹¹². Furthermore, in practice, the RIA process and budgetary impact assessments are not sufficiently linked. RIAs for draft laws are generally not used by the MoF while it scrutinises proposals. The MISA and the MoF do not discuss RIA analysis and the quality of the assessment of (budget) impacts¹¹³. This means that important synergies between the processes and consistent and robust assessment of all types of impacts are not guaranteed.

Trainings on RIA are conducted only sporadically and at insufficient levels. The MISA organised a basic RIA training in 2020 in which 37 people participated¹¹⁴. This is insufficient for ensuring that capacities for policy analysis and RIA are improved consistently across the administration.

The review of five samples of new legislative packages prepared by the Government in 2020 shows that, while there are some improvements compared to 2017, the quality of analysis for final RIA reports remains low¹¹⁵. Generally, the definition of the problem, the policy objectives and the justification for government

¹⁰⁷ Regulations Governing RIA, Official Gazette No. 107/2013; Guidelines for Ministries on the Procedures for Development of RIA adopted by the Government, Official Gazette No. 106/2013; and Government Decision on the Structure and Contents of the RIA Report with Guidelines, Official Gazette No. 106/2013.

¹⁰⁸ MISA's website. <https://mioa.gov.mk/?q=en/node/1917>.

¹⁰⁹ RoP of the Government, Article 68.

¹¹⁰ The finding is based on interviews with MISA representatives. Moreover, the MISA indicated that it did not receive the draft Law on Public Internal Financial Control System. The ministry therefore did not issue an opinion on this proposal.

¹¹¹ Budget impact assessment is implemented through the Form for New Financing Initiatives.

¹¹² The finding is based on the analysis of the five complete packages submitted for the assessment. The MoF issued its opinion on the draft Law on Census and an opinion covering the draft Law on Batteries and Accumulators and Related Waste; draft Law on Management of Electrical and Electronic Equipment and Related Waste; and draft Law on Management of Packaging and Related Waste. The draft Law on Public Internal Financial Control System was developed by the MoF itself, and the ministry did not issue an opinion on its own proposal. The findings were also supported by interviews.

¹¹³ The finding is based on interviews with representatives from the MISA and the MoF.

¹¹⁴ The attendance list for the RIA training was submitted for the assessment.

¹¹⁵ The finding is based on the analysis of the five complete packages submitted for the assessment: draft Law on Census; draft Law on Batteries and Accumulators and Related Waste; draft Law on Management of Electrical and Electronic Equipment and Related Waste; draft Law on Management of Packaging and Related Waste; and draft Law on Public Internal Financial Control System.

intervention are clear. However, the Explanatory Memorandum often presents more detailed information about the policy proposal and its impacts than the RIA report itself. All analysed samples lack information on the consideration of options, assessment of costs and benefits, implementation planning, and monitoring and evaluation. All RIA reports show a severe lack of quantification and monetisation of impacts. Key information, such as the number of affected companies, was often not systematically considered.

Despite the shortcomings in the quality of RIA reports, they can provide insight to the informed reader, particularly those familiar with the topic. However, they cannot be considered adequate tools for clear communication and explanation of the impacts of policy/legal intentions to the public. This is a vital shortcoming, since the RIAs are expected to be published during the online consultation process to facilitate and ensure informed consultation with key stakeholders and the public. In their current form, they do not provide sufficient insights to facilitate discussions between decision makers and external stakeholders.

Regarding the manner in which they are developed, RIAs are often incomplete. For example, they do not always contain practical information about the scrutiny process. Neither can they be considered documents that provide detailed insight into the outcomes of the consultation process, as intended in the RoP¹¹⁶.

Conclusion


A comprehensive methodology and procedures for performing an *ex ante* analysis of policies is in place, but the quality of final RIA reports remains very weak, and their impact on the quality of final policy design and decision making is limited. Ministries do not adhere to the requirement of conducting proportionate but adequate analysis of policies. The MISA does not have the necessary mandate and capacity to provide systematic checks on the content and quality of analysis of RIAs. The process for checks on the fiscal impact of proposals is implemented consistently but is not based on a comprehensive methodology of costing.

¹¹⁶ RoP of the Government, Article 68-a (5).

Principle 11: Policies and legislation are designed in an inclusive manner that enables the active participation of society and allows for co-ordination of different perspectives within the government.

Overall, the value for the indicator ‘Public consultation on public policy’ is 2. This is an improvement compared to 2017, when the value was 1. The underlying reason for this positive development is a better implementation of the existing requirements for online public consultation.

Overall, the value for the indicator ‘Interministerial consultation on public policy’ is 3. This is an improvement compared to 2017, when the value was 1. The main underlying reason for this development is a better and more consistent implementation of the existing requirements for interministerial consultation.

Indicator 2.11.1 - Public consultation on public policy				
This indicator measures the implementation of public consultation processes in developing policies and legislation. It assesses the regulatory framework, the establishment of the quality control function on public consultation and the consistency in publishing draft laws for written public consultation online, and tests whether minimum standards for public consultations were upheld for approved draft laws.				
Overall 2021 indicator value  since 2017	0	1	2	3 4 5
			Points 2021	Change from 2017
1. Adequacy of the regulatory framework for an effective public consultation process			9/10	=
2. Quality assurance of the public consultation process			0/3	=
3. Consistency in publishing draft laws for written public consultation			1/4	+1
4. Test of public consultation practices			10/24	+10
Total			20/41	+11

The requirement to consult the public is defined in regulations. State administration bodies are obligated to consult citizens and obtain opinions from interested citizens’ associations and other legal entities¹¹⁷. The RoP define the SNERR as the obligatory online consultation platform through which all draft laws must be consulted¹¹⁸.

Guidelines and regulations for public consultation on new policy initiatives are available online through the MISA’s website¹¹⁹. They envisage prior notification of concerned parties at the inception of the policy-development process¹²⁰. The RoP stipulate the 20-day period during which proposals must be published for written online public consultation¹²¹, after which ministries must include an overview of the opinions received in the related RIA report. The outcomes of public consultations are expected to be reported in the final RIA reports, including an explanation of why they did not accept comments and proposals. The Government’s e-Session system does not allow drafts submitted under the normal procedure to proceed in the decision-making process without prior publication on the SNERR. However, when a proposed law is subjected to the urgent procedure, the requirements for conducting RIA and public consultation do not apply. Given the high number of legislative initiatives processing through urgent or shortened procedures, there is a high risk of inadequate preparation and consultation for a large share of policy proposals (see also Principle 7).

¹¹⁷ Law on Organisation and Operation of State Administrative Bodies, Article 10.

¹¹⁸ RoP of the Government, Article 68.

¹¹⁹ MISA’s website. <https://mioa.gov.mk/?q=en/node/1917>.

¹²⁰ Guidelines on Ministerial Procedures in the Process of Application of the RIA, Articles 6, 7, 9 and 17 and Chapter 4, Articles 21-25; and Manual for Stakeholder Consultation in the Process of Creating Policies, Chapter 3.

¹²¹ RoP of the Government, Article 68-a (4).

No organisation is responsible for controlling the quality of the public consultation process by assessing both its adherence to the consultation requirements and the use of consultation outcomes. Neither does a clear methodology exist to determine the quality of the public consultation process. The GS allows proposals for adoption by the Government when the basic public consultation requirements have not been met. Since the RIA report is also used to summarise the outcome of public consultation, the MISA performs basic checks on the process as well. Importantly, the MISA limits its assessment to indicating in its opinion whether the minimum requirement for publication on the SNERR was met. The ministry also generally produces an annual report on the procedural aspects of implementing the RIA, but none was submitted for this assessment.

Analysis of the performance of line ministries regarding the regularity of conducting public consultation shows that not all line ministries publish their draft laws on the SNERR for online consultation. Two out of four ministries did not publish any of their draft law proposals that were adopted by the Government in 2020¹²². While this is an improvement compared to the previous assessment, it shows that consultation requirements are still not applied or enforced consistently.

Table 4. Share of draft laws published for public consultations by a sample of four ministries

	2017	2021
Regularity in publishing draft laws for written public consultation (%)	6.5%	37%

Note: Based on the analysis of practice of public consultation on draft laws with a sample of four ministries during the preceding year.

Source: Based on the information provided by the administration and publicly available data.

An analysis of the full packages of supporting documents provided for five sample draft laws shows that the responsible institutions only partially followed the legal requirement for public consultation¹²³. Most but not all of the online consultations were announced on the SNERR, as required. Other forms of consultation, such as early contacting of and meetings with key stakeholders, were also used, yet this practice is not necessarily reaching all relevant stakeholder groups. RIAs were published together with the draft laws, and comments were received from stakeholders. However, reporting on the outcome of the consultation process, which is done through RIAs, was limited and does not provide detailed insight into the issues that stakeholders raised. Relatively inconsistent implementation of the requirements for public consultation on new draft proposals, together with the absence of other mechanisms of engagement with external stakeholders, creates risks for making policies inclusive.

¹²² The Ministry of Agriculture, Forestry and Water Economy and the Ministry of Labour and Social Policy did not publish any law proposals for public consultation in 2020. The Ministry of Environment and Physical Planning published 94% of its proposals for online consultation, and the Ministry of Economy did so for 54% of its proposals.

¹²³ The finding is based on the analysis of the five complete packages submitted for the assessment: draft Law on Census; draft Law on Batteries and Accumulators and Related Waste; draft Law on Management of Electrical and Electronic Equipment and Related Waste; draft Law on Management of Packaging and Related Waste; and draft Law on Public Internal Financial Control System.

Indicator 2.11.2 - Interministerial consultation on public policy

This indicator measures the adequacy of the regulatory framework for the interministerial consultation process and tests the system in practice for five draft laws.

Overall 2021 indicator value  since 2017

0 1 2 **3** 4 5

	Points 2021	Change from 2017
1. Adequacy of the regulatory framework for an effective interministerial consultation process	7/9	+2
2. Test of interministerial consultation practices	4/12	+4
Total	11/21	+6

The RoP regulate interministerial consultation¹²⁴ and require that responses to requests for opinions be sent within seven days¹²⁵. This can be reduced to five days for cases that are considered urgent. Ministries are required to consult the relevant government institutions to obtain opinions when a proposal has an impact on a policy area under their responsibility. This includes, for example, a mandatory consultation with the MoF on financial impacts, the LS on legal quality, the SEA on *acquis* transposition and the MISA on RIA quality. Ministries are required to present an overview of the comments received during interministerial consultations and explain how the comments were taken forward¹²⁶. However, the role of the OPM in the interministerial consultation process is not defined fully and clearly. A new amendment to the RoP introduced in 2020 requires that the OPM be consulted during interministerial consultation.

The RoP does not allow consideration of the draft proposal unless the required opinions are obtained. In the event of interministerial conflicts, the GS co-ordinates conflict resolution among the involved institutions. The General Collegium of State Secretaries, which is organisationally supported by the SG, is the final administrative mechanism for solving possible conflicts before they reach the political level (i.e. ministers at committee sessions and the government sessions)¹²⁷.

In 2020, the OPM received a mandate to play an active role in interministerial consultation. It is mandated to issue opinions on all cases, including those affecting policy areas exclusively led by the relevant institutions, such as the MoF or the SEA. It is not clear, however, how the conflict resolution systems function in cases when differing opinions are provided by the OPM and ministries.

The review of sample draft law packages shows that the rules for interministerial consultation are not routinely followed in practice¹²⁸. Most but not all samples show that all CoG institutions and affected organisations are systematically consulted. None of the samples was supported by an overview that presented the comments raised during the interministerial consultation process together with an explanation of how they were addressed. Furthermore, during the interviews with CoG representatives and line ministries, the period allowed for interministerial consultation was found to be insufficient. Officials also indicated the regular practice of adding new items to the agenda of the government session at the last minute, bypassing the normal process of interministerial consultation.

¹²⁴ RoP of the Government, Article 68.

¹²⁵ RoP of the Government, Article 69-a.

¹²⁶ RoP of the Government, Article 73.

¹²⁷ RoP of the Government, Article 70.

¹²⁸ The finding is based on the analysis of the five complete packages submitted for the assessment: draft Law on Census; draft Law on Batteries and Accumulators and Related Waste; draft Law on Management of Electrical and Electronic Equipment and Related Waste; draft Law on Management of Packaging and Related Waste; and draft Law on Public Internal Financial Control System.

Conclusion

The regulations establish clear rules and procedures for public consultation on new policies using the SNERR. However, the requirements are not consistently followed in practice, and other tools and forms of engagement with external stakeholders are not fully utilised. Engagement of external stakeholders is thus not ensured. Systematic quality control of public consultation is not performed. Reports on the outcomes of the consultation process are not always prepared as part of RIA reports, as required by regulations.

Interministerial consultation is regulated in the RoP, but the requirements are not fully and consistently followed. CoG institutions and affected bodies are not always consulted, and ministries do not develop overviews of comments received during the consultation process. The interministerial consultation process is not used effectively, which increases the risk of the Government adopting conflicting policies and legal requirements.

Principle 12: Legislation is consistent in structure, style and language; legal drafting requirements are applied consistently across ministries; legislation is made publicly available.

Overall, the value for the indicator 'Predictability and consistency of legislation' is 2. This compares to a value of 3 in 2017. This worsening is primarily due to the changes in the assessment methodology, particularly the addition of a new sub-indicator that assesses the timeliness of adoption of secondary legislation, which was found to be weak in North Macedonia.

Overall, the value for the indicator 'Accessibility of legislation' is 1. The value is the same as in 2017, and there were no major changes observed in the assessment of this area.

Indicator 2.12.1 - Predictability and consistency of legislation

This indicator measures the predictability and consistency of legislation. It assesses the availability of training and guidance along with the establishment of the quality control function. The consistency of laws is assessed based on the ratio of laws amended one year after adoption, and predictability is assessed through the perceived consistency of interpretation of business regulations.

Overall 2021 indicator value  since 2017

0 1 **2** 3 4 5

	Points 2021	Change from 2017
1. Availability of guidance documents on legal drafting	2/2	=
2. Quality assurance on legal drafting	3/3	=
3. Laws amended one year after adoption (%)	0/3	=
4. Perceived clarity and stability of government policy making by businesses (%)	1/2	=
5. Timeliness of adoption of mandatory bylaws (%)	0/3	new ¹²⁹
Total	6/13	=

A new manual for nomotechnical rules was adopted in 2020, replacing the 2007 version. The manual is comprehensive and helps drafters develop primary and secondary legislation. It was formally approved by the SL and published online¹³⁰. However, the manual is protected by copyright and cannot be downloaded from the government (SL) website. The protected copyright status may prevent officials and experts within and outside the administration from using it as a reference document for legal drafting and/or developing additional supporting materials, such as templates.

¹²⁹ This is a new sub-indicator since the 2017 assessment.

¹³⁰ Website of the Secretariat for Legislation: <http://www.sz.gov.mk/application/themes/priracnik/index.html>

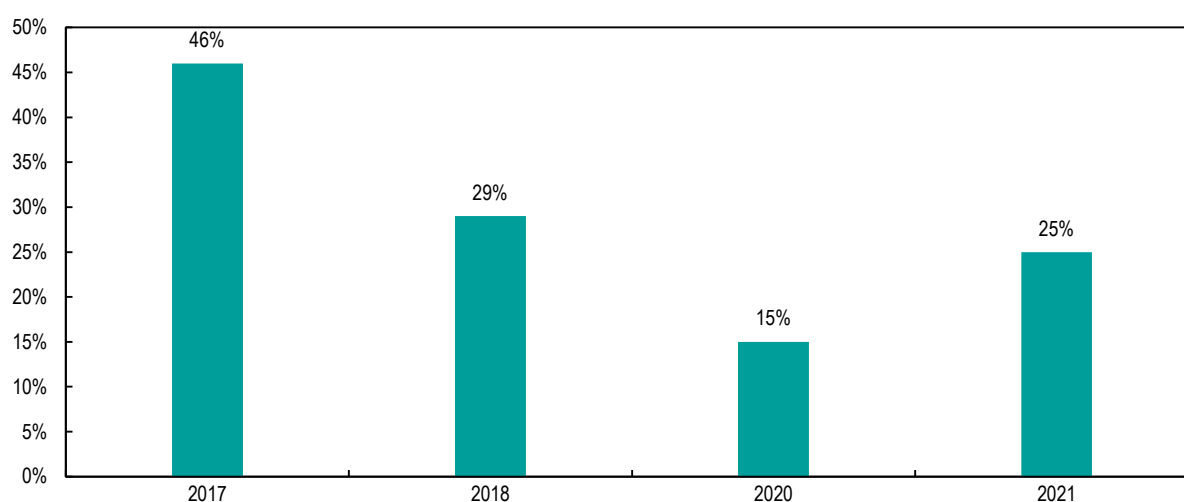
The SL is the government body responsible for ensuring the coherence and quality of legal drafting. All primary and secondary legislative proposals must be submitted for opinion to the SL before they can be presented to the Government for adoption¹³¹. The Secretary of the SL has the right to request that proposals be withdrawn from the Government agenda if the approval will necessitate the adoption of new legal and systemic solutions¹³².

In practice, all analysed law proposals were supported with the obligatory SL opinion¹³³. Yet, the mandate of the SL and the available capacities to implement it are considered not well aligned¹³⁴. In particular, concerns were raised by the SL about not being provided sufficient time to review and comment on proposals.

There is no established programme for regular improvement and strengthening of the capacities of the administration for legal drafting. In 2020, no legal drafting trainings were organised for ministries and other government bodies. The SL indicated that it plans to organise such trainings in 2021.

The percentage of laws amended one year after they were first adopted is 25% for 2020, a clear improvement compared to the previous assessment in 2017, when the indicator was assessed to be 46%.

Figure 3. Share of laws amended one year after adoption, 2017-2021



Note: Based on the review of amendments to new laws initiated by the Government in the preceding year that were made within 12 months of adoption. Data not available for 2019.

Source: SIGMA calculation, based on the information and data available through publicly available sources. Analysis of new laws approved in the previous reporting year was used in the calculation.

According to the 2021 Balkan Barometer survey, 63% of responding businesses “tend to agree” or “agree strongly” that the state administration’s interpretations of the laws and regulations affecting their

¹³¹ RoP of the Government, Article 68.

¹³² RoP of the Government, Article 94-c (3).

¹³³ The finding is based on the analysis of the five complete packages submitted for the assessment: draft Law on Census of population, households and apartments; draft Law on Balanced Regional Development; draft Law on system for Internal financial control in public sector; draft Law on the Intelligence Agency; and draft Law on Ratification of the Agreement between the Government of the Republic of North Macedonia and the Government of the Republic of Serbia on Amending the Agreement between the Government of the Republic of North Macedonia and the Government of the Republic of Serbia for reciprocal recognition of driving licenses.

¹³⁴ The finding is based in interviews with the staff from the SL.

companies are clear and stable¹³⁵, compared to 54% in 2017, confirming some improvement in recent years in businesses' perception of the clarity and stability of government policy.

The sub-indicator 'Timeliness of adoption of mandatory bylaws' shows that just 2 out of 24 bylaws (8%) that were to be developed were adopted within the legally set deadline. This indicates significant challenges in ensuring that all legal requirements and procedures are clearly and fully established at the time of full enforcement of the law.

Indicator 2.12.2 - Accessibility of legislation							
This indicator measures both the regulatory framework for making legislation publicly available and the accessibility of legislation in practice, based on the review of the availability of legislation through the central registry and as perceived by businesses.							
Overall 2021 indicator value	0	1	2	3	4	5	
						Points 2021	Change from 2017
1. Adequacy of the regulatory framework for public accessibility of legislation						2/6	=
2. Accessibility of primary and secondary legislation in practice						2/8	+2
3. Perceived availability of laws and regulations affecting businesses (%)						1/2	=
Total						5/16	+2

All primary and secondary legislation is available electronically through a central registry managed by the Official Gazette¹³⁶. However, the public does not have full and easy access to the electronic database, as legislation adopted during the current year is made available for a fee. Only the previous years' legislation is available free of charge. Even public bodies have to arrange a contract with the Official Gazette to ensure full access to the database for their staff¹³⁷.

The rules for publishing legislation are set in law¹³⁸ but are incomplete. They do not define the procedures and deadlines for publication or the responsibilities of the bodies submitting the adopted legislation for publication. There is also no legal obligation to develop consolidated versions of laws and secondary legislation.

In addition to the Official Gazette, legislation is published through the regulation database maintained by the Ministry of Justice¹³⁹. Important and systemic laws are also available electronically through the websites of individual ministries and non-governmental organisations. These publications are not legally binding, since only the Official Gazette publishes the officially applicable legislation. This proliferation of laws on various websites may explain why 65.5% of the country's businesses believe that laws and regulations are widely available to the public¹⁴⁰, compared to 60% in 2017.

¹³⁵ Balkan Barometer, annual survey conducted by the Regional Cooperation Council (RCC), <https://www.rcc.int/balkanbarometer/>. Some 45.5% answered "tend to agree" and 17.5% answered "strongly agree" to the question, "To what extent do you agree with the following statements? Laws and regulations affecting my company are clearly written, not contradictory and do not change too frequently".

¹³⁶ Official Gazette of the Republic of North Macedonia website. <http://www.slvesnik.com.mk>.

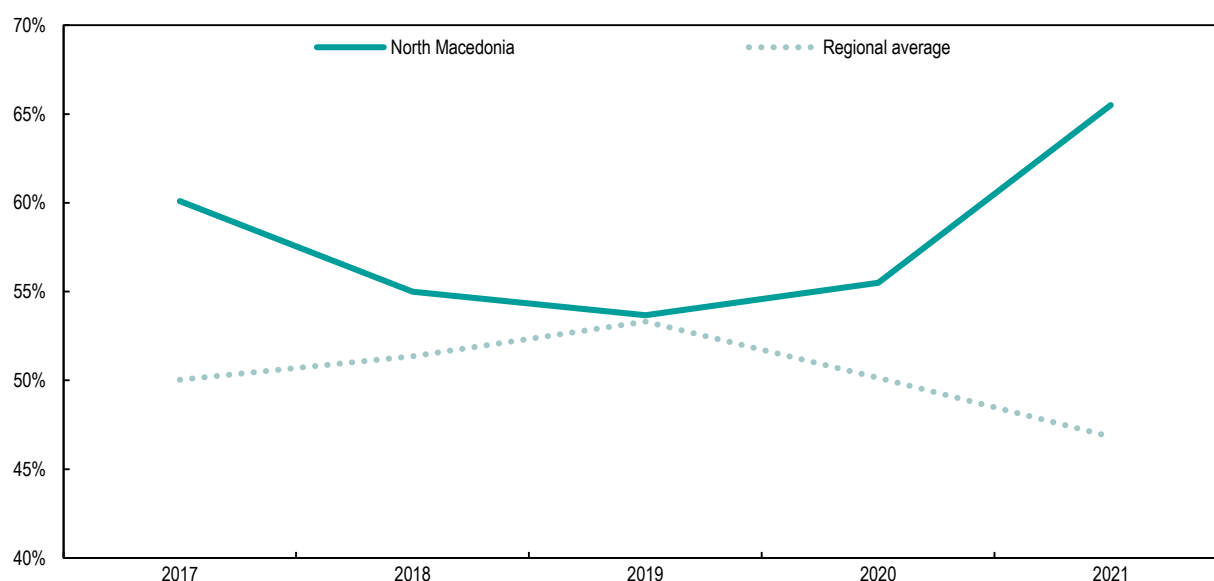
¹³⁷ The finding is based on interviews conducted during the monitoring assessment.

¹³⁸ Law on Publishing of Laws, Other Regulations and Enactments, Official Gazette No. 56/99 and No. 43/02.

¹³⁹ Ministry of Justice of the Republic of North Macedonia, database of laws, bylaws and other regulations. <https://ldbis.pravda.gov.mk/>.

¹⁴⁰ In the 2021 Balkan Barometer survey, 65.5% of respondents tend to agree (50%) or strongly agree (15.5%) with the statement, "Information on the laws and regulations affecting my company is easy to obtain from the authorities".

Figure 4. Perceived availability of laws and regulations affecting businesses, 2017-2021



Note: Positive responses (“Strongly agree” and “Tend to Agree”) to the question whether the laws and regulations affecting businesses are considered.

Source: Regional Cooperation Council, Balkan Barometer Business Opinion database (<https://www.rcc.int/balkanbarometer>).

The Official Gazette occasionally consolidates laws, but these consolidated versions have no official status. Some ministries also publish unofficial consolidated versions of laws, which are available to the public. Only the Legislative Committee of the Parliament can develop official consolidated versions of legal texts¹⁴¹, but it does not by default consolidate all amended laws¹⁴².

Conclusion

Regulations establish clear rules and processes that ensure overall coherence and quality of legislative drafting. Legal quality control is embedded in the policy-development process and is consistently applied by the SL. The share of laws amended one year after adoption has been increasing in recent years. Regular trainings on legislative drafting still need to be organised following the adoption in 2020 of new guidance for legal drafting. The preparation and approval of necessary bylaws to support the implementation of new laws is not planned and carried out on time.

The procedures and requirements for publication of legislation are not sufficiently defined in regulations. While primary and secondary legislation are available electronically, they are not all publicly available free of charge in a formal manner. Instead, publication is scattered across several sources. Official consolidated versions of legal texts are hardly ever developed. The legal framework is thus not fully accessible.

¹⁴¹ RoP of the Assembly of the Republic of North Macedonia, Article 177.

¹⁴² The finding is based on interviews conducted during the monitoring assessment.

Public Service and Human Resource Management

The Principles of Public Administration

Public Service and Human Resource Management

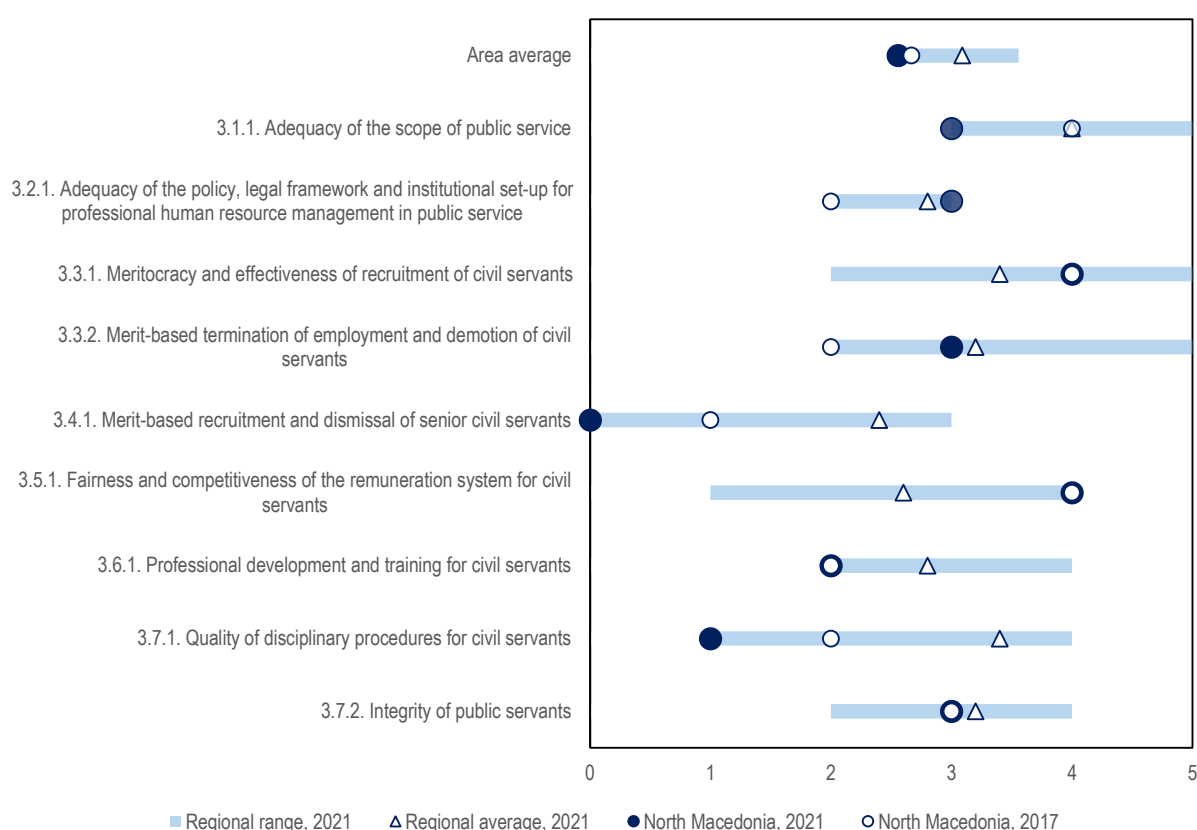
Principle 1	The scope of public service is adequate, clearly defined and applied in practice.
Principle 2	The policy and legal frameworks for a professional and coherent public service are established and applied in practice; the institutional set up enables consistent and effective human resource management practices across the public service.
Principle 3	The recruitment of public servants is based on merit and equal treatment in all its phases; the criteria for demotion and termination of public servants are explicit.
Principle 4	Direct or indirect political influence on senior managerial positions in the public service is prevented.
Principle 5	The remuneration system of public servants is based on job classifications; it is fair and transparent.
Principle 6	The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit.
Principle 7	Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place.

Public Service and Human Resource Management

Summary and recommendations

In the area of public service and human resource management, the performance of North Macedonia remains amongst the weakest in the region, with an average indicator value of 2.6. This is due to several persistent deficiencies related especially to senior civil service, training, and disciplinary procedures. Compared to 2017, the country only shows progress in two indicators: human resources (HR) policy, and termination and demotion.

Compared to 2017, North Macedonia only shows progress in two indicator values and remains one of the weakest performers regionally



The scope of the civil service, regulated through the Law on Public Sector Employees (LPSE) and the Law on Administrative Servants (LAS), has gaps. Some institutions, such as the Ministry of Interior and the Customs administration, have their own extensive regulations, outside of the regular civil service, allowing for privileged salaries and creating gaps in the merit principle. The top managerial positions in ministries and other bodies are included in the scope of the civil service but appointed, without a competitive procedure assessing experience and competencies.

There has been clear improvement in the quality of the policy documents and in the monitoring of their implementation. Support to the HR units is still weak, even though the Ministry of Information Society and Administration (MISA) has reinforced some activities. The use of a Human Resource Management Information System (HRMIS) shows that data is collected, but there is no data-driven approach to building the HR strategy, either at the central level or in the public bodies themselves.

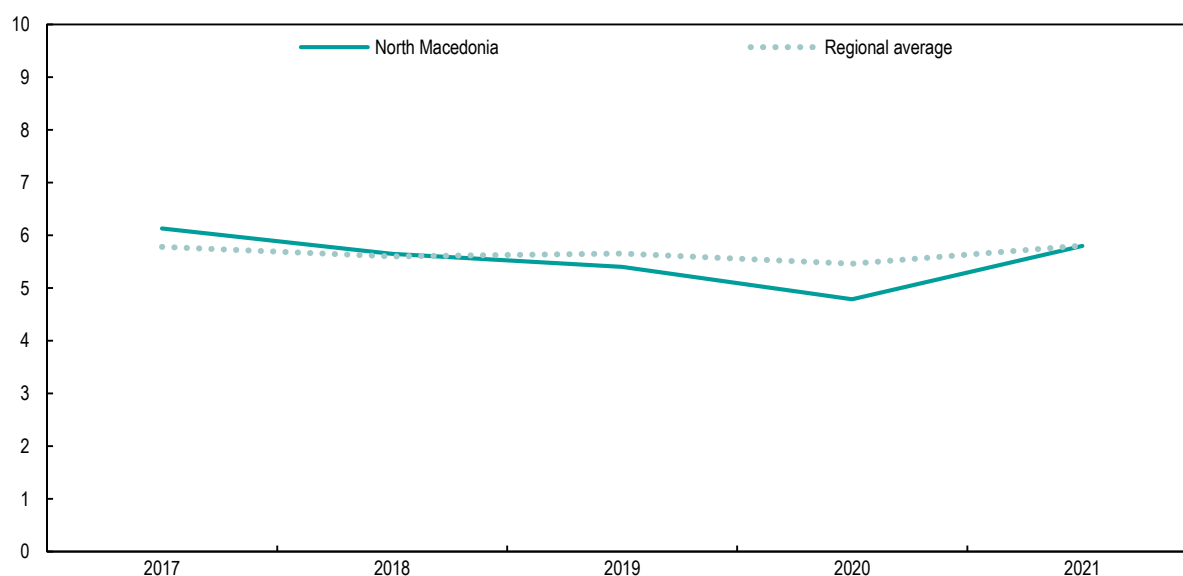
Merit-based recruitment, demotion and dismissal of civil servants are adequately regulated. However, the recruitment processes are not sufficiently competitive, even though the number of eligible candidates increased to an average of five per vacancy in 2020, compared to an average of one in 2016. In the last year, **half of the dismissal decisions were not confirmed by the courts**, which shows procedural weaknesses or the risk of unfair dismissals.

The discretionary appointment and dismissal of senior managers remains the weakest area. Based on the LAS or on the sector legislation, even if there are formal public calls for some agencies, the whole system of senior managerial positions is not competitive and merit based. The Government is preparing a Law on Top Management Service (LTMS) to overhaul the system.

The remuneration system is rational, based on job classification, with reasonable seniority progression and limited performance-related bonuses. However, the very basic job classification system does not properly differentiate the levels of responsibility, creating opportunities for unfair remuneration differences. Additionally, several salary supplements linked to unclear criteria have been created to benefit certain public bodies and groups of staff. Salaries are not sufficiently transparent.

The professional development of civil servants is very weak, both in terms of training activities and strategy. The MISA has no real instrument to deliver training as the so-called “Academy” is not functional, and lacks human and financial resources to do so. The performance appraisal system is still not systematically used. **After three years of decline, the civil servants' perceived level of meritocracy in the public sector has improved.**

After three years of decline, civil servants' perception of meritocracy in the public sector has improved, although it is still lower than in 2017



Note: Respondents were asked to what extent they agree with the following statement on a scale from 1 to 10: 'In the public sector most people can succeed if they are willing to work hard'.

Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>).

The disciplinary system presents some weaknesses that could allow unfair use by the public bodies on one side and a sense of impunity among potential offenders on the other. The percentage of disciplinary sanctions confirmed by the courts is low, which could indicate procedural weaknesses or unfair disciplinary sanctions.

The State Commission for the Prevention of Corruption (SCPC) is a strong integrity body but focuses on the political authorities. **There is no integrity policy for the civil service**, and the MISA is not involved in this area. According to the Balkan Barometer survey, bribery in the public sector remains widespread compared to other countries in the region.

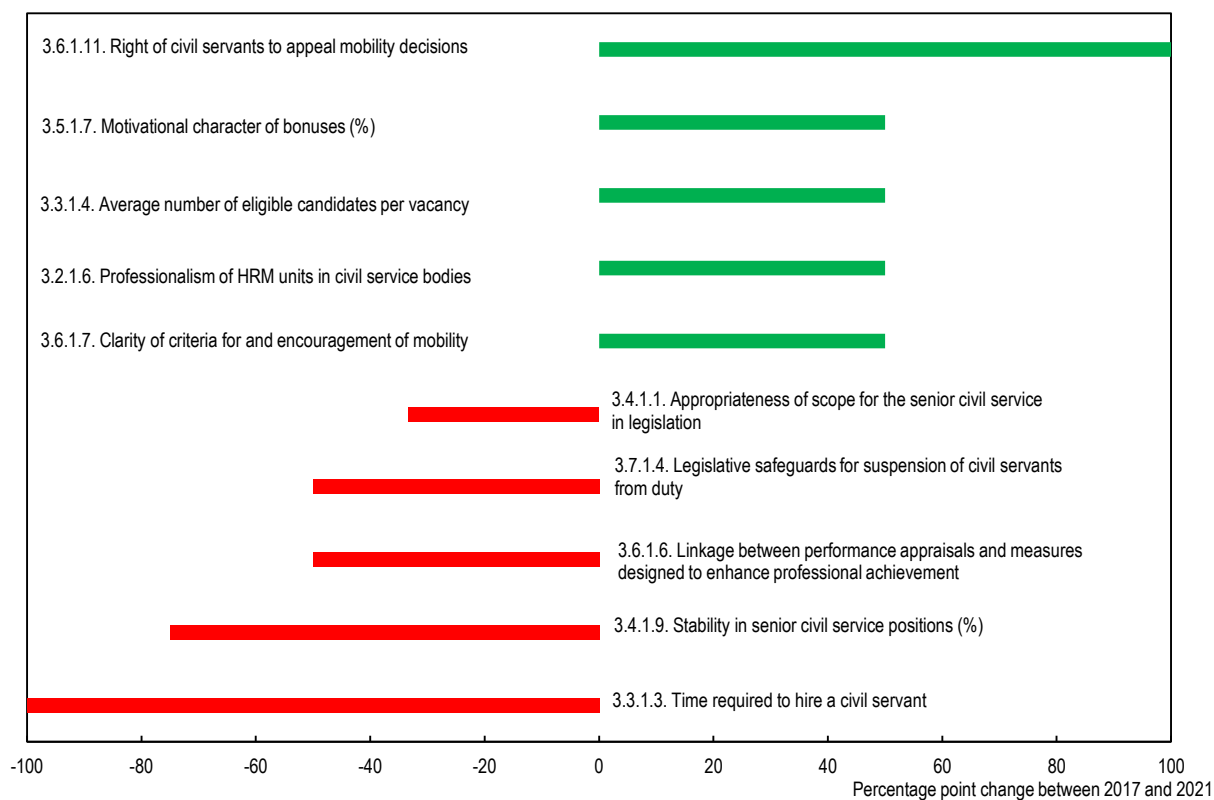
Short-term recommendations (1-2 years)

- 1) The Government and the Parliament should ensure the creation of a new system to recruit and manage the top public managers, based on merit and open competition.
- 2) The MISA, Office of the Prime Minister (OPM), Agency of Administration (AA) and all public bodies should co-ordinate to reinforce trust in the fairness of the recruitment system and launch an employer branding strategy, with effective outreach, to attract enough skilled candidates to ensure competitive recruitment processes.
- 3) The AA should be placed under the authority of the MISA, to ensure the services provided are according to the policies set by the ministry. This should be done respecting the professional autonomy required for conducting the selection processes and the revision of the appeals.
- 4) The MISA should build up capacities to deliver horizontal trainings to the whole of the civil service, and seek co-ordination and synergies across the sector training initiatives of line ministries and agencies.
- 5) The MISA, in co-operation with the relevant bodies, should ensure the transparency of public-sector salaries and the individual remuneration of senior officials.

Medium-term recommendations (3-5 years)

- 6) The MISA, the SCPC and the deputy prime minister in charge of anti-corruption should jointly launch specific integrity policies for civil servants and public employees.
- 7) The MISA, in co-operation with the Ministry of Finance (MoF) and the Ministry of Labour, should design a new salary system for the public sector to address the deficiencies of the job categorisation and unsystematic provision of salary supplements.
- 8) The MISA, in co-operation with other relevant bodies, should analyse a sample of dismissal and disciplinary decisions not confirmed by the courts and conduct improvement actions accordingly.
- 9) The Register (HRMIS) should be developed as a tool for strategic HRM, allowing the MISA and the HR units to analyse HR data, produce analytical reports, plan measures in consequence and monitor their impacts.


The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Improvements on mobility, bonuses, professionalism of HRM units and the average number of eligible candidates per vacancy, but regression on the time required to hire a civil servant, stability in senior positions, performance appraisals, legal safeguards for suspension and scope of senior civil service



Analysis

Principle 1: The scope of public service is adequate, clearly defined and applied in practice.

Overall, the value for the indicator ‘Adequacy of the scope of public service’ is 3. In 2017, the value was 4. The situation remains similar to the 2017 assessment, as the regulations applicable to the civil service barely evolved in the last four years. This is still a slight decrease from the 2017 value due to an amendment to the Law on Customs Administration¹⁴³ that potentially allows for discriminatory dismissals.

Indicator 3.1.1 - Adequacy of the scope of public service						
This indicator measures the extent to which there is a legal framework establishing an adequate horizontal, vertical and material scope for the public service, and whether it is consistently applied across the public sector.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Clarity in the legislative framework of the scope of the civil service				2/2	=	
2. Adequacy of the horizontal scope of the public service				4/6	-1	
3. Comprehensiveness of the material scope of civil service legislation				2/2	=	
4. Exclusion of politically appointed positions from the scope of the civil service				0/2	=	
5. Clarity of the lower division line of the civil service				1/1	=	
Total				9/13	-1	

The legislative framework of the scope of the civil service is stable: both the LPSE¹⁴⁴ and the LAS¹⁴⁵ have been implemented for over six years and form a solid framework, in addition to the Law on the Organisation and Operation of the State Administration Bodies¹⁴⁶ (LOOSAB). Both the horizontal and vertical scope of the civil service legislation are defined in those laws.

Most administrative bodies fall under the direct application of both the LAS and the LPSE in terms of recruitment, promotion or dismissal conditions. Some state bodies, such as the Ministry of Interior, the Customs administration and the Public Revenue Office, have their own regulations for specific HR issues, but they are mostly in line with the general principles expressed in the common regulatory framework. The amended Law on Customs adds the possibility to terminate employment due to undefined “operational/business reasons”¹⁴⁷ opening the door to potential discretionary dismissals which explains the slight decrease in this indicator.

The status of “administrative servants with special authorisation”, as foreseen in the LAS, continues to be a cause of concern. While exclusions from direct application of certain LAS regulations seem logical for some functions, such as armed bodies, intelligence or national security officials, exclusions are sometimes used to overcome LAS and LPSE regulations for other purposes related mainly to remuneration.

Moreover, the public bodies apply ungrounded exceptions for other functions, for instance considering HR professionals of certain public bodies “administrative servants with special authorisation”. Situations of

¹⁴³ Amendment on the Law on Customs Administration, Official Gazette No. 23/2016. Not provided during the 2017 assessment.

¹⁴⁴ Law on Public Sector Employees, Official Gazette No. 27/2014.

¹⁴⁵ Law on Administrative Servants, Official Gazette No. 27/2014.

¹⁴⁶ LOOSAB, Official Gazette No. 110/2019.

¹⁴⁷ Art. 55-c, 4) of the Law on Customs administration.

officials partially or totally excluded from the common civil service regulations put pressure on the MISA to accept derogations to the common framework.

The key elements of a modern human resource management (HRM) policy are included in the two core laws, LPSE and LAS, although integrity is not formally mentioned but left for secondary legislation (through the Code of Conduct of the Administrative Servants).

Conclusion

The scope of the civil service is in general comprehensive but there are deficiencies. The top managerial positions in ministries and other bodies are included in the scope of the civil service but are discretionally appointed, without a competitive procedure assessing experience and competences. Some institutions, such as the Ministry of Interior, through an unjustified extensive use of the concept of administrative servant “with special authorisations”, or the Customs administration, have their own extensive regulations, creating incoherence and allowing for privileged salaries. Such exceptions provide an excuse for other public bodies to ask for tailor-made remuneration systems for them as well.

Principle 2: The policy and legal frameworks for a professional and coherent public service are established and applied in practice; the institutional set-up enables consistent and effective human resource management practices across the public service.

Overall, the value for the indicator ‘Adequacy of the policy, legal framework and institutional setup for professional human resource management in public service’ is 3. The indicator value has risen from 2 since 2017 because the MISA has enhanced the quality, implementation and monitoring of public service policies. The MISA formally plays a more important role regarding civil service policy, although the strategic use of human resource (HR) data remains weak.

Indicator 3.2.1 - Adequacy of the policy, legal framework and institutional set-up for professional human resource management in public service

This indicator measures the extent to which the policy, legal framework and institutional capacities are in place and enable consistent human resource management (HRM) practices across the public service, and assesses whether policies and laws are implemented to ensure proper management of the civil service, for example a functioning civil service database, availability and use of data, etc.

Overall 2021 indicator value  since 2017

0 1 2 **3** 4 5

	Points 2021	Change from 2017
1. Establishment of political responsibility for the civil service	2/2	=
2. Quality of public service policy documents	3/4	+0.5
3. Implementation and monitoring of public service policy	1/4*	+1
4. Right balance between primary and secondary legislation	2/2	=
5. Existence of a central, capable co-ordination body	3/4	+1.5
6. Professionalism of HRM units in civil service bodies	1/2	+1
7. Existence of a functional HR database with data on the civil service	2.5/4	+0.5
8. Availability and use of data on the civil service	2/5	=
Total	16.5/27	+4.5

Note: *Data not available or provided.

The weakness reported in the 2017 SIGMA monitoring report concerning the limited policy steering capacity of the MISA over the Agency of Administration (AA) has not been solved, and the AA is still wrongly accountable to the Parliament¹⁴⁸. Therefore, the management of recruitment is still not well-aligned with the MISA strategies.

There has been a clear improvement in the quality of the policy documents prepared by the MISA as the core documents concerning the HRM strategy of the civil service. The Public Administration Reform Strategy 2018-2022 (PAR Strategy)¹⁴⁹ is more precise and complete than the previous documents, encompassing milestones and targets, as well as deadlines and budgets. The document still lacks quantifiable targets and is not based on a quantitative analysis. Even though a central HRMIS (the Register) exists in the civil service under the responsibility of the MISA, a data-driven HRM is still to be developed in the MISA and in the HR departments of the various administrative bodies.

The last monitoring report on the implementation of the PAR Strategy shows that only 16% of the planned HR-related¹⁵⁰ activities were implemented on schedule, and 32% with delays. Therefore nearly 53% of the intended actions were not implemented at all. This can be explained by the COVID-19 pandemic situation in 2020, which forced the administration to change its priorities drastically in order to keep functioning.

There is a slight imbalance between the primary and secondary legislation, with the former often including too many procedural details. Considering the regional tradition of long and detailed laws, this is a minor problem¹⁵¹.

There has also been a clear improvement in the role that the MISA plays as a central and capable co-ordination body. Since 2017, the MISA has edited and shared guides and rulebooks with the HRM units, including guides concerning competence-based appraisals, competence-based job descriptions and competence-based interviews. The MISA manages a network of organisational units in charge of HRM; however, it is mainly a top-down communications network for the MISA concerning its initiatives and regulations and not a real co-creation network or internal think tank for the administration, as it could be.

The HR units are still focused on operational issues and lack the instruments and capacities to become real strategic partners for their respective administrative body. Some HR units have prepared an internal policy document concerning their HRM strategy, but in no case is it based on an analysis of data or verified evidence.

The central HRMIS (the Register) is still underperforming. While very robust and complete on paper, the database still lacks important data from various public bodies, despite the legal obligation to submit that data. Consequently, the *Annual Report 2020 – Register of Public Employees*¹⁵² is only partially based on the central HRMIS and is mainly statistical and not analytical, encompassing only limited dimensions.

¹⁴⁸ OECD (2017), Monitoring Report: The former Yugoslav Republic of Macedonia, OECD, Paris, p. 50, <http://www.sigmaweb.org/publications/Monitoring-Report-2017-the-former-Yugoslav-Republic-of-Macedonia.pdf>.

¹⁴⁹ PAR Strategy 2018-2022, February 2018.

¹⁵⁰ Actions that are here taken into account are actions under the chapter “Public Service and Human Management Resources” of the PAR Strategy. See (2021), *Third Semi-Annual Report on the Implementation of the Action Plan of the Public Administration Reform Strategy 2018-2022*, January-June 2020, p. 6.

¹⁵¹ New versions of the LAS and the LPSE are expected soon. These key laws would probably gain in readability if details concerning the recruitment process, evaluation system or disciplinary procedure were left for inclusion in secondary legislation/regulations.

¹⁵² MISA (2021), *Annual Report 2020 – Register of Public Employees*.

Conclusion

There has been a clear improvement in the quality of the policy documents and in the monitoring of their implementation. The MISA offers more support to the HR units, such as providing manuals and organising network meetings, but support remains insufficient. The current use of a HRMIS shows that, although data is collected by the institutions, there is not yet a data-driven culture in the construction of the HR strategy, either at the central level or in the public bodies themselves.

Principle 3: The recruitment of public servants is based on merit and equal treatment in all its phases; the criteria for demotion and termination of public servants are explicit.

Overall, the value for the indicator 'Meritocracy and effectiveness of recruitment of civil servants' is 4. This is the same value as in 2017, as the regulatory framework has not evolved significantly. The average number of candidates per vacancy has improved but is still insufficient, while the time taken to hire a civil servant has increased. The limited number of recruitments in 2020, partially due to the pandemic situation, had an impact on the assessment.

Overall, the value for the indicator 'Merit-based termination of employment and demotion of civil servants' is 3. This is an improvement from the 2017 value and consistent with the 2019 value. An amendment to the LAS to limit dismissal due to poor performance to only after two negative appraisals had a positive impact on the indicator.

Indicator 3.3.1 - Meritocracy and effectiveness of recruitment of civil servants						
This indicator measures the extent to which the legal framework and the organisation of civil service recruitment support merit-based and effective selection of candidates wishing to join the civil service and whether this ensures the desired results in terms of competitive, fair and non-discretionary appointments that enhance the attractiveness for job seekers and performance of the public sector.						
This indicator measures only external recruitment. The indicator on merit based recruitment and dismissal of senior civil servants covers recruitment and promotion to senior managerial positions, and the indicator on professional development covers promotions to other positions.						
Overall 2021 indicator value	0	1	2	3	4	5
					Points 2021	Change from 2017
Legal framework and organisation of recruitment						
1. Adequacy of the legislative framework for merit based recruitment for civil service positions					17/18	+1
2. Application in practice of recruitment procedures for civil service positions					13/18*	-1
Performance of recruitment practices						
3. Time required to hire a civil servant					0/2	-2
4. Average number of eligible candidates per vacancy					2/4	+2
5. Effectiveness of recruitment for civil service positions (%)					1/4	+1
6. Retention rate of newly hired civil servants (%)					4/4	=
Total					37/50	+1

Note: *Data not available or provided.

The legislative framework of recruitment has not evolved much in the last four years. A small adaptation was made in the eligibility criteria to define what the former generic formulation "to be in general good health" encompasses, correcting this minor weakness. A remaining issue is a flaw in the Acts of Systematisation: as the MISA exerts weak effective control over the content of the acts. The system can be abused by including eligibility criteria in job descriptions tailor-made to benefit a specific candidate. In practice, a public body can apply different academic background or work experience requirements for the same job.

The implementation of the legislative framework is still difficult to assess due to the lack of data or of recruitment cases in the sample of public bodies assessed. Only three out of the five assessed institutions had an annual staffing plan for 2020, for instance. The pandemic situation also had an impact on the time taken to hire new recruits: one recruitment case assessed in the sample took more than 200 days to complete, which is extremely lengthy compared to the average duration of a recruitment process in the country.

The average number of eligible candidates per vacancy has increased in the past four years, from one candidate per vacancy in 2016 to five in 2020¹⁵³. Although the trend is clearly positive, this average is still too low to ensure fair competition and a sufficient choice of candidates for the recruiting body. The small number of candidates could be related to a lack of interest in public employment or to an imbalance between job requirements and the availability of those profiles in the labour market; it is highly likely to be related to the lack of trust in the fairness of the recruitment processes.

Vacancies are filled with a similar level of effectiveness in the last years: 65.10% in 2018, 67.68% in 2019 and 63.15% in 2020. Considering the pandemic situation, the 2020 score is reassuring. However, the small number of eligible candidates and the fact that during the past years around 35% of the vacancies were not filled by the end of the recruitment process are still weak points. Key positions remain unoccupied for long periods. The attractiveness of the civil service is low, even though salaries appear to be competitive, according to the official statistics¹⁵⁴.

The lack of accountability and proactive action seem to be key factors why the situation is not improving. None of the actors (the MISA, AA, line ministries and other public bodies) appear to consider the insufficient number of suitable candidates or the lack of successful recruitments as their problem, and no strong actions are being taken to solve the situation.

The retention rate at the end of the first year of new recruits remains high at 95.54%. This confirms that the recruitment problem lies more in employer branding or the accessibility of civil servant job positions than in the actual job conditions. During the discussions with the public bodies assessed, the issue of the lack of career prospects arose, although competition with the private sector seems to play a bigger role.

Indicator 3.3.2 - Merit-based termination of employment and demotion of civil servants

This indicator measures the extent to which the legal framework and the HRM practices support fair termination of employment in the civil service and fair demotion of civil servants wherever it is envisioned in the legislation. The indicator does not deal with the termination of employment and demotion of senior civil servants.

Overall 2021 indicator value  since 2017

0 1 2 **3** 4 5

Points
2021

Change from
2017

Legal framework and organisation of dismissals and demotions

1. Objectivity of criteria for termination of employment in civil service legislation	5/6	+1
2. Objectivity of criteria for demotion of civil servants in the legislative framework	2/2	=
3. Right to appeal dismissal and demotion decisions to the courts	2/2	=

Fairness and results of dismissal practices

4. Dismissal decisions confirmed by the courts (%)	1/4	=
5. Implementation of court decisions favourable to dismissed civil servants (%)	0/4*	=
Total	10/18	+1

Note: *Data not available or provided.

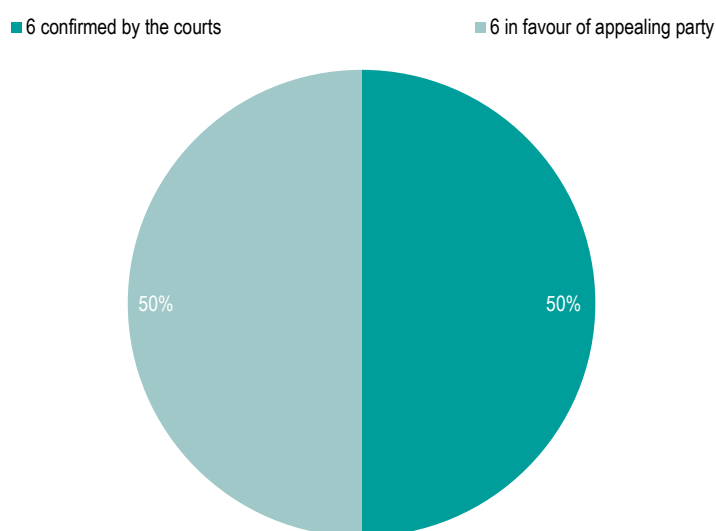
¹⁵³ In 2016, the ratio was below 1 (36 eligible candidates for 42 vacancies).

¹⁵⁴ *Average Monthly Gross Wage Paid per Employee – February 2021*, State Statistical Office, April 2021. https://www.stat.gov.mk/PrikaziSoopstenie_en.aspx?id=41&rbr=13613.

The objectivity of criteria used to demote civil servants or terminate employment remains sound. There has been an improvement in the LAS concerning dismissal due to poor performance. In the former version of the Law, it was possible to dismiss a civil servant after a single negative appraisal (with a first signal after six months in a mid-term review). This provision has been amended, increasing guarantees by requiring two successive negative appraisals or three negative appraisals in a period of five years before a performance-related dismissal is possible. Dismissal due to downsizing or restructuring remains a weakness in the legislative framework, as the criteria used to identify the redundant civil servants are unclear and could lead to abuse.

Concerning the position of the courts regarding dismissal decisions, only partial data was available through the Ministry of Justice (MoJ). The MISA does not follow those decisions and does not keep statistics on the topic. From the data provided by the MoJ, only 50% of the court decisions related to dismissal of civil servants were in favour of the administration. This means that appealing parties were successful in their appeals in half of the cases. As the assessment team had no access to the complete files, it was not possible to determine when the causes of the negative rulings were due to formalities and when to substantive factors.

Figure 1. Dismissal decisions confirmed by the courts in 2020 (%)



Source: Data provided by the Ministry of Justice.


The implementation of the court decisions has not been assessed due to the lack of information. Neither the MISA nor the MoJ keep track of the implementation. Therefore, the sub-indicator was assessed as 0.

Conclusion

Merit-based recruitment, demotion and dismissal of civil servants is, overall, adequately regulated in the legislative framework. However, recruitment processes are not competitive enough and not very effective: the average number of eligible candidates per vacancy remains low, and more than 36% of vacancies are not filled at the end of the process. In the assessment sample, half of the dismissal decisions were not confirmed by the courts, which shows procedural weaknesses or the risk of unfair dismissals.

Principle 4: Direct or indirect political influence on senior managerial positions in the public service is prevented.

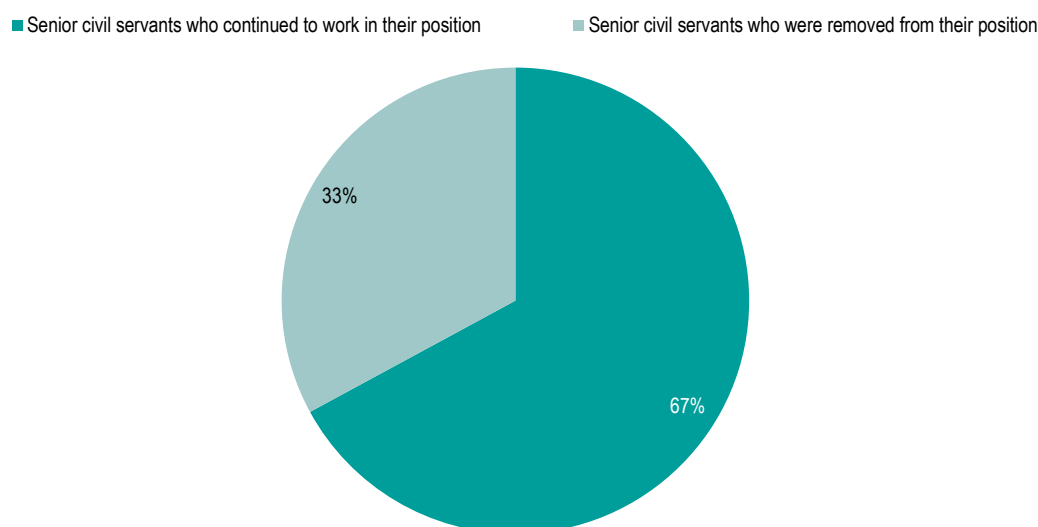
Overall, the value for the indicator 'Merit based recruitment and dismissal of senior civil servants' is 0, the same as in 2019 but lower than in 2017. The main reason for the reduction in value is the instability in senior civil service positions due to discretionary dismissals in 2020.

Indicator 3.4.1 - Merit-based recruitment and dismissal of senior civil servants		
<p>This indicator measures the extent to which the legal framework and the organisation of recruitment and tenure conditions of the senior civil service support a professional senior management, free from undue political influence in access or termination of employment in senior civil service positions. This indicator relates to all competitions for senior positions, both external and internal.</p> <p>Recruitment and dismissal in senior positions is treated under a separate indicator due to the importance of the role of this group of civil servants and the increased risk of politicisation and favouritism. High priority accorded to merit and competitiveness in the recruitment process reduces the possibility of political influence in appointments to such positions.</p>		
Overall 2021 indicator value	 since 2017	0 1 2 3 4 5
	Points 2021	Change from 2017
Legal framework and organisation of recruitment and dismissal of senior civil servants		
1. Appropriateness of the scope for the senior civil service in legislation	1/3	-1
2. Adequacy of the legislative framework for merit based recruitment for senior civil service positions	2/15	-1
3. Objectivity of criteria for the termination of employment of senior civil servants in the legislative framework	0/4	=
4. Legislative protection of the rights of senior civil servants during demotion	1/2	=
Merit-based recruitment and termination of employment in senior civil service positions in practice		
5 Application in practice of recruitment procedures for the senior civil service	0/9	=
6. Ratio of eligible candidates per senior level vacancy	0/4*	=
7. Effectiveness of recruitment for senior civil service positions (%)	0/4	=
8. Women in senior civil service positions (%)	4/4	=
9. Stability in senior civil service positions (%)	1/4	-3
10. Dismissal decisions confirmed by the courts (%)	0/4	=
11. Implementation of final court decisions favourable to dismissed senior civil servants (%)	0/4	=
Total	9/57	-5

Note: *Data not available or provided.

The senior civil service remains the weakest point in the legislative framework, as there is no open competition, no fair appraisal based on objectives and no merit-based dismissal for those positions. State secretaries, general secretaries and municipal secretaries are discretionarily appointed among senior grade civil servants and discretionally dismissed. In 2016, no civil servant was dismissed because no government was formed. In 2020, the volatility in those positions was relatively high, with a 33% turnover due to political dismissals and appointments, mainly following the formation of a new government in August 2020.

Figure 2. Turnover in senior managerial civil service positions in 2020 (%).



Source: Data provided by the MISA for this assessment.

The existing system allows for the political authority to appoint top managerial civil servants (A positions) freely from the pool of existing B-category civil servants, such as heads of departments. This system provides some guarantees of professionalism, as the appointed top managers come from a selection of civil servants recruited based on merit when joining the civil service. However, this procedure doesn't ensure competition and check of competencies for the top managerial positions.

A draft Law on Top Management Service (LTMS) is being prepared and will be presented to the Government for approval in the coming months. It should drastically change the state of play, as merit-based recruitment, open competition, fair appraisal and fair dismissal are included in the proposal.

On a positive note, the representation of women in senior civil servant positions remains relatively high. In an approach consistent with the last two monitoring reports, group B1 (state advisors) and group B2 (heads of sectors) positions were taken into account in assessing this sub-indicator: 44% of the given positions are occupied by women. However, only a little less than 20% of positions in the A group (secretaries) are occupied by women.

No data was provided concerning the equitable representation of communities in senior civil servant positions.

Conclusion

The discretionary appointment and dismissal of senior managers without competition and assessment of competences remain a problem. The Government is aware of it and is preparing a new law that could drastically improve the state of play. The representation of women in senior civil service remains high.

Principle 5: The remuneration system of public servants is based on job classifications; it is fair and transparent.

Overall, the value for the indicator ‘Fairness and competitiveness of the remuneration system for civil servants’ is 4, the same as in 2017. Sub-indicator values have improved because reliable data on certain issues was provided in 2021, unlike in 2017.

Indicator 3.5.1 - Fairness and competitiveness of the remuneration system for civil servants						
This indicator measures the extent to which the legal framework and the organisation of the civil service salary system support fair and transparent remuneration of civil servants, in terms of both the legislative and organisational preconditions and the performance and fairness of the system in practice.						
Overall 2021 indicator value	0	1	2	3	4	5
					Points 2021	Change from 2017
Legal framework and organisation of the remuneration system						
1. Legal obligation to base salaries on job classifications					2/2	=
2. Comprehensiveness, clarity and transparency in legal definitions of salary, criteria and procedures for allocation					2/2	=
3. Availability of salary information					1/3	=
Performance and fairness of the remuneration system in practice						
4. Fairness in the allocation of base salaries in the job classification system					2/4	+1
5. Base salary compression ratio					2/2	=
6. Managerial discretion in the allocation of bonuses					2/2	=
7. Motivational character of bonuses (%)					2/2	+1
8. Competitiveness of civil service salaries (%)					3/3	=
Total					16/20	+2

The remuneration system detailed in the LAS has not been modified in the last four years. It remains rational, based on a job classification methodology that is simple enough to be easily manageable. In practice, the simplicity of this job classification can lead to misuse: as there are no common rules, the public bodies can classify job positions into different grades or levels. Academic background and needed professional experience are used to differentiate similar job positions, leading to the situation whereby administrative clerks with the same functions could be classified into different levels or grades and therefore paid differently¹⁵⁵. The MISA exercises a weak control, easily accepting amendments to the Acts of Systematisation.

Besides the formal remuneration system of civil servants, there are groups of officials and public bodies that benefit from various kinds of salary supplements created through different instruments, as analysed in a study published by a civil society organisation¹⁵⁶. The latest supplements were created in July 2021 through an amendment to the law on the execution of the Budget. This provision opened the door to awarding salary supplements of up to 30% of the basic salary to employees who are “under reinforced availability to their superiors”, “working against tight deadlines”, “working with classified information” or

¹⁵⁵ For further information, see Change Management Centre (2020), *The type of education – the only requirement for employment in the administration?*, December 2020.

<https://cup.org.mk/publication/type-of-education-the-only-criteria-for-employment-in-the-public-administration?lang=eng>.

¹⁵⁶ Westminster Foundation for Democracy (2018), *Salary raises of selected institutions in the public administration* (own translation), p. 15 and following. The high dispersion of real average salaries among public bodies regulated by the LAS is a clear indication of a very fragmented system, including distorted allowances and supplements. <https://www.wfd.org/network/north-macedonia/>.

“participating in working groups”. Another new supplement of 15% may be awarded to employees who are working in Instrument for Pre-accession Assistance (IPA)-related positions. Those supplements, even if intended to solve specific challenges, such as retention difficulties, are fragmenting and distorting the overall pay system. The awarding criteria are not sufficiently clear and objective, creating opportunities for misuse. Most importantly, they could have negative unintended consequences for the whole public service.

Another issue is related to the lack of availability of information concerning remuneration, which could be easily solved. Information concerning the average total pay (per level or grade) is not available on the MISA website (or that of the AA or the MoF). The same is true for salary scales, which are not publicly displayed. The availability of data concerning the payroll is as problematic as the socio-demographic data concerning the civil service as a whole. For instance, data concerning the potential gender gap is not available.

The bonus system linked to performance appraisals is well-described in the law and being applied in practice. Five percent of top performers is the maximum quota foreseen in the LAS for performance-related bonuses. In 2020, under 5% of top appraised staff received bonuses.

The average gross monthly salary in the public administration (46 811 denars)¹⁵⁷ remains competitive when compared to the average salary in the country (42 043 denars) and when compared to several sectors’ average salaries, according to the last available State Statistical Office report ¹⁵⁸. During interviews, various interlocutors have expressed the opinion that the salaries in the public sector are low compared to the real income in the services sector¹⁵⁹, but SIGMA was unable to validate this assertion with hard evidence, such as salary surveys.

Conclusion

The legislative framework regarding the remuneration system is rational, based on job classification, with reasonable seniority progression and limited performance-related bonuses. The basic job classification system does not take into account certain differences in the levels of responsibility. Transparency on salaries is insufficient due to the lack of easily available information on actual salaries and salary progression. On average, salaries in public administration are competitive with the private sector, according to statistical data.

¹⁵⁷ Gross monthly salary in the administration (not disaggregated per central or local government administration) in February 2021.

¹⁵⁸ <https://www.stat.gov.mk/PrikaziSoopstenie.aspx?id=41&rbr=13613>.

¹⁵⁹ The official data might be imperfect due to the existence of the shadow economy in the private sector, whereas there are no hidden payments in the public sector. In addition, the public administration usually has much higher percentages of employees with university degrees compared to other sectors of the labour market (so, the average salaries of other sectors should be lower because of the relevant percentage of unqualified staff).

Principle 6: The professional development of public servants is ensured; this includes regular training, fair performance appraisal, and mobility and promotion based on objective and transparent criteria and merit.

Overall, the value for the indicator ‘Professional development and training for civil servants’ is 2, the same as in 2017. There have been some minor improvements in the quality of the performance appraisals: i.) a few clarifications have been made in the legislation, and ii.) the percentage of civil servants assessed at the top score is now limited, which reinforces the motivational effect. The number of civil servants appraised within the deadline has declined compared to the previous assessment.

Indicator 3.6.1 - Professional development and training for civil servants						
This indicator measures the extent to which the legal framework and the organisation of training, performance appraisal, mobility and promotion support fair professional development in the civil service.						
Overall 2021 indicator value	0	1	2	3	4	5
			Points 2021		Change from 2017	
Legal framework and organisation of professional development						
1. Recognition of training as a right and a duty of civil servants			2/2		=	
2. Co-ordination of the civil service training policy			2/3		=	
3. Development, implementation and monitoring of training plans			0/3		=	
4. Evaluation of training courses			0/2		=	
5. Professionalism of performance assessments			3/4		+1	
6. Linkage between performance appraisals and measures designed to enhance professional achievement			0/4		-2	
7. Clarity of criteria for and encouragement of mobility			1/2		+1	
8. Adequacy of legislative framework for merit based vertical promotion			2/2		=	
9. Absence of political interference in vertical promotions			0/2		=	
10. Right of civil servants to appeal against performance appraisal decisions			2/2		=	
11. Right of civil servants to appeal mobility decisions			2/2		+2	
Performance of professional development practices						
12. Training expenditures in proportion to the annual salary budget (%)			0/4		=	
13. Participation of civil servants in training (%)			0/5		=	
14. Perceived level of meritocracy in the public sector (%)			3/5		=	
Total			17/42		+2	

Note: The points allocated in 2017 for sub-indicator 14 was revised retrospectively from 2 to 3 due to miscalculation.

The training and professional development of civil servants remain a weak component of the HRM. Some institutions have a training strategy, but the MISA plays virtually no role in this area. With a total budget of MKD 2 million (Macedonian denar, equivalent to EUR 32 500) in 2020, the MISA has only been able to maintain the existing and very limited e-Learning platform developed a few years ago. The participation of civil servants in centrally organised training courses is limited to the available e-Learning courses and has been particularly low due to the COVID-19 situation: only 4.33% of civil servants followed at least one of those courses during the assessment year, although all have an obligation to do so each year. The e-Learning courses are very generic and of limited use if they are not complemented with more focused training courses organised by the institutions themselves. The situation in this respect differs greatly from one institution to another. The Customs administration and the Public Revenue Office, for instance, have complete annual training plans for their staff, whereas other public bodies have nothing.

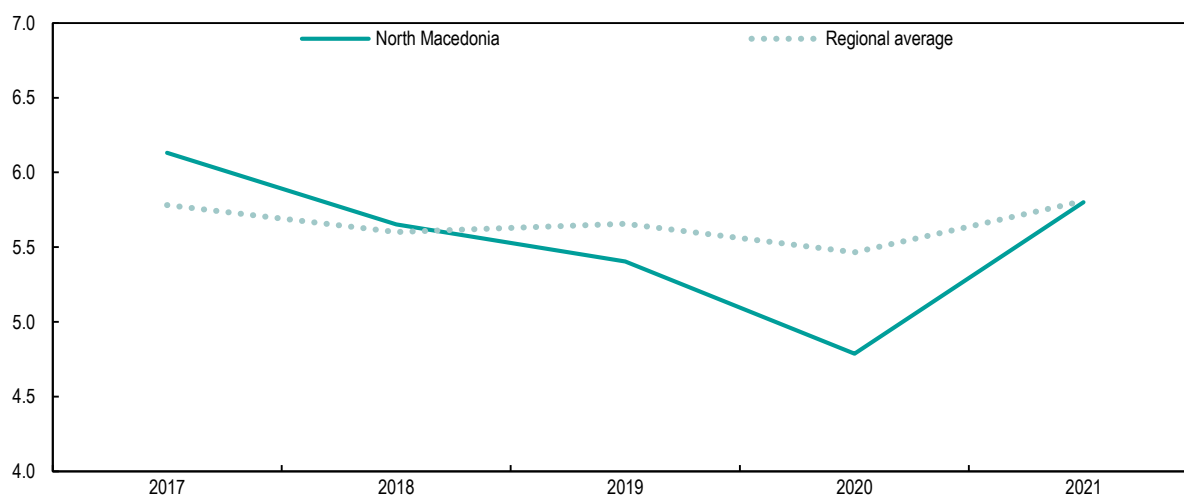
The willingness to create a centrally managed “Academy”, as expressed in the draft versions of the new LAS and LPSE, is only feasible with major investments in both the infrastructure and manpower needed for such an institution. Currently, a professional development policy is yet to be created

The legislative framework concerning the appraisal system is sound, although mainly focused on the consequences of a negative appraisal instead of on the potential positive aspects of the evaluation cycle. The pandemic situation in 2020 had a negative impact on the appraisal system as a whole, as less than 42% of civil servants were assessed in the regular time limits (compared to 61% in 2019). Notably, the top marks are not equally distributed among the categories: civil servants in the highest non-senior category (group B positions) are three times more likely to be awarded top marks than those in lower categories (group D positions).

Mobility between institutions is regulated by the LPSE and is based on an agreement between two institutions and the civil servant concerned. It does not require internal competition. Mobility can also be based on restructuring or downsizing and forced upon a civil servant. While the possibility of mobility exists, it is not actively promoted by any of the actors (including the MISA) and is scarcely used. Only 105 employees were granted horizontal mobility in 2020. Civil servants can use an appeal procedure against forced mobility.

The legislative framework on vertical promotion is sound and comprehensive, providing a merit-based procedure conducted by a selection commission. However, for promotion to B positions, after the selection commission agrees on a shortlist of five candidates, the interviews are not conducted by the commission, and the candidates are only interviewed by the Secretary General. This exceptional arrangement exacerbates the problem of discretionary appointments of top managers from the ranks of category B civil servants.

Figure 3. Evolution of the perceived level of meritocracy in the public sector by civil servants, 2017-2021



Note: Respondents were asked to what extent they agree with the following statement on a scale from 1 to 10: 'In the public sector most people can succeed if they are willing to work hard'.

Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>).

After three years of decline, the perceived level of meritocracy in the public sector by civil servants has improved significantly since 2019, but is still worse than in 2017.


Conclusion

The professional development of civil servants is still very weak, both in terms of strategy and quantity of training available. The MISA has not created an instrument to manage training and suffers from a lack of human and financial resources to do so. The use of the performance appraisal system is still not widely used throughout the public administration. The top ratings are not equally distributed across different categories of civil servants. The perceived level of meritocracy in the public sector has improved since 2019, but is still worse than in 2017.

Principle 7: Measures for promoting integrity, preventing corruption and ensuring discipline in the public service are in place.

Overall, the value for the indicator 'Quality of disciplinary procedures for civil servants' is 1, down from 2 in both 2017 and 2019. The legislative framework and its use have not changed, and the decrease of the indicator is due to the lack of a safeguard in the suspension process, which was not captured in the previous assessments.

Overall, the value for the indicator 'Integrity of public servants' is 3. This value is consistent with the 2017 assessment but is a slight setback from the 2019 assessment. The decrease of the indicator is mainly due to an increase in the level of bribery experienced by citizens when dealing with the public sector. The legal framework remains strong, but its implementation across the public service remains weak.

Indicator 3.7.1 - Quality of disciplinary procedures for civil servants		
This indicator measures the extent to which the legal framework and the organisation of disciplinary procedures support individual accountability, professionalism and integrity of civil servants and safeguard civil servants against unfair and arbitrary disciplinary cases.		
Overall 2021 indicator value  since 2017	0	1
	2	3
	4	5
	Points 2021	Change from 2017
Legal framework and organisation of disciplinary system		
1. The adequacy of civil service legislation to uphold basic principles related to disciplinary procedures	4/4	=
2. Compliance between disciplinary procedures and essential procedural principles	0/6	=
3. Time limits for the administration to initiate disciplinary action and/or punish misbehaviour	1/2	=
4. Legislative safeguards for suspension of civil servants from duty	1/2	-1
Performance of professional development practices		
5. Disciplinary decisions confirmed by the courts (%)	0/4	=
Total	6/18	-1

The legislative framework concerning the disciplinary procedure is reasonable but presents some shortcomings that could be easily corrected with a legal amendment. Basic principles, such as the presumption of innocence, the right of the accused party to access the relevant documents and the impartial investigation by the disciplinary body are not explicitly mentioned in the primary or secondary legislation. While these principles could be implicit in the guides and rulebooks, their absence in primary legislation leads to uncertainty and potential misuse.

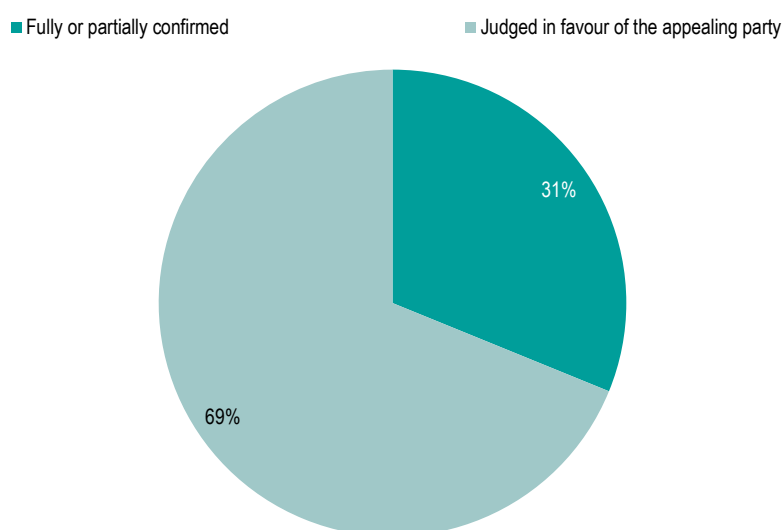
The time limits foreseen in the law are too short compared to common practices. For minor violations, the time limit to initiate a disciplinary procedure is three months after the wrongdoing. For major violations, the limit is one year. Such short limits could induce a sense of impunity among potential offenders, who could potentially hide their wrongdoings in order to escape negative consequences.

A major weakness in the suspension procedure was not captured in the previous assessment: the LAS foresees that a suspended civil servant only receives 60% of the salary during the suspension. However, the legislation is silent on the final financial consequences, both in the case of acquittal or actual punishment at the end of the procedure. According to the interviews, if the allegations against the suspended administrative servant are dropped or void, the salary cut is not automatically reimbursed and can only be recovered through an appeal for damage reparation before the civil court.

Concerning the decisions of the courts in regard to disciplinary sanctions, the only data available comes from the MoJ. The MISA does not follow these decisions and does not keep statistics on the topic. From the data provided by the MoJ, only 31% of the court decisions on disciplinary sanctions were fully or partially in favour of the administration. This means that appealing parties were successful in their appeals

in 69% of the cases¹⁶⁰. It is not known whether the causes of the negative rulings were procedural problems or substantive factors, but the particularly low percentage of court confirmations is a sign of weaknesses in the management of the disciplinary process or, even worse, of unfair disciplinary sanctions.

Figure 4. Disciplinary sanctions confirmed by the courts in 2020 (%)



Source: Data provided by the Ministry of Justice.

Indicator 3.7.2 - Integrity of public servants

This indicator measures the extent to which legislation, policies and organisational structures promote public sector integrity, whether these measures are applied in practice and how the public perceives the level of corruption in the public service.

The indicator does not address the internal administrative proceedings related to integrity, as that is covered by a separate indicator on disciplinary procedures.

Overall 2021 indicator value 0 1 2 **3** 4 5

	Points 2021	Change from 2017
Legal framework and organisation of public sector integrity		
1. Completeness of the legal framework for public sector integrity	5/5	=
2. Existence of a comprehensive public sector integrity policy and action plan	4/4	+1
3. Implementation of public sector integrity policy	2/3*	=
Public sector integrity in practice and public perceptions		
4. Use of investigations in practice	0/4*	=
5. Perceived level of bribery in the public sector by businesses (%)	2/4	=
6. Bribery in the public sector experienced by the population (%)	0/4	=
Total	13/24	+1

Note: *Data not available or provided. The point allocation in 2017 for sub-indicator 6 was revised retrospectively from 1 to 0 due to miscalculation.

¹⁶⁰ Out of 77 first-instance court decisions concerning disciplinary cases reached in 2020, 22 were fully confirmed by the courts and 2 were only partially confirmed (24 out of 77 = 31.17%). The 53 other cases were judged in favour of the appealing party. Data collected by the MoJ at SIGMA's request.

The area of integrity in the public sector is supported by a strong legislative framework. The LPCCI, as well as the LAS, the code of conduct of civil servants and the criminal code contain various regulations useful for the fight against corruption. The SCPC is the main player in this regard. Its 2020-2022 strategic plan, alongside the European Union-funded ProTRACCO project, includes qualitative policy documents, with timelines, costs and identified responsibilities.

The SCPC focuses its activities mainly on the elected and appointed political officials and pays little attention to civil servants (with the notable exception of top managers, who are subject to similar regulations). The management of the integrity of civil servants apparently falls under the responsibility of the MISA, but nobody in the ministry is in charge of this issue.

As a consequence of the lack of specific focus on civil servants, in practice, such investigations are nearly non-existent, with no case of secondary employment, post-employment or improper use of gifts and benefits by a civil servant investigated in 2020. No programme of inspection has been established on these topics, and the SCPC mainly investigated based on delations.

According to the Balkan Barometer, the bribery experienced by citizens when dealing with the public sector increased compared to 2017¹⁶¹. The level of bribery experienced by businesses remained fairly constant¹⁶². Both percentages remain high compared to other countries in the region.

Conclusion

The regulation on the disciplinary system presents some weaknesses that could allow unfair use by the authorities on one side and a sense of impunity among potential offenders on the other. The percentage of disciplinary sanctions confirmed by the courts remains low, which indicates procedural weaknesses and/or unfair disciplinary sanctions.

The LPCCI and the SCPC provide a sound legislative and institutional framework, mainly focused on the political authorities. There is no civil service-specific integrity policy. According to the Balkan Barometer, bribery in the public sector remains comparatively high.

¹⁶¹ 8.8% of respondents answered "yes" to having paid a bribe for any of these public institutions: police, registry and permit services, utilities, tax revenues, land services or any government agency. <https://www.rcc.int/balkanbarometer/home>.

¹⁶² 16% of respondents answered "tend to agree" and 4.5% answered "strongly agree" to the question: "Thinking about officials, to what extent would you agree with the following statement? It is common for firms in my line of business to have to pay some irregular 'additional payments/gifts' to 'get things done'". <https://www.rcc.int/balkanbarometer/home>.

Accountability

The Principles of Public Administration Accountability

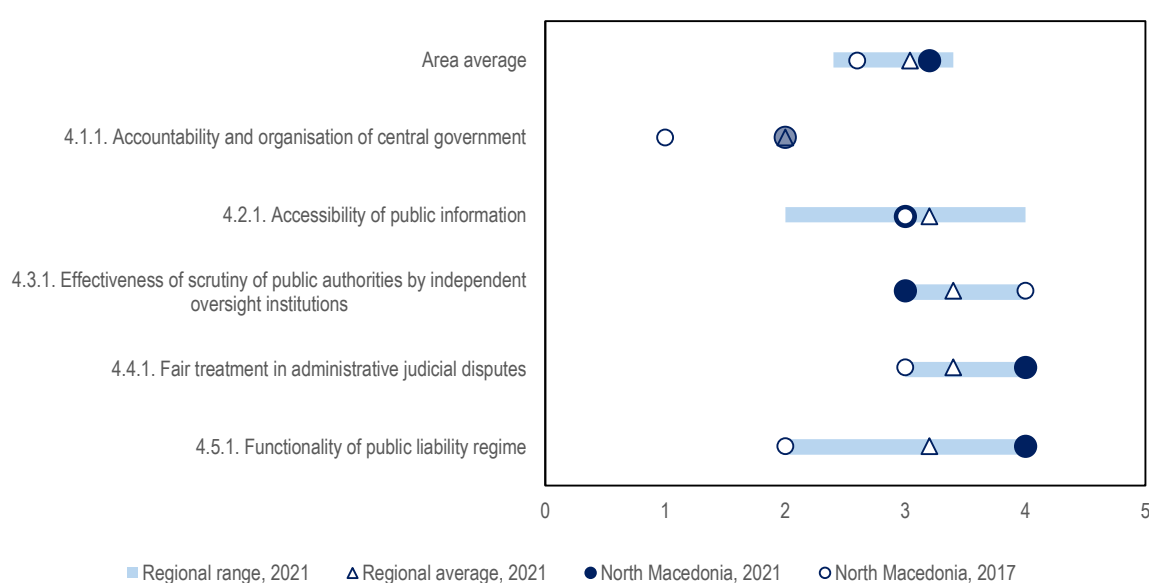
Principle 1	The overall organisation of central government is rational, follows adequate policies and regulations and provides for appropriate internal, political, judicial, social and independent accountability.
Principle 2	The right to access public information is enacted in legislation and consistently applied in practice.
Principle 3	Functioning mechanisms are in place to protect both the rights of the individual to good administration and the public interest.
Principle 4	Fair treatment in administrative disputes is guaranteed by internal administrative appeals and judicial reviews.
Principle 5	The public authorities assume liability in cases of wrongdoing and guarantee redress and/or adequate compensation.

Accountability

Summary and recommendations

Overall, North Macedonia shows progress since 2017 in the area of accountability and is with an average indicator value of 3.2 not far from the regional top performer (3.4). Effectiveness of scrutiny by oversight institutions is the only indicator with a lower value than in 2017, and the access to information remains at the same level. Nevertheless, some major reforms are still needed regarding certain elements in the accountability area.

Close to the regional top performer, North Macedonia shows progress in the area of accountability since 2017, except for scrutiny by oversight institutions



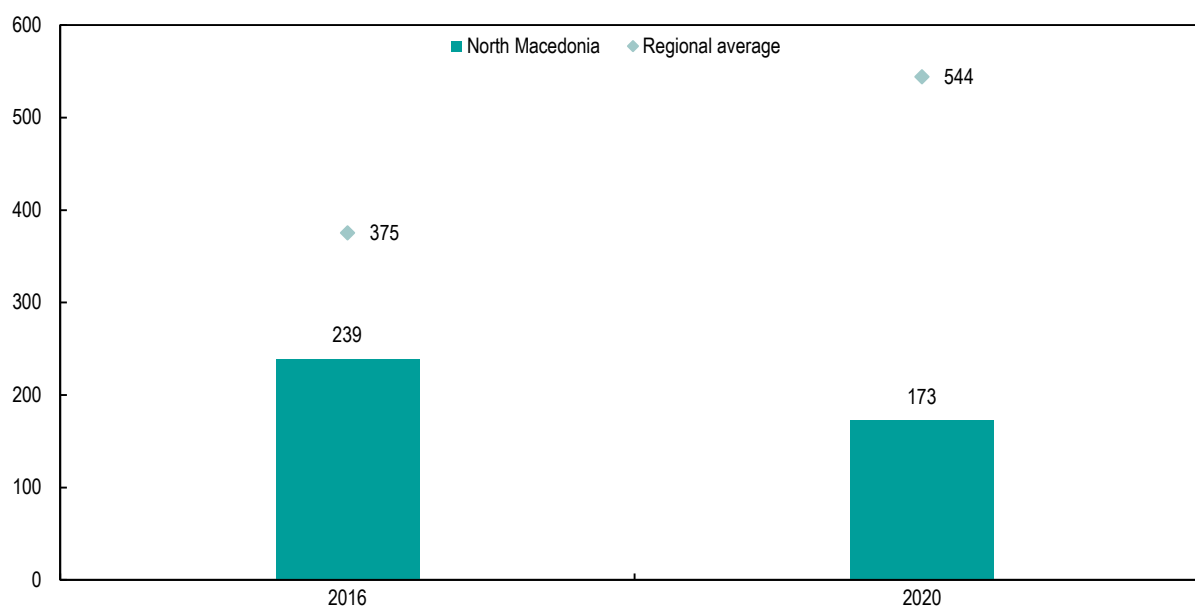
The overall organisation of the central government bodies is not rational and does not ensure adequate accountability. There is a significant lack of clarity regarding the typology of the central government bodies. Accountability mechanisms between subordinated bodies and their parent ministries are ineffective when it comes to strategic planning, priority setting, reporting and evaluation. There is no systematic approach or clear criteria for independent bodies, resulting in **many bodies reporting to the Parliament** instead of to their portfolio ministries.

The legal framework for access to public information system has improved since 2017 through the adoption of a new Law on Free Access to Public Information (LFAPI) in 2019. However, **proactive disclosure of information and datasets on official websites remains very low**, which indicates significant gaps in the implementation of the new LFAPI. The Agency for Protection of the Right to Free Access to Public Information does not have legal jurisdiction to conduct regular *ex officio* inspections of the compliance with the legislation on access to information.

The effectiveness of the scrutiny of public authorities by independent oversight institutions has deteriorated since 2017. **The legal framework for the Ombudsman, the Supreme Audit Institution (SAI) and the judiciary mostly follows the basic international standards but lacks some key elements.** The State Audit Office (SAO) is not mentioned in the Constitution, and the law on the Ombudsman does not include the promotion of human rights among its competences, although it is done in practice. Data on the implementation rates of Ombudsman's recommendations are not available. **The perceived independence of oversight institutions by the population, as well as trust in them, remains very weak.**

The fairness in handling administrative judicial disputes is based on a sound legal framework, which provide a strong formal base for the overall system of administrative justice. The workload of individual administrative judges is not systematically monitored. **The average disposition time of first-instance administrative cases amounts to 173 days**, which is a significant improvement from 2016 (280 days) and is now better than the Western Balkans (544 days) and European Union (EU) (241 days) averages¹⁶³. On the other hand, **only 21% of the population considers the judicial system independent of political influence.**

The average disposition time of first-instance court administrative cases has decreased further since 2016 and is now better than the Western Balkan



Source: Data provided for the assessment by the Ministry of Justice and similar institutions in the region.

There is a good legal framework for public liability and data availability has improved. Nevertheless, there is still no reliable data on the court rulings and payments.

¹⁶³ Council of Europe member states, the average time needed to resolve administrative case is 241 days. Source: Council of Europe (2020), European judicial systems: CEPEJ Evaluation Report 2020, Evaluation cycle (2018 data), Strasbourg, p. 108.

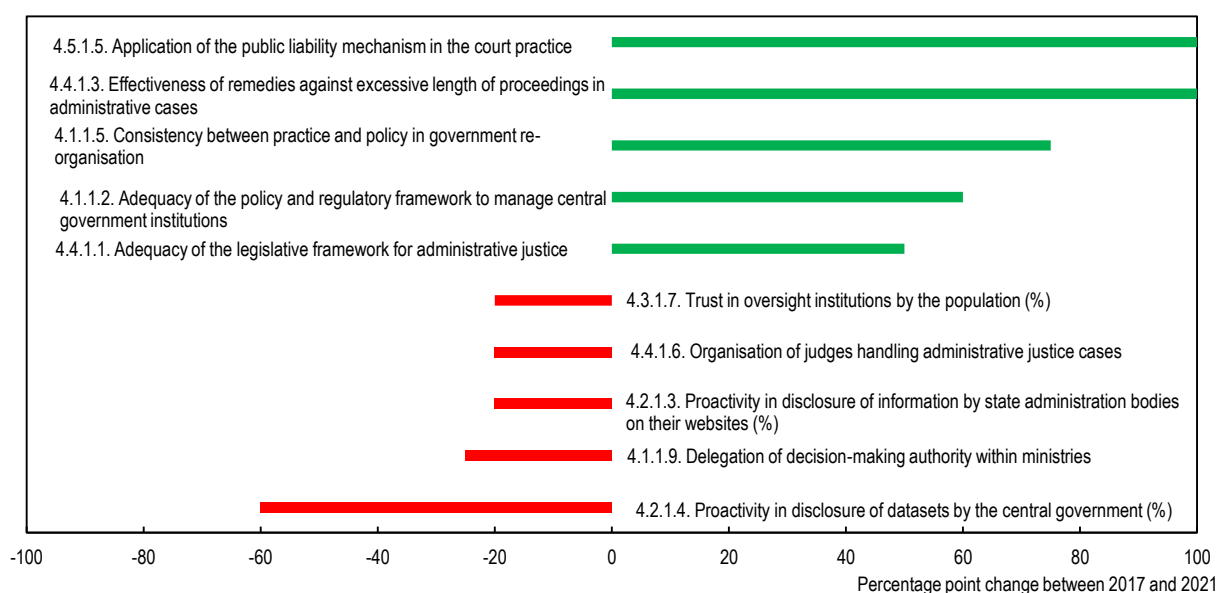
Short-term recommendations (1-2 years)

- 1) The Government and the Parliament should ensure that the new Law on Organisation and Operation of State Administrative Bodies (LOOSAB) sets a clear typology of central government bodies.
- 2) The Government should implement the reorganisation proposals derived from the IPA project “Support to State Reorganisation”.
- 3) The Government and the Parliament should identify the state bodies that do not require independence from the Government and are currently accountable to the Assembly and transfer their accountability lines to the relevant portfolio ministry.
- 4) The MISA, in co-operation with the MoF, should create effective objective-setting and accountability mechanisms between ministries and their subordinated bodies.
- 5) The Government, in co-operation with the Agency for Protection of the Right to Free Access to Public Information, should extend the proactive disclosure of information and datasets on official websites.

Medium-term recommendations (3-5 years)

- 6) The Agency for Protection of the Right to Free Access to Public Information should be given legal competence to conduct *ex officio* inspections of the compliance with the LFAPI.
- 7) The Ministry of Justice and the Judicial Council should develop the existing court management information systems to provide data on the workload, performance and quality of individual courts and judges.
- 8) In the event of a constitutional reform, the relevant institutions should use the opportunity to include the SAO as a constitutional body.
- 9) In the event of a legislative reform, the mandate of the Law on the Ombudsman should include the promotion of human rights.

Five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Indicators measuring public liability mechanisms in court and remedies against excessive length of administrative court cases have improved significantly, while proactive disclosure of information and delegation of decision-making are the indicators with the most deterioration.



Analysis

Principle 1: The overall organisation of the central government is rational, follows adequate policies and regulations and provides for appropriate internal, political, judicial, social and independent accountability.

Overall, the value for the indicator 'Organisation and accountability of central government bodies' is 2, an improvement from 1 in 2017. Values have increased for the policy and regulatory frameworks, and consistency between policy and practice in government reorganisation, but have deteriorated in the sub-indicator on accountability mechanisms between ministries and subordinated bodies and delegation of decision making.

Indicator 4.1.1: Accountability and organisation of central government						
This indicator measures the extent to which the governance model of central government upholds lines of accountability and contributes to increasing the state's capacity, which is defined as the ability of the administrative apparatus of the state to implement policies, deliver services to citizens and support decision makers with policy advice. This includes assessing the legal and institutional framework for overall organisation of central government, as well as its implementation in practice.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021		Change from 2017	
Policy and legal framework for central government organisation						
1. Clarity and comprehensiveness of official typology of central government bodies			2/5		=	
2. Adequacy of the policy and regulatory framework to manage central government institutions			4/5		+3	
3. Strength of basic accountability mechanisms between ministries and subordinated bodies			1/5*		-2	
4. Managerial accountability mechanisms in the regulatory framework			4/5*		+1	
Central government's organisation and accountability mechanisms in practice						
5. Consistency between practice and policy in government reorganisation			3/4		+3	
6. Number of public bodies subordinated to the parliament			0/4		=	
7. Accountability in reporting between central government bodies and parent ministry			0/4		=	
8. Effectiveness of basic managerial accountability mechanisms for central government bodies			0/4		=	
9. Delegation of decision-making authority within ministries			0/4		-1	
Total			14/40		+4	

Note: *Data not available or provided.

There is a significant lack of clarity and comprehensiveness in the official typology of central government bodies, and there are no clear functional criteria for the establishment of administrative bodies in the legislative framework. The legislation distinguishes several types of administrative bodies and, at the same time, opens doors for the tailor-made creation of administrative bodies of different types, without clarifying the required conditions¹⁶⁴. The degree of autonomy in financial management and human resource

¹⁶⁴ Article 2 contains a very general provision: "The state administration bodies, as part of the Government authority, shall be established in the areas and domains important for performance of the functions of the state and for efficient exercising of the rights and duties of the citizens and legal entities."

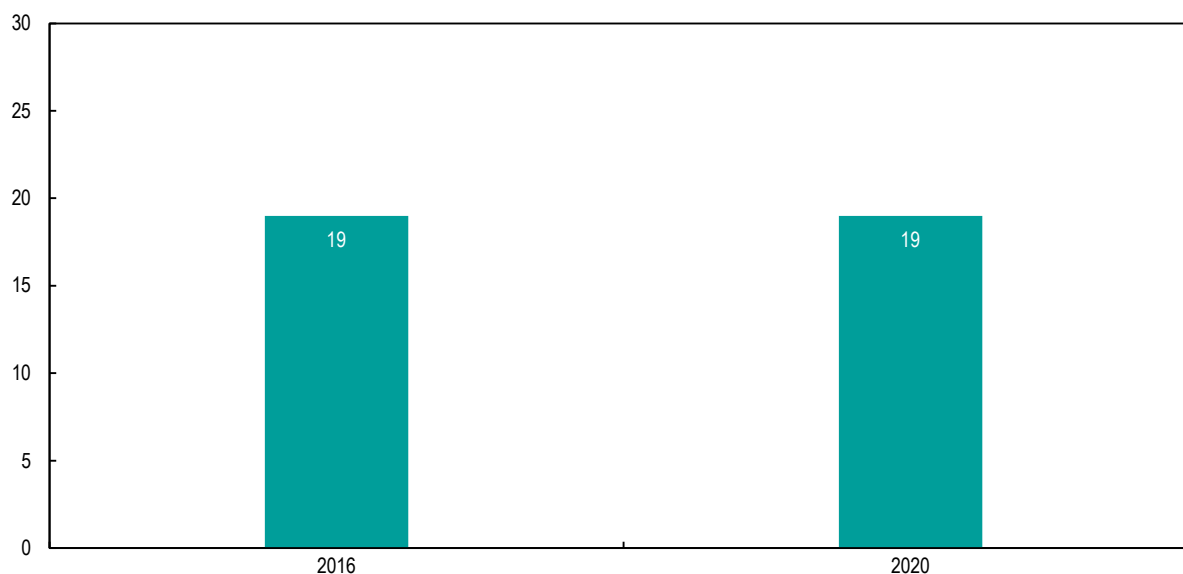
Article 5: "(1) The state administration bodies may be established as ministries, other state administration bodies and as administrative organisations. ... (3) The other state administration bodies according to the type of the organization and the level of independency can be established as independent state administration bodies (directorates, archive, council, agencies and commissions) or as bodies within the ministries (administration, bureau, service, inspectorate

management is not explicitly regulated for all types of central government bodies. Due to the Public Administration Reform Strategy 2017-2021 and Action Plan and to the EU project on State reorganisation, the adequacy of the policy to manage central government bodies is assessed as satisfactory.

There are significant shortcomings in accountability mechanisms between ministries and their subordinated bodies. Responsibility for monitoring the subordinated bodies is not clearly assigned to the relevant organisational units of the parent ministries. There is no legal requirement for an annual plan and an annual activity report to be submitted by the bodies to their parent ministries, and there are also various solutions in special laws regarding their budgetary proposals. Furthermore, procedures for setting specific objectives, which should be linked to policy priorities and measurable targets, are not defined, making it practically impossible to assess the quality of the work of subordinated bodies. Analysis of the reporting between central government bodies and parent ministries shows that annual plans and annual activity reports are not systematically submitted to parent ministries for approval, and the subordinated bodies' budgets have not been submitted to and approved by parent ministries. All of this results in the practical inability of parent ministries to set objectives for subordinated bodies and monitor their achievement. When it comes to the appointment and dismissal of the heads of subordinated bodies, various provisions exist in special laws.

There is no systematic approach or clear criteria when it comes to the question whether a body should report to the ministry, Government or Parliament, resulting in too many bodies reporting to the Parliament. There are 19 non-constitutional bodies reporting to the Assembly, out of which 10 are regulatory bodies. There is no reason for these bodies to be accountable to the Assembly and not to the line ministry or Government. This situation has not changed since the previous assessment.

Figure 1. Public bodies subordinated to the Parliament, excluding constitutional bodies



Source: Data provided by the MISA for the 2017 and the 2021 assessments.

and captain's charge). (4) Bodies within ministries may be established to perform specific administrative, expert and other tasks within the competencies of the ministries. (5) Administrative organisations (institute and office) may be established to perform specific expert and other tasks that call for application of scientific and expert methods and related administrative tasks in the domains for which the ministries are established. (6) The administrative organizations shall be established as independent state administration bodies."

Article 8: "Some specific bodies of the state administration may acquire a status of legal entities by the law, which establishes them." LOOSAB, Official Gazette Nos. 58/00, 44/02, 13/06, 82/08, 167/10 and 51/11 and Official Gazette Nos. 96/19 and 110/19.

Analysis conducted within the ministries for this assessment shows only exceptional delegation of decision-making authority. Decision making is mostly reserved for the top (political) level of the ministry, even when it comes to the technical and managerial decisions.

Conclusion

There is a significant lack of clarity regarding the typology of central government bodies. Accountability mechanisms between subordinated bodies and their parent ministries are ineffective when it comes to strategic planning, priority setting, monitoring, evaluation and reporting on policy implementation. The number of bodies reporting to the Assembly and not to the Government is excessive.

Principle 2: The right to access public information is enacted in legislation and consistently applied in practice.

Overall, the value for the indicator 'Accessibility of public information' is 3, the same as 2017. This is the case even though a new LFAPI was adopted in 2019¹⁶⁵. While the new Law has improved the legal safeguards, some sub-indicators on access to information in practice have deteriorated.

Indicator 4.2.1 - Accessibility of public information						
This indicator measures the extent to which the legal and institutional framework regarding access to public information is established, promoting timely responses to public information requests free of charge or at a reasonable cost. It also covers the practical application of these legal requirements, with particular focus on proactive disclosure of public information and perceptions of availability of public information.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points	Change from	
				2021	2017	
Legal and institutional framework for access to public information						
1. Adequacy of legislation on access to public information				10/10		+1
2. Coverage of basic functions for implementing access to public information				4/5		+1
Citizens' level of access to public information						
3. Proactivity in disclosure of information by state administration bodies on websites (%)				1/5		-1
4. Proactivity in disclosure of datasets by the central government (%)				0/5		-3
5. Perceived accessibility of public information by the population (%)				1/2.5		=
6. Perceived accessibility of public information by businesses (%)				1.5/2.5		=
Total				17.5/30		-2

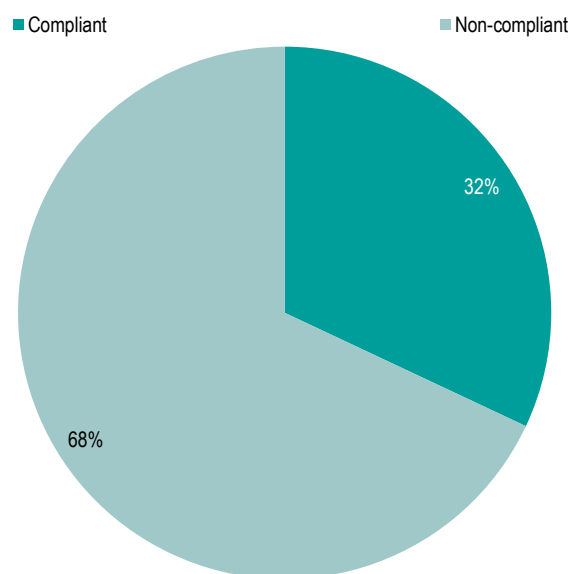
The legal framework is assessed as satisfactory in all relevant elements: i) coverage of all public institutions and private organisations that carry out public duties; ii) definition of holders of public information; iii) broad concept of public information; iv) narrow and exhaustively listed restrictions of the LFAPI; v) universal right to access information in all forms available; vi) information given in requested formats, with no need to provide justification; vii) obligation to process information requests within 20 days; viii) right of appeal to an independent body and to the court, which is ensured against refusal or inactivity in providing requested information; ix) information provided free of charge or without an unreasonable burden on the requester; and x) obligation to proactively disclose public information¹⁶⁶.

¹⁶⁵ Official Gazette No. 101/19.

¹⁶⁶ In March 2020, the Agency for the Protection of the Right to Access to Public Information issued an Instruction for the implementation of the LFAPI.

Despite a sound and coherent legal framework, the implementation of the LFAPI remains a significant challenge. Proactivity in the disclosure of information by state administration bodies and proactivity in the disclosure of datasets by the central government are very low. The review of the websites of various ministries conducted for this assessment shows that the information is sometimes not available, not updated or not in all official languages. On occasion, the information is not available in a user-friendly manner and not published in an open format. Furthermore, consolidated versions of all primary laws are not publicly accessible. The Government's annual report is not publicly available in all official languages in a user-friendly manner. Several other important datasets, such as public tenders and their results, land registry, company registry or the salaries of individual top ministry officials are not publicly available.

Figure 2. Proactivity in disclosure of information by state administration bodies on their websites in 2020 (%)



Source: SIGMA own calculation according to the 2021 assessment methodology.

The Agency for Protection of the Right to Free Access to Public Information does not conduct regular inspections of the compliance of the holders of public information with the LFAPI. This Agency's competence is not explicitly regulated in the new LFAPI¹⁶⁷. Nevertheless, the LFAPI introduced a misdemeanour procedure and sanctions that are imposed by a Misdemeanour Commission in the Agency in cases of non-compliance¹⁶⁸.

The perceived accessibility of public information is 48% by citizens and 53% by businesses¹⁶⁹.

¹⁶⁷ LFAPI, Article 30 regulates the Agency's competences but does not mention inspections of compliance.

¹⁶⁸ "... the Misdemeanour Commission during 2020 started with the realization of 10 misdemeanour procedures. The outcome is as follows: 2 proceedings resulted in the imposition of a misdemeanour sanction - reprimand, 5 proceedings ended with the release from liability of officials against whom proceedings were initiated by an authorized person in the Agency, and at the request of the applicants, 1 procedure has an epilogue for imposing a misdemeanour sanction - a fine, 2 procedures are still ongoing and their outcome will be presented in the annual report for next year." Agency 2020 Annual Report, p. 13.


¹⁶⁹ Balkan Barometer 2021: Public Opinion; and Balkan Barometer 2021: Business Opinion. <https://www.rcc.int/balkanbarometer/home>.

Conclusion

The legal framework for access to public information has formally improved since 2017 through the 2019 LFAPI. However, proactivity in the disclosure of information and datasets on official websites remain very low, which indicates a significant gap in the implementation of the LFAPI.

Principle 3: Functioning mechanisms are in place to protect both the rights of the individual to good administration and the public interest.

Overall, the value for the indicator 'Effectiveness of scrutiny of public authorities by independent oversight institutions' is 3, a reduction from 4 in 2017, mainly because the rate of implementation of Ombudsman recommendations could not be assessed.

Indicator 4.3.1: Effectiveness of scrutiny of public authorities by independent oversight institutions						
This indicator measures the extent to which there is a functioning system of oversight institutions providing independent and effective supervision over all state administration bodies. The strength of the legislative framework is assessed, as well as the effectiveness of oversight institutions in changing practices in the state administration and building trust among the population.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
Legal and institutional framework for oversight institutions						
1. Legislative safeguards for the independence and adequate mandate of the ombudsman institution				8/10	-1	
2. Legislative safeguards for the independence and adequate mandate of the SAI				9/10	=	
3. Legislative safeguards for the independence of courts and judges				10/10	=	
Effectiveness of and public trust in oversight institutions						
4. Implementation of ombudsman recommendations (%)				0/8*	-8	
5. Implementation of SAI recommendations (%)				2/8	+2	
6. Perceived independence of oversight institutions by the population (%)				1/5	=	
7. Trust in oversight institutions by the population (%)				1/5	-1	
8. Perceived ability of oversight institutions and citizens to effectively hold the government accountable (%)				3/5	+1	
Total				34/61	-7	

Note: *Data not available or provided. The point allocation in 2017 for sub-indicator 5 was revised retrospectively from 4 to 0 due to miscalculation.

The legislative framework for oversight institutions is overall in accordance with the international standards.

The legal regulation of the mandate of the Ombudsman does not include the protection and promotion of human rights¹⁷⁰. However, in its daily functioning, the Ombudsman undertakes activities directed towards

¹⁷⁰ Law on the Ombudsman, Article 2, Official Gazette Nos. 60/03, 114/09, 181/16, 189/16 and 35/18: "The Ombudsman shall be a body of the Republic of Macedonia that shall protect the constitutional and legal rights of citizens and all other persons when these are infringed by acts, actions and omissions by the state administration bodies and by other bodies and organizations that have public authority, and who shall undertake actions and measures for protection of the principle of non-discrimination and adequate and equitable representation of community members in the state administration bodies, the local self-government units and the public institutions and agencies".

the promotion of human rights. These activities are mainly project based and are conducted with the aid of international donors¹⁷¹.

The SAO is not recognised by the Constitution of North Macedonia, while its legislative safeguards are enshrined in the State Audit Law¹⁷².

The legislative framework for the judiciary meets relevant international standards, including the constitutional recognition of the independence of courts and judges, tenure of judges, freedom of decision making, independence in career decisions and, legal guarantees of independence.

Major weaknesses regarding the functioning of the Ombudsman are the lack of firm support of the Assembly¹⁷³ and the lack of evidence of the implementation of Ombudsman recommendations. There is only evidence on the accepted Ombudsman recommendations in cases where the violation of human rights was established¹⁷⁴.

The level of implementation of SAO recommendations in 2020 was 34% fully implemented, with an additional 46% with implementation ongoing¹⁷⁵.

The public perception of the independence of the Ombudsman, the SAO and the judiciary is very negative, and on average, only one-quarter of citizens agrees with the statement that oversight institutions are independent of political influence. Only 21% of respondents agree that the judiciary is independent of political influence, while only 25% agree regarding the SAO and 28% regarding the Ombudsman¹⁷⁶. Oversight institutions are trusted by 30% of the population, on average, which is a deterioration of five percentage points compared to 2017 and is significantly below the EU average¹⁷⁷. Only 49% of citizens agree that oversight institutions are able to hold the Government accountable¹⁷⁸.

Conclusion

The legal regulation of the Ombudsman, the SAO and the judiciary follows international standards. Data on the implementation of the recommendations of the Ombudsman are not available. The perceived independence of these institutions by the population, as well as trust in them, remains very weak.

¹⁷¹ An overview of the project activities can be found in the Ombudsman 2020 Annual Report, p. 100 ff.

¹⁷² Official Gazette Nos. 66/10, 145/10, 12/14, 43/14, 154/15, 192/15 and 27/16.

¹⁷³ There is no evidence that the Assembly has approved resolutions supporting the implementation of Ombudsman recommendations more than once during 2019. There is only one mention of a parliamentary measure for the implementation of Ombudsman recommendations: "Hence, the conclusion that the cooperation of the Ombudsman with the Department for keeping the registry books for the city of Skopje has not improved, although in this direction there was a measure determined by the Assembly in 2018." Ombudsman 2020 Annual Report, p. 68.

¹⁷⁴ "Out of the total number of completed complaints, in 576 cases the Ombudsman found violations and took all legal actions. Of these, in 425 or 73.78% of cases the state administration bodies, other bodies and organisations with public authorisations accepted the Ombudsman's interventions, and in 151 or 26.22% of the cases after the established violation the Ombudsman submitted a recommendation to the relevant body, which was not accepted, after which he took other actions, i.e. submitted information, special reports to the higher authority, after which he exhausted all legal possibilities." Ombudsman 2020 Annual Report, p. 143.

¹⁷⁵ An additional 18% of recommendations were not implemented, and 3% cannot be implemented. SAO 2020 Annual Report, p. 54.


¹⁷⁶ Balkan Barometer 2021: Public Opinion.

¹⁷⁷ For instance, 54% of EU citizens rate the justice system in their country – in terms of the independence of courts and judges – as good. Eurobarometer 2021, <https://europa.eu/eurobarometer/surveys/detail/2272>.

¹⁷⁸ Balkan Barometer 2021: Public Opinion.

Principle 4: Fair treatment in administrative disputes is guaranteed by internal administrative appeals and judicial reviews.

Overall, the value for the indicator 'Fairness in handling of administrative judicial disputes' is 4, which is an improvement from the 2017 assessment.

Indicator 4.4.1 - Fairness in handling of administrative judicial disputes						
This indicator measures the extent to which the legal framework and the organisation of courts support fair treatment in administrative judicial disputes and the administrative judiciary is characterised by efficiency, quality (including accessibility) and independence. Outcomes in terms of case flow and public perceptions of independence are also measured.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
					Points 2021	Change from 2017
Legal framework and organisation of judiciary						
1. Adequacy of the legislative framework for administrative justice					6/6	+3
2. Accessibility of administrative justice					4/4	+1
3. Effectiveness of remedies against excessive length of proceedings in administrative cases					2/2	+2
4. Use of an electronic case management system					1/1	=
5. Public availability of court rulings					2/2	=
6. Organisation of judges handling administrative justice cases					4/5	-1
Performance of the administrative justice system						
7. Perceived independence of judicial system by the population (%)					1/5	=
8. Calculated disposition time of first instance administrative cases					4/5	+1
9. Clearance rate in first instance administrative courts (%)					5/5	=
10. Cases returned for retrial by a higher court (%)					5/5	+1
Total					34/40	+7

Note: The 2017 indicator value and its sub-indicators were revised retrospectively due to errors related to manual data entries. Points in 2017 for sub-indicator 3 changed from 1 to 0, sub-indicator 6 from 4 to 5 and sub-indicator 10 from 5 to 4. Due to the change, the 2017 indicator value changed from 4 to 3.

The legislative framework for handling administrative disputes has been improved with the adoption of the new Law on Administrative Disputes (LAD) in May 2019¹⁷⁹. The LAD ensures the right to challenge the lawfulness of administrative acts and actions, including inaction and delay in court, within a reasonable period (30 days from the day of delivery of the administrative act to the party). The Administrative Court has the legal powers necessary to redress an unlawful act or action of the administration. It can establish facts and has several options when it finds that the disputed administrative act is illegal, including annulling the act, returning it to the body that adopted it for a new decision or replacing the act with its own decision.

The first-instance Administrative Court is well equipped, with 32 judges and 25 assistants. The High Administrative Court, in front of which first-instance judgements can be challenged, has 13 judges and 3 assistants. In 2021, the Administrative Court overtook almost 1 900 misdemeanour cases, which could lead to an increase in judges' workload and a potential weakening of judges' specialisation. The distribution of the workload of individual judges is not systematically analysed. The Judicial Council publishes an Annual Report, but it does not contain a systematic analysis of judges' workload, such as the number of cases per judge. The monthly and quarterly reports of the Administrative Court and the High Administrative Court contain no such analysis.

¹⁷⁹ In force as of May 2020.

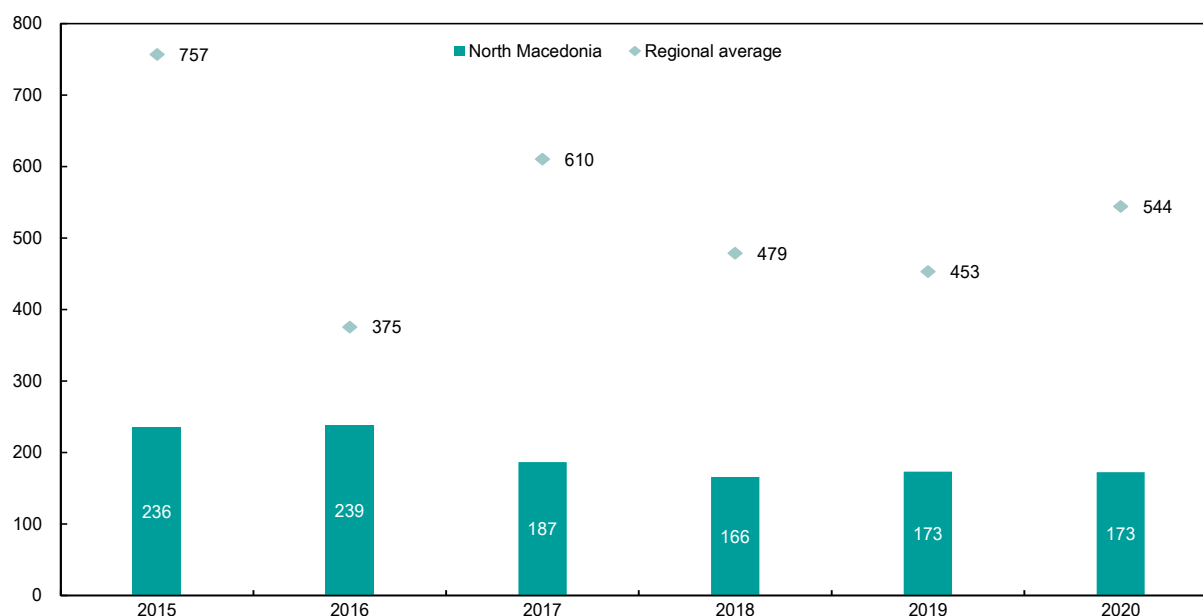
When it comes to legal remedies against the excessive length of proceedings in administrative cases, a procedure exists and is being implemented¹⁸⁰. In 2020, there were 96 incoming cases and 102 resolved cases dealing with complaints against the excessive length of court proceedings in administrative cases.

There are no major problems with financial accessibility to administrative justice. The law on judicial taxes¹⁸¹ regulates judicial taxes for administrative-related disputes, ranging from MKD 480 (Macedonian denar; approximately EUR 8) to MKD 1 600 (EUR 26), which is 5.7% of the average salary in North Macedonia¹⁸².

There is a functional electronic case-management system within the administrative justice system that automatically allocates cases to individual judges. The judicial portal contains all administrative cases from the court of first instance. It also includes functionalities for searching cases by administrative area.

The disposition time of first-instance administrative cases amounts to 173 days, which is better than the Western Balkan and European Union averages and a significant improvement from 280 days in 2016¹⁸³. The clearance rate in first-instance administrative court is high – 107.93% in 2020 – despite the difficulties of the COVID-19 pandemic period. The percentage of cases returned for retrial by the High Administrative Court was 13.43%.

Figure 3. Calculated disposition time of first-instance administrative cases (days), 2015-2020



Source: Data provided for the assessment by the Ministry of Justice and similar institutions in the region.

¹⁸⁰ LAD, Article 35: "... (5) If the court annuls the administrative act and returns the case to the body that passed the administrative act, in the verdict it shall order the defendant body to adopt an individual act within 15 days after the verdict enters into force. The defendant body is bound by the legal opinion of the court regarding the application of the substantive law and its views that refer to the procedure. (6) When the court acts upon a declared lawsuit against an administrative act that was once annulled and returned for retrial before the first instance body in accordance with paragraph 5, acting upon the lawsuit, it is obliged to resolve the administrative matter itself, whereby the judgment completely replaces the annulled individual act. (7) If the responsible or authorized person, for unjustified reasons, does not act in accordance with the provisions of paragraph (5) of this Article, the court shall, upon the proposal of the plaintiff or ex officio, impose a fine in the amount of 20% of the monthly salary on that person."

¹⁸¹ Official Gazette Nos. 114/09, 148/11, 106/13, 166/14 and 257/20.

¹⁸² The average salary for February 2021 was EUR 453. Data from State Office for Statistics. <https://www.stat.gov.mk/>.

¹⁸³ OECD (2017), *Monitoring Report: The Former Yugoslav Republic of Macedonia*, OECD, Paris, p. 88, <http://www.sigmaweb.org/publications/Monitoring-Report-2017-the-former-Yugoslav-Republic-of-Macedonia.pdf>.


Perceived independence of the judicial system by the population is very low: only 21% of individuals consider the judicial system independent of political influence.

Conclusion

A strong legislative framework provides a strong formal base for the overall system of administrative justice. The workload of individual administrative judges is not systematically monitored, but the case-management performance is very good. The perceived independence of the judicial system by the population is very low: only 21% of individuals consider the judicial system independent of political influence.

Principle 5: The public authorities assume liability in cases of wrongdoing and guarantee redress and/or adequate compensation.

Overall, the value for the indicator 'Functionality of public liability regime' is 4, an improvement from 2 in 2017. This change comes from the improvement of data availability.

Indicator 4.5.1 - Functionality of public liability regime						
The indicator measures the extent to which there is a functioning system guaranteeing redress or compensation for unlawful acts and omissions of public authorities. It examines the strength of the legislative framework for public liability and whether it is applied in practice. Wrongful acts of the state against civil servants are excluded.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
Legal framework for public liability						
1.	Comprehensiveness of the scope of public liability			1/1	=	
2.	Coverage of the public liability regime to all bodies exercising public authority			1/1	=	
3.	Non-discrimination in seeking the right to compensation			1/1	=	
4.	Efficiency and fairness of the procedure for seeking compensation			3/3	=	
Practical implementation of the right to seek compensation						
5.	Application of the public liability mechanism in the courts in practice			3/3	+3	
6.	Payments made to entitled applicants (%)			0/3*	=	
Total				9/12	+3	

Note: *Data not available or provided.

The public liability system is comprehensive, and all unlawful acts fall within the scope of public liability. The legal foundations for the public liability system are found in the Law on General Administrative Procedure (LGAP)¹⁸⁴, the Law on Obligations (LO)¹⁸⁵ and the Law on Administrative Servants (LAS)¹⁸⁶.

LGAP, Article 123 states that "[the] party experiencing damage due to cancellation of the administrative act is entitled to compensation only for the real damage". LO, Article 158 states that "[a] legal entity shall be held liable for damage caused by its body to a third person in the course of or in connection with the performance of its duties...¹⁸⁷". LO, Article 167 states that "[damage] caused by an act of corruption committed by a public servant when performing his/her functions shall fall within the liability of the state or

¹⁸⁴ Official Gazette No. 124/2015.

¹⁸⁵ Official Gazette Nos. 18/2001, 04/2002, 05/2003, 84/2008, 81/2009, 161/2009 and 123/13.

¹⁸⁶ Official Gazette Nos. 27/14, 199/14, 48/15, 154/15, 5/16, 142/16, 11/18, 275/19 and 14/20.

¹⁸⁷ This is applicable to all legal entities, i.e. all public bodies with legal personality.

local government bodies where s/he works...". LO, Article 173 states that "[legal] entities rendering utility or other similar services of public interest shall be liable for damage caused by undue suspension or irregularities in the services provided." LAS, Article 83/2 states that "[the] institution shall be responsible to compensate for the damage which was caused to third persons by the administrative servant in the performance of their work and work tasks."

According to these legal regulations, the bodies executing public authority are subject to liability, the right to compensation is granted without discrimination of any sort, and the procedure for seeking compensation is quite efficient and fair. Final decisions on the right to compensation, form of compensation and amount of compensation can be made by the court in a single lawsuit. The time limit for submitting a public liability request (the period of prescription) is specified: up to three years after the damaged party found out about the damage or the party causing the damage (LO, Article 365). The methodology on how to define compensation (pecuniary, *restitutio in integrum*) is specified in the legislation, and fair compensation (*damnum emergens* and *lucrum cessans*) is guaranteed (LO, Articles 141 and 142).

In 2020, there were 348 court cases based on compensation for damages, but there is no available data on how many were resolved either by court ruling or amicably. There is also no systematic data on the payments and no relevant database of court rulings implementing public liability cases.

Conclusion

A sound legislative framework on public liability is in place. While data on court cases implying public liability are available, there is no reliable data on the court rulings and payments.

Service Delivery

The Principles of Public Administration Service Delivery

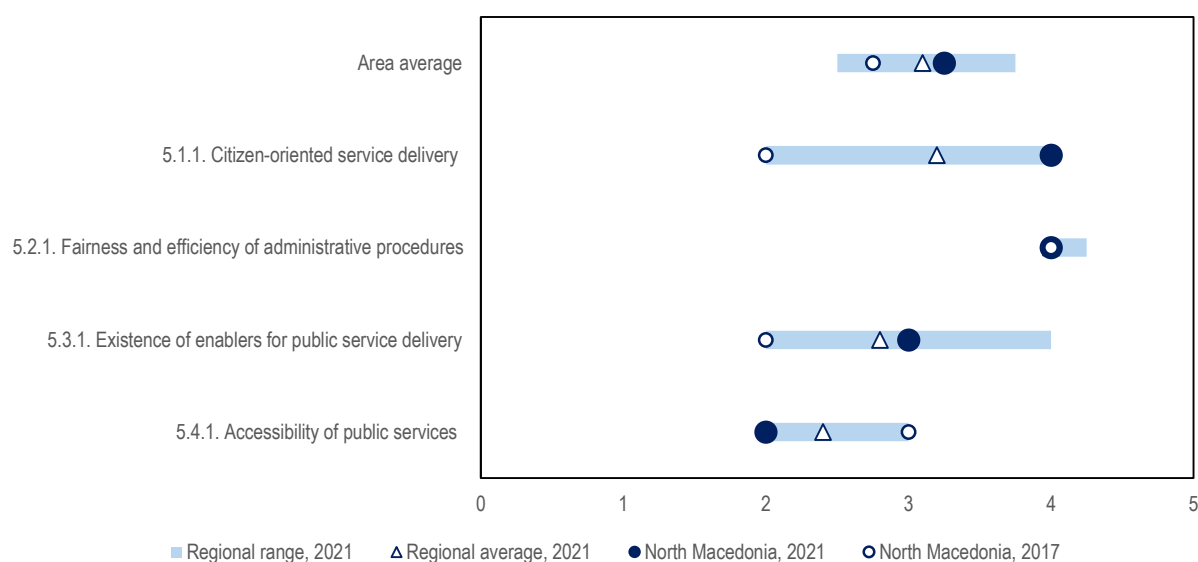
Principle 1	Policy for citizen oriented state administration is in place and applied.
Principle 2	Good administration is a key policy objective underpinning the delivery of public service, enacted in legislation and applied consistently in practice.
Principle 3	Mechanisms for ensuring the quality of public service are in place.
Principle 4	The accessibility of public services is ensured.

Service Delivery

Summary and recommendations

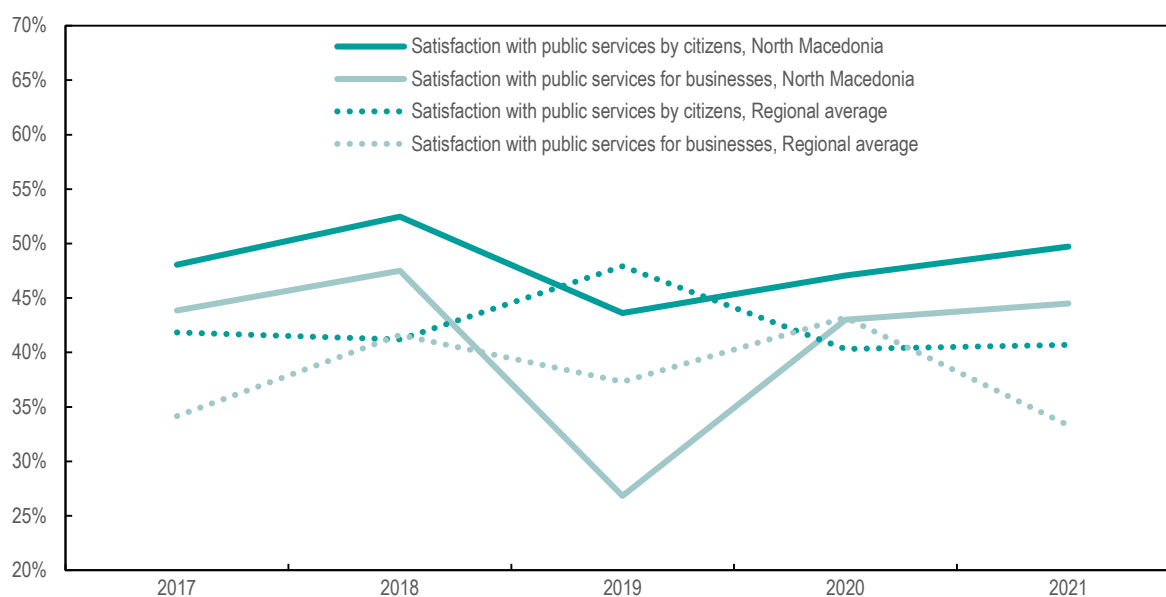
The average indicator value for the service delivery area has improved slightly to 3.3, compared to 2.8 in 2017, which places North Macedonia slightly above the regional average. The value of the indicators related to citizen-oriented service delivery and its enablers have improved. Despite these positive developments, the number of digital services is still low and the simplification process is slow. The indicator value related to the accessibility of services has decreased and there is no change for the fairness and efficiency of administrative procedures.

Indicators values have improved since 2017 on average and are now above the regional average. Only regression was for accessibility of public services



The policy framework has improved and provides clear direction for the service delivery area through the PAR Strategy 2018-2022. Three key laws (on central registry of population, on electronic management of services and on electronic documents and trust services) were adopted to facilitate e-services. Although the Ministry of Information Society and Administration (MISA) has a mandate to co-ordinate the entire service delivery area, **the modernisation of public services is still fragmented, and the ownership of some of its aspects remains unclear**. Despite the improvements in digitalisation, many services are still only provided in a traditional form. **The potential provided by digital enablers is often underutilised and could be leveraged to improve citizen orientation**. Some business-related procedures have worsened, as has the satisfaction of businesses with digital services. The Government has acknowledged these problems and established two working groups that should co-ordinate the review of over 150 laws to improve the level of digitalisation in the public administration and to ensure technological readiness for that. The satisfaction of citizens and businesses with the public services has slightly increased in the past years, although remains at the same level compared to 2017, and is above the regional average.

The satisfaction with public services is above the regional average



Note: The respondents were asked "Could you please tell how satisfied you are with each of the following in your place of living? The percentage shows the share of citizens and businesses who "strongly agree" or "tend to agree" in relation to the following statements: "Administrative services from central government (such as passports and personal identification [ID])" and "Public services for businesses". Only those respondents who have been in contact with central government services in the past year are included.

Source: Regional Cooperation Council, Balkan Barometer Public and Business Opinion databases (<https://www.rcc.int/balkanbarometer>).

Although the general legal framework is robust and well aligned with the principles of good administration, the harmonisation of special laws with the provisions of the Law on General Administrative Procedures (LGAP), adopted in 2015, is not complete. The once-only principle is not fully applied, as public authorities still request documents from citizens that they already possess, despite the explicit prohibition in the LGAP. The MISA supports the harmonisation process proactively with the creation of a unit that acts as a help desk for other ministries. Nevertheless, the guidance and support on how to integrate various perspectives (legal, technological and user-centric service design) into a coherent approach to improve administrative procedures is missing. The perceived efficiency of administrative procedures in public institutions by citizens has stagnated, according to Balkan Barometer survey data.

The use of quality management techniques has declined, despite a special law being in place since 2013. The recently launched Methodology for Assessing the Quality of Institutions has the potential to revitalise this area. **There are no service standards set and, apart from e-services, no performance data on service delivery collected centrally.** The infrastructure for interoperability of basic registries has been put in place and is operational for the key registries; however, some registries are still not accessible via the common data exchange infrastructure. The National e-Services Portal is fully operational and provides a Catalogue of Public Services, a key enabler of service simplification and improvement. Still, **the uptake of e-services is low.** The digital signature framework is aligned with the European Union (EU) electronic identification, authentication and trust services (eIDAS), but obtaining certificates is expensive, and using the signature is complex, which inhibits the wider digitalisation of services.

The situation with the accessibility of services has deteriorated. Accessibility for people with special needs is recognised in legal documents and set as a PAR Strategy objective, but there is no evidence of the practical implementation of these requirements. Despite the legal recognition of sign language and the recent improvements in removing physical barriers to access public buildings, **the implementation of accessibility policies is poor in practice.** There is no formal obligation for public administration websites to comply with the Web Content Accessibility Guidelines (WCAG), and compliance with the standards has decreased.

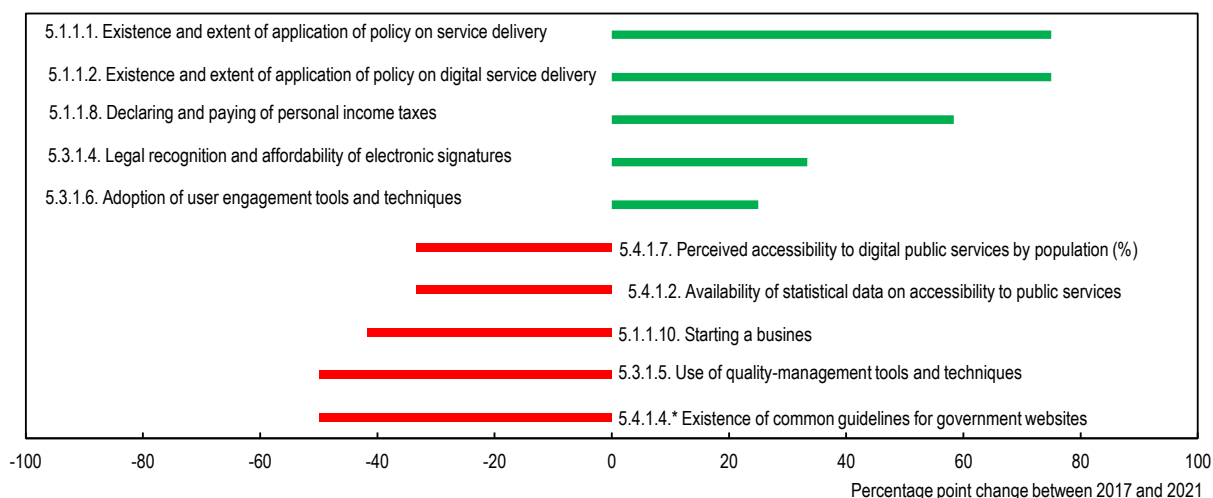
Short-term recommendations (1-2 years)

- 1) The Government should adopt a Digital Service Roadmap aligned with the National ICT Strategy, based on the analysis of the working groups established for the improvement of digitalisation of administrative procedures.
- 2) The MISA should take clear ownership and leadership of the co-ordination of overall public service delivery (in addition to e-services) to guarantee a uniform approach across different sectors and develop relevant competences.
- 3) The Government should adopt the guidelines prepared by the MISA: “Standards for Service Delivery”, “Guidelines for Optimization of Services” and “Methodology for Inclusion of the End-Users in the Process of Improvement of Public Services. The MISA should guide other institutions on implementation and regularly monitor public service delivery in accordance with these standards.
- 4) The MISA should reanimate its role as a leader in promoting quality management practices, prepare a new National Quality Management Plan in the public sector and conduct annual studies based on the Methodology for Assessing the Quality of Institutions.
- 5) The MISA should analyse the main hindrances to increased uptake of digital services and design a roadmap to overcome them in co-operation with the main service provision institutions.
- 6) The MISA, in co-operation with other key service-provision institutions and private-sector service providers, should design a roadmap for increasing the use of digital authentication tools by the general population and integrating them into administrative processes.
- 7) The MISA should monitor the harmonisation of legal acts with the LGAP. The MISA should also use the harmonisation process to promote the simplification and re-engineering of administrative procedures.

Medium-term recommendations (3-5 years)

- 8) The Government should draft a comprehensive strategy for enhancing public service accessibility and set a monitoring framework for assessing progress.
- 9) The Government should start piloting proactive and predictive service delivery for some life events.
- 10) The MISA should design a roadmap for improving the digital capacities and skills of both the civil servants and the general public to promote the modernisation of public services and their wider use.


The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. The policy framework for service delivery has improved, whereas deteriorations have happened in the quality of government websites, the use of quality-management tools, and the perceived accessibility of digital public services



Analysis

Principle 1: Policy for citizen oriented state administration is in place and applied.

Overall, the value for the indicator ‘Citizen oriented service delivery’ is 4 and has increased from 2 in 2017. This is due mostly to the development of the policy framework, which was missing in 2017, but also to improved digitalisation of the declaration of personal income tax. On the other hand, some of the business perception indicators and the doing business-related indicators have deteriorated since 2017.

Indicator 5.1.1 - Citizen-oriented service delivery						
This indicator measures the extent to which citizen-oriented service delivery is defined as a policy objective in legislation or official government plans and strategies. It furthermore measures the progress of implementation and evaluates the results achieved, focusing on citizens and businesses in the design and delivery of public services. Implementation and results are evaluated using a combination of quantitative and perception-based metrics.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
					Points 2021	Change from 2017
Policy framework for citizen-oriented service delivery						
1.	Existence and extent of application of policy on service delivery				8/8	+6
2.	Existence and extent of application of policy on digital service delivery				8/8	+6
3.	Central co-ordination for digital government projects				2/4*	=
4.	Established policy on administrative simplification				8/12*	+2
Performance of citizen-oriented service delivery						
5.	Perceived quality of public service delivery by the population (%)				2/6	=
6.	Renewing a personal identification document				1/6*	+1
7.	Registering a personal vehicle				0/6	=
8.	Declaring and paying personal income taxes				6/6	+3.5
9.	Perceived quality of public service delivery and administrative burdens by businesses (%)				2.5/6	-1
10.	Starting a business				3.5/6	-2.5
11.	Obtaining a commercial construction permit				4/6	=
12.	Declaring and paying corporate income taxes				6/6	=
13.	Declaring and paying value-added taxes				6/6	=
Total					57/86	+15

Note: *Data not available or provided. The 2017 values for sub-indicators 6 and 7 were retrospectively changed, to reflect the precisions made in the 2019 version of the SIGMA Methodological Framework and ensure consistent application across all countries and over time. Sub-indicator 6 changed from 1.5 to 0 points. Sub-indicator 7 changed from 3 to 0 points. This changed the indicator value in 2017 from 3 to 2.

The main strategic document in the service delivery area is the PAR Strategy 2018-2022 and its Action Plan, launched in February 2018. This framework sets adequate goals, objectives, actions and indicators to improve citizen orientation in public services and improve the level of digitalisation, including a centralised strategic approach to e-government¹⁸⁸. The achievement of the objectives is followed through the general PAR Strategy monitoring mechanism, in which the MISA has the central role. A National Information and Communications Technology (ICT) Council was¹⁸⁹ tasked to prepare and monitor the

¹⁸⁸ MISA, *Public Administration Reform Strategy 2018-2022*, <https://mioa.gov.mk/?q=en/node/2381>.

¹⁸⁹ Official Gazette No. 200/2019.

implementation of the National ICT Strategy. However, the adopting of the strategy is still in progress, supported by the European Union (EU) technical assistance programme¹⁹⁰.

Between April and May 2019, three laws were adopted to facilitate e-services and reduce red tape: the Law on the Central Registry of Population¹⁹¹, the Law on Electronic Management and Electronic Services¹⁹² and the Law on Electronic Documents, Electronic Identification and Trust Services¹⁹³. These laws make possible the mutual exchange of documents between public bodies *ex officio* and give legal value to electronic documents.

However, some weaknesses remain in this policy framework. First, the PAR Strategy 2018-2022 focuses mostly on improving e-services, while the focus on improving the quality of traditional services is quite weak. This is relevant, as the level of digital literacy in North Macedonia is still low. According to the latest European Statistical Office (EUROSTAT) data available (2019)¹⁹⁴, only 32% of the population declare having basic or above basic overall digital skills, while the EU average is 57%.

Second, the individual ministries are responsible for reengineering, improving and digitalising their services, resulting in a diverse degree of implementation of the new policies. While some bodies have made good progress (like the Public Revenue Office [PRO]), others lag behind. Some reports¹⁹⁵ have pointed out that the MISA lacks the authority over other ministries and bodies to force them to implement the new policies. Although the National ICT Council is mandated¹⁹⁶ to provide opinions on the annual plans for public procurements and the technical specifications of the tender documentations with a value greater than EUR 20 000¹⁹⁷, there is no evidence this function is still performed. Thus, it is not clear how the uniform approach in developing and digitalising services and the implementation of the laws and policies are ensured.

The improvement in the policy framework is accompanied by mixed results regarding its implementation. There have been major developments that have had a wide impact on the delivery of public services, such as the establishment of the Central Registry of Population, the Interoperability Platform and the National e-Services Portal¹⁹⁸. However, the analysis of a sample of services shows that only declaring and paying personal income tax¹⁹⁹ had a substantial improvement with the introduction in 2018 of the new e-Personal Tax system, including pre-filled tax returns elaborated by the PRO for all taxpayers. In the case of other services, there have been no major developments since 2017. For example, for renewing a personal identification document, there is no possibility of submitting an e-form. Similarly, registering a personal vehicle is not digitalised yet, and a notarial proof of transfer of ownership is required. Moreover, some

¹⁹⁰ The draft strategy was put to public consultation in June 2021: <https://ener.gov.mk/Default.aspx?item=newdocumentdetails&detailid=23>.

¹⁹¹ Official Gazette No. 98/2019.

¹⁹² Official Gazette No. 98/2019.

¹⁹³ Official Gazette No. 101/2019.

¹⁹⁴ EUROSTAT database. [Individuals who have basic or above basic overall digital skills by sex - Products Datasets - Eurostat \(europa.eu\)](#) (last update of data: 25 May 2021).

¹⁹⁵ Center for Change Management (2019), *Roadmap for Organizational, Legal and Technical Reforms to Improve Public Services*, p. 14, <https://cup.org.mk/publication/roadmap-for-organizational-legal-and-technical-reforms-to-improve-public-services>.

¹⁹⁶ Decision on the creation of the National Council for Information and Communication Technologies, Official Gazette No. 200/2019, Article 6.

¹⁹⁷ According to the MISA, a total of 269 ICT projects were published by the state administration bodies, agencies and inspection services in 2019, 86 of which were reviewed and discussed by the National ICT Council.

¹⁹⁸ <https://uslugi.gov.mk/>

¹⁹⁹ In 2018, the new e-Personal Tax system was introduced, including pre-filled tax returns elaborated by the PRO for all taxpayers. The Law on Amendments to the Law on Personal Income Tax of 1 January 2018, Official Gazette No. 190/2017.

reports point out that many public institutions still do not accept electronic documents, and that some institutions require citizens to submit documents that should be obtained *ex officio* by the public administration²⁰⁰. The Government has acknowledged this issue and formed two working groups to improve the level of digitalisation. One of the working groups, co-ordinated by the Cabinet of the Prime Minister, is responsible for reviewing more than 150 laws and drafting amendments related to the digitalisation of the processes²⁰¹. The second working group, co-ordinated by the MISA, is responsible for ensuring that the technology and the public registries enable these digitalisation efforts²⁰². The simplification of services has improved since 2017, and there are now relevant strategic objectives set in the PAR Strategy and established guidelines for optimisation. However, the optimisation process is still not monitored, and the analysis of a sample of Regulatory Impact Assessment (RIA) documents shows that such assessment is not performed in practice, although the Methodological Guide for RIA (2013)²⁰³ includes “simplifying administrative procedures” as an objective.

The perception of the quality of administrative services by citizens has not changed since 2017, with 49.7% of respondents being completely or mostly satisfied with administrative services, compared to 48% in 2017.

Some of the business perception indicators have deteriorated considerably since 2017. The satisfaction with digital services currently provided to business decreased from 56% in 2017 to 40.5% in 2021²⁰⁴. The percentage of respondents who considered that business licensing and permits are a moderate or major obstacle increased from 38% in 2017 to 49.5% in 2021. This data aligns with the decline in the World Bank Doing Business indicators for North Macedonia.

The EU eGovernment Benchmark 2021 places North Macedonia, together with Montenegro, the lowest (64) in user centricity among the EU27 Member States plus some accession countries²⁰⁵, showing that there is ample untapped potential (Figure 1).

²⁰⁰ Center for Change Management (2021): *Evaluation of the Policies Aimed at Improvement of the Public Services*, p. 6, <https://cup.org.mk/publication/valuation-of-the-policies-aimed-at-improvement-of-the-public-services>.

²⁰¹ Adopted at the 50th session of the Government of the Republic of Northern Macedonia, held on 02.03.2021.

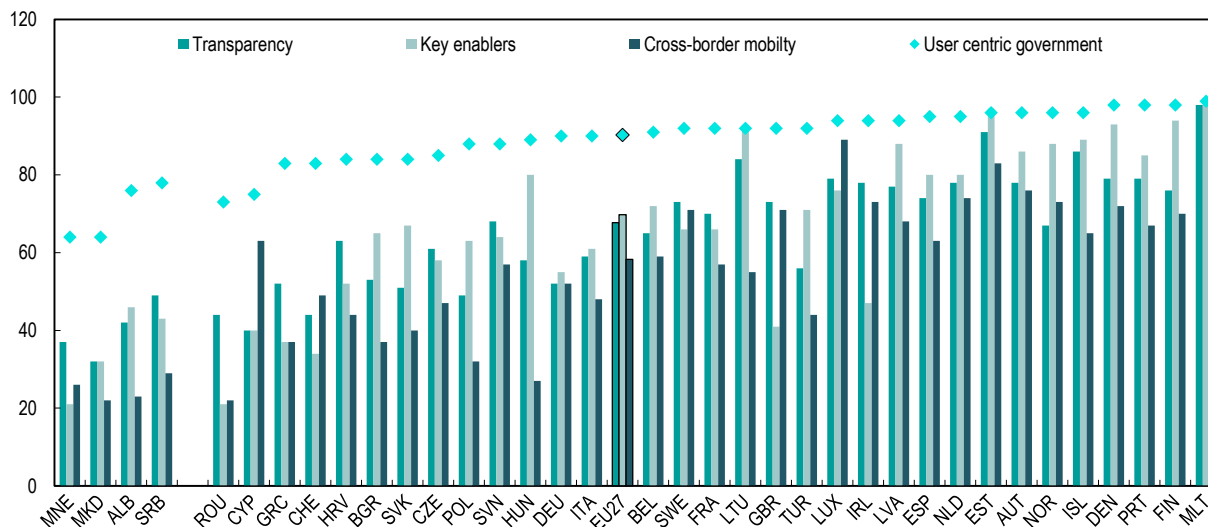
²⁰² Adopted at the 87th Session of the Government of the Republic of Northern Macedonia held on 13.07.2021.

²⁰³ Official Gazette No. 107/2013.

²⁰⁴ Even with the sample size of the Business Balkan Barometer (N=200), this decline is statistically significant at 95% confidence level.

²⁰⁵ European Commission (2020a), *eGovernment Benchmark 2021: Entering a new digital government era*, p. 18, <https://op.europa.eu/en/publication-detail/-/publication/d30dcae1-436f-11ec-89db-01aa75ed71a1>.

Figure 1. User centricity, transparency, key enablers and cross-border mobility



Note: Biennial average 2019 and 2020

Source: European Commission (2020a), "User Centricity Compared to Transparency, Key Enablers and Cross-Border Mobility", *eGovernment Benchmark 2020: eGovernment that works for the people*, <https://op.europa.eu/fr/publication-detail/-/publication/7f3c5dbd-f994-11ea-b44f-01aa75ed71a1>.

Conclusion

North Macedonia has improved its policy framework in the service delivery area. The enactment of the 2018-2021 PAR Strategy and its Action Plan, together with the new legislative framework adopted in 2019, set clear directions for reducing red tape and providing e-services, giving the MISA the central role in steering and co-ordinating service delivery reforms. However, there is no evidence of effective mechanisms to co-ordinate sectoral ministries' actions. In fact, despite the improvements in digitalisation, many services are still only provided in a traditional form and could be streamlined to improve the services to citizens. The perception of the quality of digital services by businesses has declined.

Principle 2. Good administration is a key policy objective underpinning the delivery of public service, enacted in legislation and applied consistently in practice.

Overall, the 2021 value for the indicator 'Fairness and efficiency of administrative procedures' is 4, the same result as in 2017. Public perception of efficiency of administrative procedures has not improved, indicating that the potential of the legal framework has not been fully used.

Indicator 5.2.1 - Fairness and efficiency of administrative procedures						
The indicator measures the extent to which the regulation of administrative procedure is compatible with international standards of good administration and good administrative behaviour. This includes both the legal framework for administrative procedure and its practical applications.						
Overall 2021 indicator value	0	1	2	3	4	5
					Points 2021	Change from 2017
Legal framework for administrative procedure						
1. Existence of legislation on administrative procedures of general application					3/3	=
2. Adequacy of law(s) on administrative procedures to ensure good administration					7/7	=
Fairness and efficiency of administrative procedures						
3. Perceived efficiency of administrative procedures in public institutions by the population (%)					3/4	=
4. Repeals of, or changes to, decisions of administrative bodies made by the administrative courts (%)					0/4*	=
Total					13/18	=

Note: *Data not available or provided.

The LGAP was adopted in July 2015 and entered into force in August 2016. The law promotes the implementation of modern concepts, including the once-only principle, electronic communication and the delegation of decision making, as well as ensures compliance with the classic requirements of good administrative behaviour. The LGAP provides a sound legal framework for aligning the administrative procedures with the principles of good administration.

However, the implementation of the LGAP requires the harmonisation of 169 special laws. Harmonising the special legislation with the LGAPs has been a slow process²⁰⁶. There is no data available to confirm how many special laws have been harmonised. When consulted by SIGMA, experts from business organisations and non-governmental organisations (NGOs) expressed concern about the delay in harmonising special laws and implementing the new administrative principles.

There is evidence of some progress in adapting administrative procedures to the new LGAP. Indeed, the three processes analysed for this assessment²⁰⁷ show that special legislation has been amended recently, guaranteeing the basic rights contained in the LGAP and simplifying their procedures. This is supported by the findings of the 2021 SIGMA study in the area that indicate some progress, including the 2019 amendment to the Law on Tax Procedure and the 2019 amendment to the Law on Social Protection²⁰⁸.

However, there is also evidence that some key principles of the LGAP, especially the once-only principle, are not applied in practice. A 2021 survey found that 43.7% of respondents affirmed that, when receiving

²⁰⁶ Ligi, T. and A. Kmecl (2021), "Implementation of laws on general administrative procedure in the Western Balkans", *SIGMA Papers*, No. 62, OECD Publishing, Paris, p. 61, <https://doi.org/10.1787/e5162057-en>.

²⁰⁷ Decisions on access to public information, on commercial construction permits (licence) and on business registration.

²⁰⁸ Ligi, T. and A. Kmecl (2021), "Implementation of laws on general administrative procedure in the Western Balkans", *SIGMA Papers*, No. 62, OECD Publishing, Paris, p. 5, <https://doi.org/10.1787/e5162057-en>.

a service from an institution, they were required to obtain or submit documents issued by another institution²⁰⁹ (e.g. health services asking for a marriage certificate or social services requiring certificates from schools, health institutions, the Cadastre or the Employment Service Agency).

Moreover, there is no information about the alignment of secondary legislation to the LGAP. Harmonising secondary legislation, such as bylaws, is very important, as bylaws usually contain the detailed provisions followed by the officials conducting the administrative procedures.

Another improvement is the creation within the MISA of an Implementation of the LGAP unit, which has a help desk to assist other line ministries in drafting amendments to the relevant laws and regulations. This unit started organising trainings for public servants on the LGAP in 2019. However, in 2020, trainings stopped due to the COVID-19 pandemic. The MISA is currently designing online trainings.

According to Balkan Barometer data, the perceived efficiency of administrative procedures in public institutions by citizens has stagnated (60.7% were completely or mostly satisfied with the efficiency of administrative procedures in 2017 vs. 60.1% in 2021). This is comparable to the Western Balkan regional average but far below the best country in the region (Albania, 72%), indicating that there is a lot of room for improvement.

Last, no official data is available on the percentage of repeals of or changes to decisions of administrative bodies made by the administrative courts, resulting in a 0 score for a relevant sub-indicator.


Conclusion

Although the general legal framework is robust and well aligned with the principles of good administration, the harmonisation of special laws with the provisions of the LGAP shows mixed results, especially regarding the once-only principle, as public authorities still request documents from citizens, despite the explicit prohibition in the law. Yet, there are examples of good practices, as several administrative procedures have been adapted to the provisions of the LGAP.

²⁰⁹ Center for Change Management (2021): *Evaluation of the Policies Aimed at Improvement of the Public Services*, p. 6, <https://cup.org.mk/publication/valuation-of-the-policies-aimed-at-improvement-of-the-public-services>.

Principle 3: Mechanisms for ensuring the quality of public service are in place.

The value for the indicator 'Existence of enablers for public service delivery' has increased from 2 to 3 since 2017, although the total amount of points has risen by just 0.5. Several sub-indicators (adequacy of interoperability infrastructure; legal recognition and affordability of electronic signatures; and adoption of user engagement tools and techniques) have improved since 2017, while the uptake of quality management tools and techniques has worsened.

Indicator 5.3.1 - Existence of enablers for public service delivery						
This indicator measures the extent to which citizen-oriented service delivery is facilitated by enabling tools and technologies, such as public service inventories, interoperability frameworks, digital signatures and user feedback mechanisms. It evaluates how effective the central government is in establishing and using these tools and technologies to improve the design and delivery of public services.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
Central and shared mechanisms to better enable public service provision are in place						
1. Central monitoring of service delivery performance				0/3	=	
2. Adequacy of interoperability infrastructure				2.5/3	+0.5	
3. Existence of common standards for public service delivery				1/3	=	
4. Legal recognition and affordability of electronic signatures				2/3	+1	
Performance of central and shared mechanisms for public service delivery						
5. Use of quality-management tools and techniques				1/4	-2	
6. Adoption of user engagement tools and techniques				3/4	+1	
7. Interoperability of basic registers				3/4	=	
Total				12.5/24	+0.5	

The Law on Introduction of a System of Quality Management and the Common Framework for Assessment was adopted in May 2013 and obliges the institutions to introduce international quality management standards (ISO 9001 and the Common Assessment Framework [CAF]). However, despite the new National Quality Management Plan in the public sector for 2018-2020, prepared by the MISA²¹⁰, the implementation of total quality management (TQM) techniques by the public institutions has declined in the last years. In fact, none of the eight institutions²¹¹ sampled for this report had implemented TQM techniques in the last two years, while in the 2017 assessment, seven out of eight had done so.

Moreover, monitoring quality, based on the 2013 quality barometer methodology²¹², has not been conducted since 2015. The PAR Strategy 2018-2022 states that the institutions' implementation of the TQM models has been more of a one-off activity than a continuous process. Only half of the sampled institutions use conventional user engagement techniques to measure the performance of their services in the last two years.

²¹⁰ MISA, *Ministry of Republic of Macedonia: National Plan for Quality Management in the Public Sector (2018-2020)*, <https://www.mioa.gov.mk/?q=en/node/2377>.

²¹¹ According to the methodological framework, the review is carried out based on five central government ministries (responsible for: healthcare, education, justice, interior affairs and economy) plus three central government agencies (national tax administration, national statistical office and telecommunications regulator).

²¹² MISA (2013), *Methodology: Barometer of the Quality of Institutions*, https://www.mioa.gov.mk/sites/default/files/pbl_files/documents/legislation/Methodologija_Barometar.pdf.

In February 2021, the MISA approved a new Methodology for Assessing the Quality of Institutions²¹³. This methodology is expected to be applied once a year to a range of institutions selected by the Government at the proposal of the MISA. As the methodology is very recent, it has not yet been applied. MISA has also drafted different documents (service delivery standards²¹⁴, guidelines for service optimisation²¹⁵, methodology for involving end users²¹⁶) that could lay down the foundations for a more uniform approach in improving the quality of public services. However, these documents have been pending adoption since the beginning of 2020.

An Interoperability Framework has been in force in North Macedonia for several years. This has been supported by the new Law on Electronic Management and Electronic Services (2019)²¹⁷. The European Commission evaluation in 2020 rated the performance of North Macedonia's interoperability framework as overall medium. The main areas of improvement related to the layer of technical interoperability and the principles of user centricity and openness²¹⁸.

Regarding the enablers for establishing e-services and simplifying procedures, North Macedonia has made a considerable effort in the last years. In October 2019, the MISA developed the National Population Register according to the mandate given by the Law on the National Population Register²¹⁹. The register provides access to personal data for the purpose of public services provided by the competent authorities, and it is a key factor for the implementation of the once-only principle. The Central Register (of businesses) and the Cadastre Register are also fully digitalised. All three registries are accessible via the common data exchange infrastructure. However, the Motor Vehicles Registry is not integrated as an electronic database accessible to other institutions.

In December 2019, the Government launched the National e-Services Portal, offering 128 digital services for natural persons. By August 2021, the portal counted 791 available services, 1 288 public institutions and 50 e-services²²⁰. Although the number of registered users²²¹ has increased substantially, from 2 827 at the end of 2019 to 44 791 in August 2021²²¹, it is still very low, considering the total population. Moreover, not all e-services are provided through the National e-Services Portal, as several institutions keep their own portals (e-Cadastre Portal, e-Pension Portal, etc.), which could be quite confusing for users.

The Catalogue of Public Services is a key component of the portal. Its data is published in three languages and categorised by life events. The catalogue is a key enabler for service simplification, as it offers relevant information about each service.

The portal allows citizens to use e-payment for service fees and administrative taxes. One weakness of the portal is the lack of availability of e-services for legal entities, although they are the most prepared to work with digital services, since they have been using them from institutions, such as the PRO or the Central Registry. The portal offers single sign-on access, with three levels of identification: Basic User Profile, Low Level electronic Identification (eID) and High Level eID. Low Level eID is sufficient to perform most services currently available at the National Portal. However, for higher digital maturity services which

²¹³ MISA, "The new methodology for the evaluation of the quality index of the institutions has been adopted", <http://kvalitet.mioa.gov.mk/usvoena-novata-metodologi%D1%98ata-za-oczenka-na-indeks-na-kvalitet-na-institucziit e/>.

²¹⁴ <https://ener.gov.mk/Default.aspx?item=newdocumentdetails&detailid=19>.

²¹⁵ <https://ener.gov.mk/Default.aspx?item=newdocumentdetails&detailid=20>.

²¹⁶ <https://ener.gov.mk/Default.aspx?item=newdocumentdetails&detailid=18>.

²¹⁷ Official Gazette No. 98/2019.

²¹⁸ European Commission (2020b): *Digital Public Administration Factsheet – 2020. Republic of North Macedonia*, p. 6, https://joinup.ec.europa.eu/sites/default/files/inline-files/Digital_Public_Administration_Factsheets_North_Macedonia_vFINAL.pdf.

²¹⁹ Official Gazette No. 98/2019.

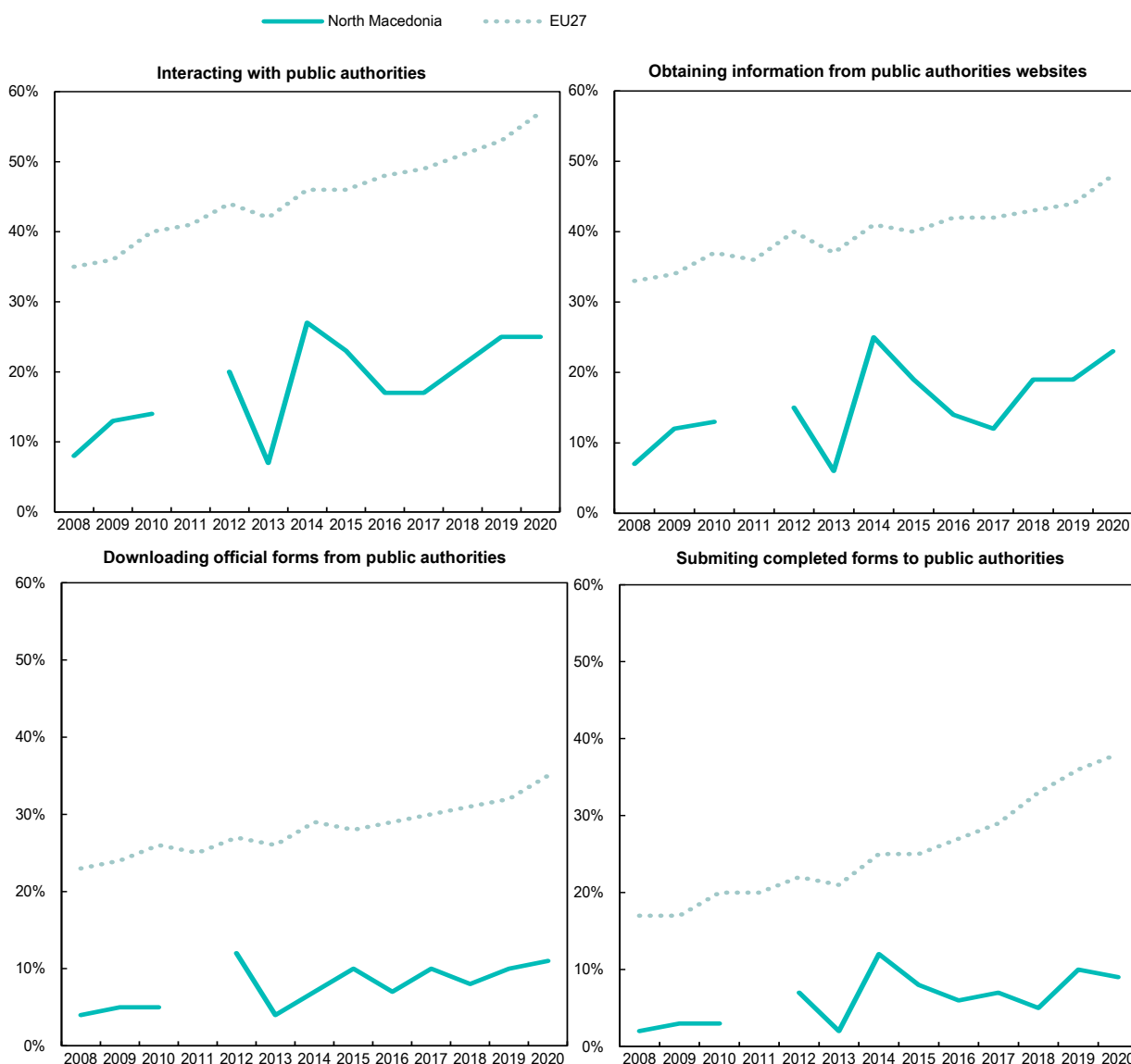
²²⁰ National e-Services Portal. <https://uslugi.gov.mk/> (accessed 15 August 2021).

²²¹ *Idem*.

require a more secure sign-on, citizens should purchase a digital certificate from a licenced private company²²². The high cost and complicated procedure of using the digital certificate may partly explain the low uptake of digital services and would hinder further digitalisation. Otherwise, the legal framework for e-signatures is in place and aligned with the eIDAS Directive.

Despite such advances in key enablers, such as the interoperability framework or the National e-Services Portal, the latest available EUROSTAT data shows that the uptake of e-services in North Macedonia is still low and remains at a low maturity level. (Figure 2).

Figure 2. The share of people interacting with the Government digitally in North Macedonia



Source: European Commission (2020b): *Digital Public Administration Factsheet – 2020. Republic of North Macedonia*, p. 5, [https://joinup.ec.europa.eu/sites/default/files/inline-files/Digital Public Administration Factsheets North Macedonia vFINAL.pdf](https://joinup.ec.europa.eu/sites/default/files/inline-files/Digital%20Public%20Administration%20Factsheets%20North%20Macedonia%20vFINAL.pdf).


Conclusion

²²² According to the data presented by the MISA, the cost of a digital certificate starts at EUR 19 per year, depending on the length of validity. Additionally, there is a one-time cost of buying a Public Key Infrastructure token, which ranges from EUR 18 to EUR 40. In February 2020, the Government also signed the Memorandum of Understanding with Mastercard on the co-operation for digitalisation through Mastercard's digital identity solution, <https://portal.mioa.gov.mk/?q=en/node/3662>.

The use of the quality management techniques has declined since 2017, despite a special law in this area. There are no service standards set and, apart from e-services, no performance data on service delivery is collected centrally. The recently launched Methodology for Assessing the Quality lays the groundwork to improving the quality of public services. The basic infrastructure for interoperability of basic registries has been put in place and is operational for the key ones, yet some registries (e.g. Motor Vehicles Registry) are still not accessible via the common data exchange infrastructure. The National e-Services Portal is fully operational and provides a Catalogue of Public Services, a key enabler of service simplification and improvement. However, the uptake of e-services in North Macedonia is still low. The digital signature framework is aligned with the eIDAS, but obtaining certificates is expensive, and using the signature is complex, which inhibits the wider digitalisation of services.

Principle 4: The accessibility of public services is ensured.

Overall, the value for the indicator ‘Accessibility of public services’ deteriorated from 3 in 2017 to 2 in 2021. The negative trend derives from the lack of data on access to services by people with disabilities, lack of training for civil servants on improving access to public service users with special needs, lack of common guidelines for government websites, and the increase in the average number of accessibility errors in government websites.

Indicator 5.4.1: Accessibility of public services						
This indicator measures the extent to which the access to public services is promoted in policy formulation and implementation. It evaluates whether this policy framework leads to measurably easier access for citizens, measures citizens’ perceptions of accessibility to public services and tests the actual accessibility of government websites. Dimensions covered are territorial access, access for people with disabilities and access to digital services.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021		Change from 2017	
Policy framework for accessibility						
1. Existence of policy for the accessibility of public services			3/3		+1	
2. Availability of statistical data on accessibility to public services			2/3		-1	
3. Adequacy of policy framework for public service users with special needs			2/4*		-1	
4. Existence of common guidelines for government websites			0/2*		-1	
Government performance on accessibility						
5. Compliance of government websites with Web Content Accessibility Guidelines (WCAG)			0/3		-1	
6. Perceived satisfaction with public services across the territory by the population (%)			1/3		=	
7. Perceived accessibility of digital public services by the population (%)			1/3		-1	
8. Perceived time and cost of accessing public services by the population (%)			2/3		=	
Total			11/24		-4	

Note: *Data not available or provided.

The 2018-2022 PAR Strategy states that the delivery of services in a “fast, simple and easily accessible manner” is the main goal of public services reform. However, the PAR Strategy and its Action Plan lack integrated objectives for increasing the accessibility of public services. These documents include separate goals and actions regarding the development and adoption of accessibility standards for web presence²²³,

²²³ Action 4.2.1.5 of the PAR Strategy Action Plan.

the application of standards for physical access to institutions²²⁴ and establishing Single Point of Services centres (SPoS)²²⁵.

The territorial deployment SPoS, where public servants perform National e-Services Portal transactions for people not capable or not able to use e-services, allow non-Internet-savvy citizens to use the new e-services. The first SPoS was established in Skopje in 2018. According to the evidence provided in the interviews, there are three other SPoSes operating in various regions in 2021²²⁶. Accessibility of services for businesses is pursued through the separate One-Stop Shop network of the Central Registry²²⁷.

The main public institutions, such as the Ministry of Interior (Mol) (e.g. for birth, marriage and death certificates available through its regional offices), the Ministry of Labour and Social Policy, the Agency for Employment, the Health Insurance Fund, the Pension and Disability Fund, the PRO, the Central Registry, the Agency for Real Estate Cadastre and many others, operate throughout North Macedonia, either through their regional branches or through shared municipal facilities or other institutions' premises. Some institutions, such as the Mol or the PRO, have also implemented mobile stations to provide services in remote locations. In any case, there is no evidence of monitoring territorial differences in the availability or quality of services.

The overall satisfaction with public services across the territory (in the place of living of each respondent) is similar in 2021 (33.8%) to 2017 (35.0%). However, citizen satisfaction with the time required to obtain public services has improved, from 61.2% satisfied in 2017 to 67.9% in 2021.

The new Law on the Use of Languages has been adopted²²⁸, which considerably extends the use of Albanian in public bodies. However, as the Venice Commission pointed out, "in certain areas the Law may go too far by imposing what proved to be unrealistic legal obligations on the public institutions"²²⁹, especially given the implementation problems of the previous 2008 Language Law.

The use of plain language in public administration communications with citizens is not promoted, and no evidence has been provided on any policy to address this problem.

Regarding the accessibility of public services for people of special needs, the legal framework is formally in place. Sign language was officially recognised in 2009²³⁰, giving citizens the right to use sign language in public offices and before the courts. The Law on Construction mandates that all new buildings for public and business purposes must be designed and constructed to allow unhindered access and movement for people with disabilities²³¹. According to the 2019 Report on the Implementation of the PAR Strategy, in 2019, 315 state administration buildings and 62 local government buildings introduced access ramps, lifts and/or mobile platforms, thus providing proper access for people with special needs. This increased the percentage of institutions accessible to people with special needs from 61% to 66% in the course of one year²³², but more recent statistics are missing.

²²⁴ Action 4.2.1.5 of the PAR Strategy Action Plan.

²²⁵ Action 4.2.5 of the PAR Strategy Action Plan.

²²⁶ See also: <https://www.mioa.gov.mk/?q=en/node/3575>.

²²⁷ <https://www.crm.com.mk/en>.

²²⁸ Official Gazette of 14 January 2019.

²²⁹ European Commission for Democracy Through Law (Venice Commission) (2019), *Opinion on the Law on the Use of Languages Adopted by the Venice Commission at its 121st Plenary Session (Venice, 6-7 December 2019)*, p. 24, [https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD\(2019\)033-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-AD(2019)033-e).

²³⁰ Law on the Applicability of Sign Language, Official Gazette No. 105/09, last amendment, Official Gazette No. 30/2016.

²³¹ Law on Construction, Official Gazette No. 130/09, Article 11.

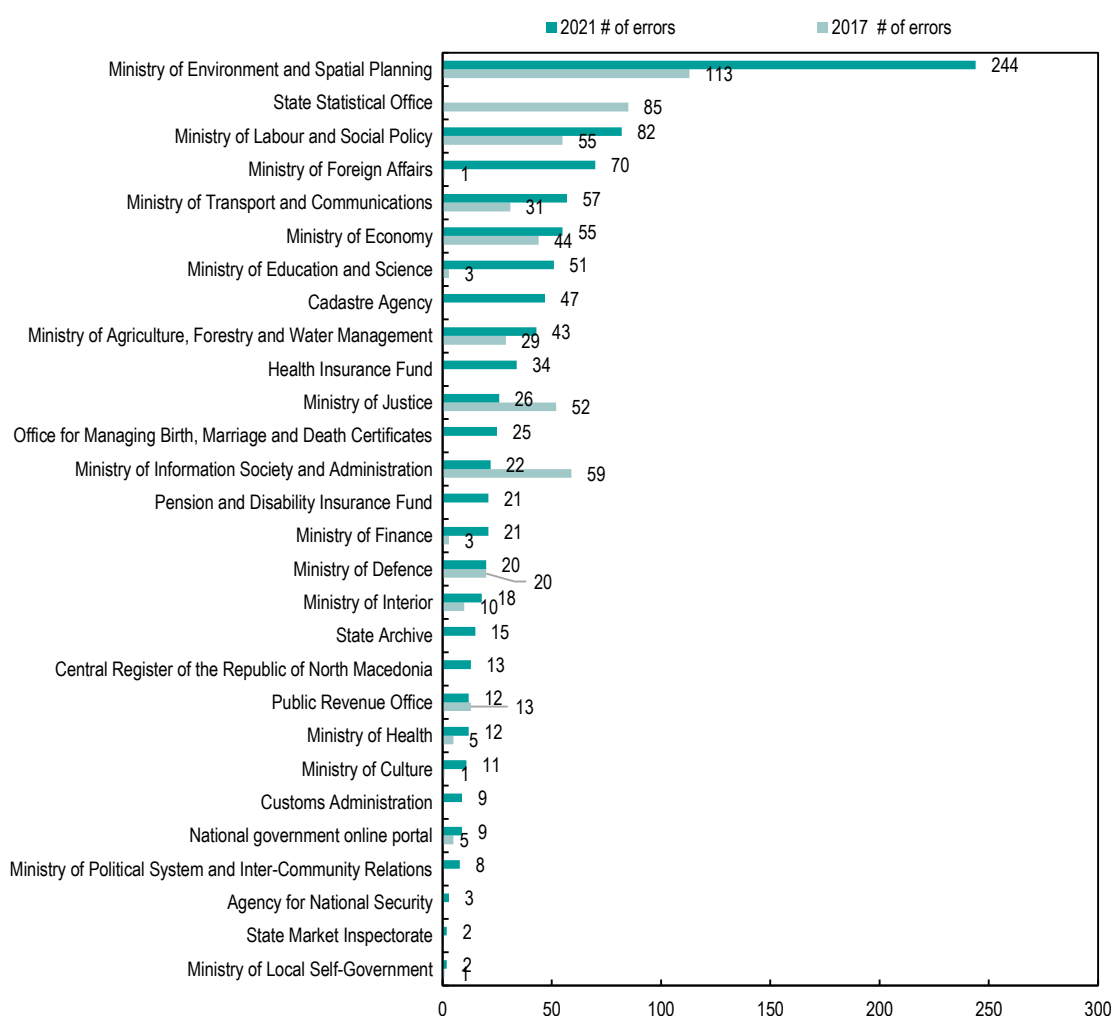
²³² Center for Change Management (2021): *Evaluation of the Policies Aimed at Improvement of the Public Services*, p. 6, <https://cup.org.mk/publication/valuation-of-the-policies-aimed-at-improvement-of-the-public-services>.

Government institutions are obliged to nominate a person responsible for supporting people with disabilities and providing easier access to information in fulfilment of their rights and obligations. However, there is no evidence of recent trainings for public servants on how to improve accessibility for people with special needs.

Experts from relevant NGOs expressed concerns that the practical implementation of accessibility policies is poor, stating that people with special needs face many difficulties accessing some public services²³³.

Regarding the accessibility of government websites, despite being set as an objective in the 2018-2022 PAR Strategy, there is no formal regulation obliging public institutions to adapt their websites to comply with the WCAG or any relevant standard. This has resulted in an increase in the average number of accessibility errors detected in the analysis of the sample government websites, from 29.9 in 2017 to 34.5 in 2021 (Figure 3). The number of errors decreased on only two websites, while it increased on most websites.

Figure 3. Content accessibility errors on government websites, 2017 and 2021



Source: SIGMA tests of government website compliance with the WCAG, June 2021.

Conclusion

Accessibility of public services has deteriorated since 2017. Accessibility for people with special needs is recognised in legal documents and set as a PAR Strategy objective, but there is no evidence of the practical implementation of these requirements. Despite the legal recognition of sign language and the

²³³ SIGMA interviews.

recent improvements in removing physical barriers to access public buildings. There is no formal obligation for public administration websites to comply with the WCAG, and public sector websites' compliance with this standard has decreased.

Public Financial Management

The Principles of Public Administration

Public Financial Management

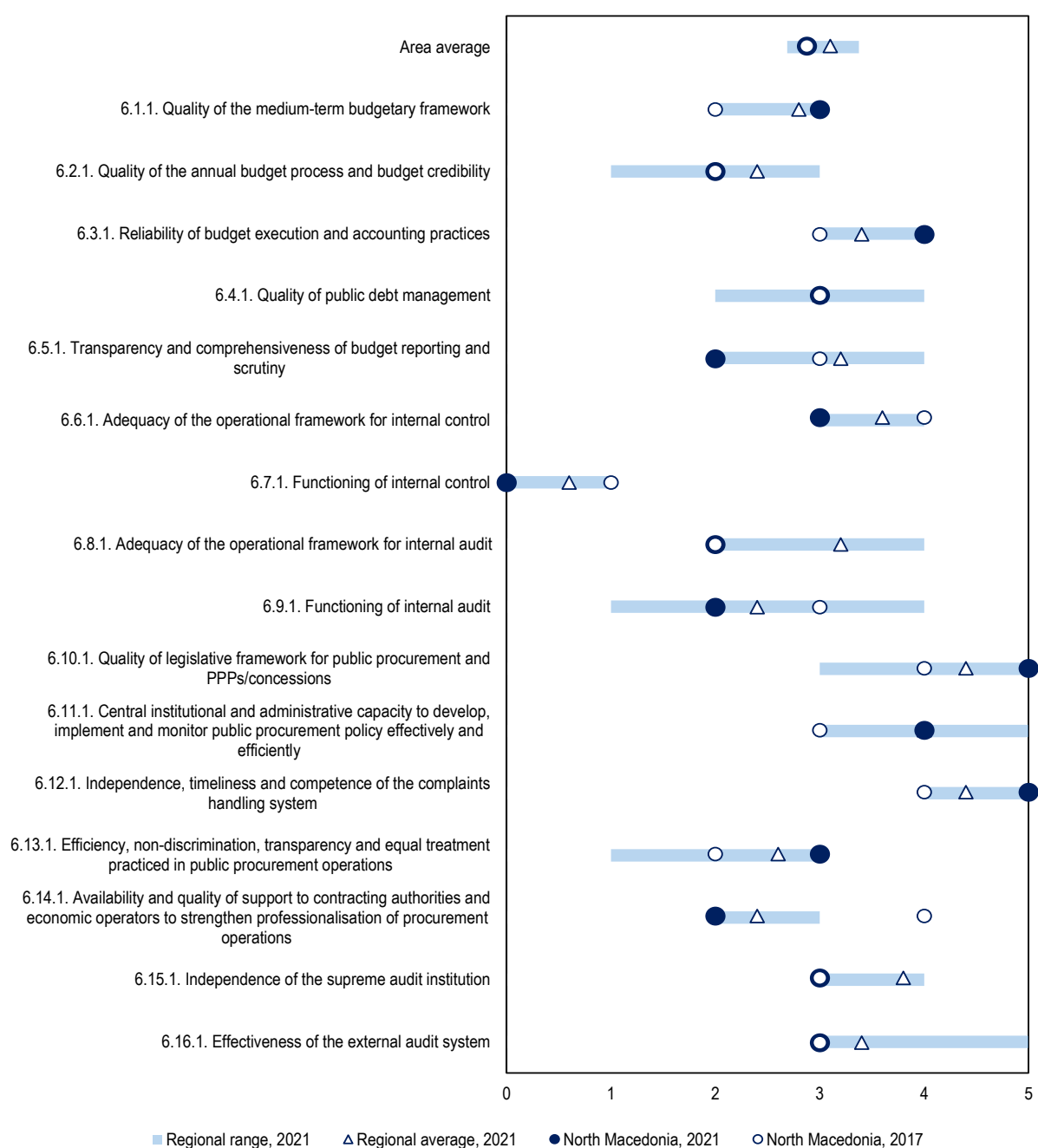
Budget Management	
Principle 1	The government publishes a medium term budgetary framework on a general government basis that is founded on credible forecasts and covers a minimum period of three years; all budget organisations operate within it.
Principle 2	The budget is formulated in line with the national legal framework, with comprehensive spending appropriations that are consistent with the medium term budgetary framework and are observed.
Principle 3	The ministry of finance (or authorised central treasury authority) centrally controls disbursement of funds from the treasury single account and ensures cash liquidity.
Principle 4	There is a clear debt management strategy in place and implemented so that the country's overall debt target is respected and debt servicing costs are kept under control.
Principle 5	Transparent budget reporting and scrutiny are ensured.
Internal audit and control	
Principle 6	The operational framework for internal control defines responsibilities and powers, and its application by the budget organisations is consistent with the legislation governing public financial management and the public administration in general.
Principle 7	Each public organisation implements internal control in line with the overall internal control policy.
Principle 8	The operational framework for internal audit reflects international standards, and its application by the budget organisations is consistent with the legislation governing public administration and public financial management in general.
Principle 9	Each public organisation implements internal audit in line with the overall internal audit policy documents, as appropriate to the organisation.
Public Procurement	
Principle 10	Public procurement regulations (including public private partnerships and concessions) are aligned with the European Union acquis, include additional areas not covered by the acquis, are harmonised with corresponding regulations in other fields, and are duly enforced.
Principle 11	There is central institutional and administrative capacity to develop, implement and monitor procurement policy effectively and efficiently.
Principle 12	The remedies system is aligned with the European Union acquis standards of independence, probity and transparency and provides for rapid and competent handling of complaints and sanctions.
Principle 13	Public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, while ensuring the most efficient use of public funds and making best use of modern procurement techniques and methods.
Principle 14	Contracting authorities and entities have the appropriate capacities and practical guidelines and tools to ensure professional management of the full procurement cycle.
External audit	
Principle 15	The independence, mandate and organisation of the supreme audit institution are established, protected by the constitutional and legal frameworks and respected in practice.
Principle 16	The supreme audit institution applies standards in a neutral and objective manner to ensure high quality audits, which positively impact on the functioning of the public sector.

Public Financial Management

Summary and recommendations

The overall trajectory for North Macedonia in public finance management (PFM) moved slightly downwards, from 2.9 in 2017 to 2.8 in 2021, and is below the regional average of 3.1. The performance relative to other countries in the region is weaker for most indicators in the PFM area. All indicator values in the public procurement area increased, except regarding support to contracting authorities. In the rest of the PFM area, only the medium-term budgetary framework (MTBF) and reliability of budget execution performs stronger due to adequate budget discipline and active monitoring of payment arrears.

The average indicator value remains below the regional average, but some gains were made in the areas of public procurement, MTBF and reliability of budget execution

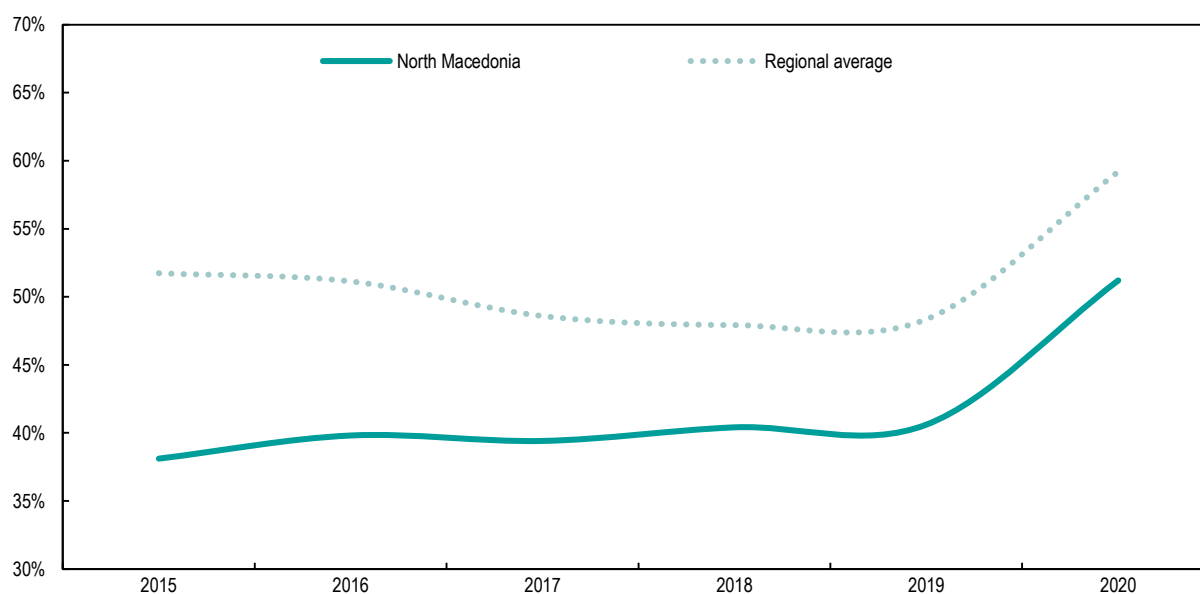


The stagnation in performance must be put into context. There is **strong potential to improve the PFM function in the coming years, as far-reaching legislative reforms are currently in deliberation by the Parliament**. The new draft organic Budget Law (OBL) and a new draft Law on Public Internal Financial Control (PIFC) in line with the new systemic Law on Organisation and Operation of State Administration Bodies have the potential to address the weaknesses observed in this monitoring report. Proposals to restructure state administration bodies and introduce the concept of “parent” budget users, which will be hierarchically superior to and accountable for subordinate users, could provide a new paradigm for a more decentralised PFM function.

Budgeting has improved in terms of the credibility of both the medium-term projections and the annual estimates. Deviations between estimates and outturns are reasonably limited. This reflects increased maturity in fiscal forecasting and discipline in budget execution. The importance that the Government attaches to budget discipline is reflected in the adoption of the Law on Reporting and Recording of Liabilities in 2018, which aims to prevent payment arrears via systematic registration. Although the registration may not yet be complete, the Law is a good step in the government’s ambition to control payment arrears.

Improvement is also reflected in debt management with the upgrading of the Public Debt Management Strategy (PDMS) to an independent document, separate from the Fiscal Strategy (FS). In addition, reporting on budget execution in greater detail allows the public to monitor execution by budget entity and not only in aggregates. The level of government debt has been gradually rising over the last seven years, but it is still low in the European context.

General Government debt increased due to the COVID-19 pandemic, but it is still low in the European context



Source: IMF (2021), World Economic Outlook Database.

However, **budgeting is still mostly an annual process and not policy driven by policy strategy**. The FS, which reflects the medium-term perspective, does not include disaggregated medium-term budget sectoral or ministerial ceilings. In their absence, sectoral policy priorities and fiscal strategy remain weakly linked. The high number of first-level budget organisations, of which there are currently 100, impedes the Ministry of Finance (MoF) approaching the budget preparation process in a more strategic manner.

The high number of first-level budget organisations also causes shortcomings in the annual budget preparation process and limits the opportunity to make effective use of performance information in the budgeting process. It also reduces reporting on budget execution to a quantitative exercise rather than an analytical process and limits the accountability of sectoral ministries for the allocation of funds in their sector, as the budget decisions are taken by the MoF. The implementation of the various PIFC concepts is also primarily driven by the Central Harmonisation Unit (CHU) of the MoF without any co-ordination role for sectoral ministries. As a result, the CHU currently oversees a total of 1 380 public entities. Although

the legal framework is established and the CHU provide provide a broad range of guidelines, **implementation of the PIFC concept is lagging**. Not all budget organisations follow the legal obligations for putting in place internal procedures for the delegation of tasks, risk management and the definition and monitoring of performance indicators. The PIFC-related manuals are not applied consistently by budget organisations, and the requirements are perceived as an administrative burden rather than as useful management tools.

Comparable problems are observed in the domain of internal audit (IA). **Although the legal framework for establishing IA is in place and implemented, the effectiveness of IA suffers from the fragmentation of budget organisations** and the consequently small IA units, often staffed by only one person. This negatively affects staff competences, planning and quality control procedures.

The new Public Procurement Law (PPL), adopted by the Parliament on 28 January 2019, entered into force on 1 April 2019. The PPL transposes the current European Union public procurement directives. Procurement contracts in the fields of defence and security are subject to a separate new Law on Public Procurement in the Field of Defence and Security (Defence and Security Procurement Law), adopted on 27 August 2019.

The Defence and Security Procurement Law transposes Directive 2009/81/EC (EU Defence and Security Directive). The by-laws supporting the Defence and Security Procurement Law were prepared and published between November 2019 and October 2020. The Law on Concessions and Public-Private Partnerships 2012 (Concessions and PPP Law) is not fully harmonised with the EU Directive 2014/23/EU on Concessions²³⁴ (EU Concessions Directive), but it respects the general EU principles. The Strategy for public procurement is included within the wider Public Financial Management Reform Programme 2018-2021, which also includes high-level objectives and activities for public procurement and concessions and PPPs.

The new PPL ensures a high level of compliance with the 2014 EU Procurement Directives. The PPL also incorporates the relevant provisions of the EU challenges and remedies regimes. Only a few issues are problematic from the EU perspective, such as the lack of equivalent provisions related to negative references, the “self-cleaning” mechanism and automatic exclusion in certain cases. The process of drafting the PPL in 2018 was very inclusive: all stakeholders had an opportunity to submit comments and suggestions during public consultations. The relevant by-laws/rulebooks were prepared and published in the first half of 2019, following the adoption of the PPL. The Public Procurement Bureau (PPB) also delivered trainings on the new PPL for stakeholders, with a focus on the legal provisions rather than on the practical application of the Law.

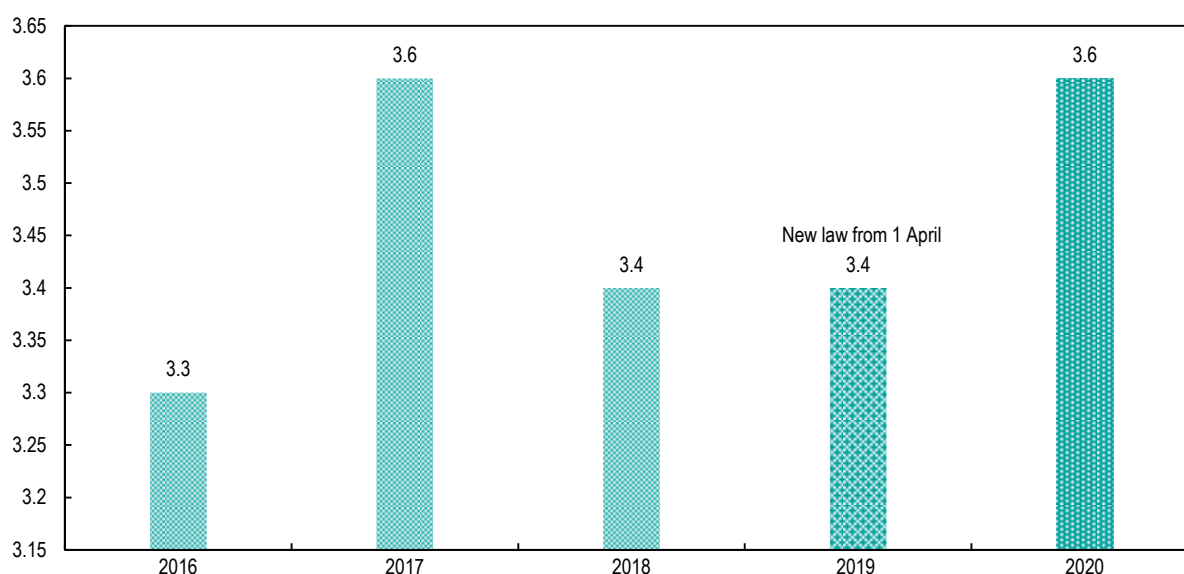
The PPB continues to assist contracting authorities and economic operators through advisory and training activities. The need to strengthen its administrative capacity is greater now, in order to ensure the performance of all of its obligations in a proper and timely manner.

In the field of concessions and PPPs, a draft law on PPPs has been prepared, and a new law is planned for concessions for goods of a general interest. However, during the assessment period, PPP projects have been limited in number, and the Public-Private Partnerships Council (PPP Council) is still not active.

The system benefits from an advanced Electronic System for Public Procurement (ESPP), which is highly appreciated by users. E-auctions are no longer mandatory, and the lowest price is not the only criterion for awarding contracts, but in practice, e-auctions and the lowest price remain the predominant approach. Contracting authorities have an obligation to publish on the ESPP not only the notices and tender documents but also the public procurement annual plans and data about the fulfilment of the contracts.

²³⁴ Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts.

Average number of tenders submitted, 2016-2020



Source: Data provided by PPB, May 2021.

Despite the introduction of new flexibilities in the PPL, there is little evidence of a change in day-to-day procurement activities, with continued very high use of the lowest-price award criterion and e-auctions and minimal improvements in the levels of competition. Training and guidance for procurement professionals and other stakeholders is focussed on legal compliance rather than on addressing practical issues at all stages in the procurement cycle.

The e-Appeals function of the ESPP became fully operational on 1 April 2019, which is a significant and widely welcomed achievement.

Training for and certification of procurement professionals continued to be delivered during 2020, despite the constraints of the COVID-19 pandemic. New guidelines have been published, and some standard procurement documents have been prepared in line with the new PPL, although there are some notable gaps.

The legal framework includes sufficient provisions for the independence and mandate of the State Audit Office (SAO), but an anchor in the Constitution is still missing. Although no interference by the Government has been experienced in practice and the SAO has invested considerable efforts in improving its external communication, the majority of the population perceives the SAO as not fully independent.

During recent years, the SAO further improved the institutional framework to produce ISSAI-compliant audit reports. It has adopted new manuals for regularity and performance audit that are compliant with the ISSAIs. The audit procedures increasingly emphasise quality control and assurance. Most audit recommendations are accepted by the auditee and their implementation is in progress. **However, with the exception of the SAO's annual report, the audit reports are not used by the Parliament, which limits the impact of the SAO.**

Short-term recommendations (1-2 years)

- 1) The Parliament should adopt the new OBL and new Law on PIFC. The MoF should prepare an action plan for their implementation.
- 2) The MoF should, in line with the new draft OBL, transform the FS into a medium-term framework for government expenditures. This requires that it includes disaggregated ceilings on a medium-term basis that reflect the Government's spending priorities among the main sectors, integrating policy information within the fiscal framework.
- 3) The MoF should, in line with the new draft OBL, establish a Fiscal Council with a proper mandate and sufficient resources to monitor compliance with the fiscal rules and provide advice on fiscal policy.

- 4) The Government should ensure that audited financial statements of state-owned enterprises (SOEs) are submitted within six months of year end, prepare a consolidated analysis of the fiscal risks and submit the analysis to the Parliament as part of the budget documentation.
- 5) The MoF should continue its efforts to reduce the risk profile of the debt portfolio by gradually reducing the share of floating-rate debt and increasing the average maturity of domestic public debt.
- 6) The Government should conduct a review of the financial departments of the new “parent” ministries to identify their gaps in capacity and resources, considering their new tasks and responsibilities in the new legal framework.
- 7) The CHU of the MoF should establish a basic quality assurance programme that helps IA units give due attention to systemic weaknesses in their set-up and working practices.
- 8) The PPB should actively engage with contracting authorities, the private sector and non-governmental organisation (NGO) stakeholders prior to and during the preparation of new guidelines and training on the operation of the public procurement system, to ensure that they address in a practical and useful way the real-life issues identified by stakeholders.
- 9) The PPB should prepare and publish a full suite of standard documents and templates in line with the PPL, including practical examples to cover, in particular, the use of qualitative criteria, weightings and related methodologies, and incorporation of sustainability factors into the entire public procurement cycle.
- 10) The Government/Parliament should finalise and adopt the PPP Law aligned with the 2014 EU Concessions Directive. The Ministry of Economy (MoE) should establish a centre of excellence, including the appointment of appropriately qualified staff, to support the roll-out of the new PPP Law and PPPs in practice, prepare and deliver practically focussed training and support and ensure co-operation among key institutions.
- 11) The MoE, in co-operation with contracting authorities, the private sector and NGOs, should publish all necessary by-laws, guidelines, brochures and standard documents in support of the new PPP Law prior to or when it comes fully into force.

Medium-term recommendations (3-5 years)


- 12) The Government should continue the establishment of a governmental “academy” for public finance as a tool to build the capacity of parent ministries to fulfil their responsibilities under the new draft legislative framework in a sustainable manner.
- 13) The MoF should, in line with the legislative framework, organise IA at the sectoral level by parent ministries. This would ensure that the internal auditors have the knowledge of the sectors in which they work while allowing the building of sufficient mass in the IA units for more specialist tasks.
- 14) The MoF and the MoE should facilitate co-operation among key institutions on the roll-out and ongoing delivery of PPP. They should establish processes for review and feedback to play into ongoing learning and the improvement of the PPP framework and operation.
- 15) The State Appeals Commission (SAC), in conjunction with the PPB as necessary, should review and fully update the SAC website to create a free text search facility for searching all SAC decisions, current and archived, and ensure that it is consistent with the relevant functions of the ESPP, in particular the e-Appeals system.
- 16) The MoF, PPB, SAC and SAO should re-establish a formal or informal mechanism to co-ordinate on a regular basis the interpretation of procurement legislation by key institutions, while acknowledging the need for institutional independence.
- 17) The SAO should continue to co-operate with the Assembly to increase the impact of its audit work, especially by raising the interest and understanding of Members of Parliament concerning its audit results and recommendations.
- 18) The Government should establish an audit framework that covers local government on an annual basis by an external auditor.

Analysis

Budget management

Principle 1: The government publishes a medium-term budgetary framework on a general government basis that is founded on credible forecasts and covers a minimum period of three years; all budget organisations operate within it.

Overall, the value for the indicator ‘Quality of the medium-term budgetary framework’ is 3. This is an increase compared to 2017 when the value was 2. The increase reflects an improvement in the country’s fiscal discipline.

Indicator 6.1.1 - Quality of the medium-term budgetary framework						
This indicator measures how well the medium-term budgetary framework (MTBF) is established as a fiscal plan of the government, focusing on the process of budget preparation and four areas that influence the quality of the budget documents. A good MTBF should increase transparency in budget planning, contribute more credible forecasts and ultimately lead to a better general government budget balance.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Strength of the medium-term budgetary framework				4/12	-1	
2. Strength of the fiscal rules				3/5	+2	
3. Credibility of medium-term revenue plans (%)				4/4 ²³⁵	+2	
4. Credibility of medium-term expenditure plans (%)				3/4 ²³⁶	+1	
Total				14/25	+4	

The methodology for medium-term budgeting has not changed since 2017. The Fiscal Strategy (FS) 2020-2025, prepared in 2019, sets the revenues and expenditures for the next five years and estimates the implications for the government deficit and debt stock. The FS is prepared on a general government basis and includes planned funding from the Instrument for Pre-accession Assistance (IPA). There are no fiscal rules, but the FS includes fiscal targets (which are in line with fiscal rules identified in the draft of the OBL). It presents the macroeconomic and fiscal assumptions on which the medium-term projections are based. In recent years, the FS is enriched with additional content and data including data on due and unpaid liabilities of public entities, public enterprises, fiscal risks and comparative analysis with previous projections of the main fiscal parameters. In 2020, the outlook of the FS is extended with an additional 2 years covering 5 years.

The shortcomings in the framework are that it is focused on fiscal aggregates but does not show sectoral expending limits. It does not define medium-term ceilings at the level of the budget organisation; these are only defined on an annual basis in the Budget Circular. The FS provides some information on sector policy priorities but no information on the resources for the new measures that are being proposed, and it does not clarify the relationship between sector strategies and medium-term financial estimates. The Parliament does not discuss the FS before it receives the annual budget proposal.

The budget preparation for 2020 demonstrated that the FS does not yet fulfil the strategic role that it should have. Although the Budget Law requires the Government to adopt the FS by 31 May, the Fiscal Strategy 2021-2023 was adopted by the Government on 28 July 2020. Additionally, on 10 December, the Government adopted a Revised Fiscal Strategy with an extended time frame for the period 2021-2025.

²³⁵ The sub-indicator was determined on the basis of 2019 data due to the COVID-19 pandemic in 2020.

²³⁶ The sub-indicator was determined on the basis of 2019 data due to the COVID-19 pandemic in 2020.

Although the global COVID-19 pandemic created economic uncertainty and some delay could be justified, the timing made it impossible to use the FS to frame the annual budget planning.

On the positive side, the credibility of the medium-term projections has improved. The difference between the planned revenues presented in the MTBF 2017-2019 and the outturns in 2019 (as a proxy measure for 2020) was 1.69%. The difference between the planned expenditures presented in the MTBF 2018-2020 and the outturns in 2019 was 2.58%. These are small deviations, and the reliable performance can be attributed to a combination of realistic planning and discipline in executing the budget.

There is no external review by an independent body to ensure the reliability of projections. However, the new OBL includes a provision to create a Fiscal Council (three independent members selected from the SAO, National Bank and Academy of Art and Sciences). The Council will be tasked to calibrate economic forecasts and fiscal projections.

The new draft OBL incorporates a number of other substantial reforms to the methodology of medium-term budgeting, including a clear calendar for the preparation of the MTBF, the requirement to prepare disaggregated ceilings for budget users, and the differentiation of base budget projections and new measures²³⁷. Another main reform is the new administrative classification of budget users, which will reduce the large number of existing first-level budget organisations currently directly reporting to the MoF.

Conclusion

The credibility of the medium-term projections improved in fiscal year 2019. Also, the FS has been upgraded and enriched with additional content and data and increased its outlook with two additional years. Nevertheless, the FS does not yet play a strategic role in the policy planning of the Government, as it has several methodological shortcomings. The new draft OBL, incorporates fundamental reforms that address these shortcomings, including the setting of disaggregated ceilings, the reduction of the number of first-level budget organisations and the creation of an independent Fiscal Council.

²³⁷ The new OBL was approved by the Government and submitted to the Parliament, where, at the time of the publication of this report, it had reached second reading.

Principle 2: The budget is formulated in line with the national legal framework, with comprehensive spending appropriations that are consistent with the medium-term budgetary framework and are observed.

Overall, the value for the indicator ‘Quality of the annual budget process and budget credibility’ is 2, the same as in 2017. There have been no significant changes in the legal framework or the practice of budget planning. Further reforms of the annual budget preparation process await the adoption of the new OBL²³⁸.

Indicator 6.2.1 - Quality of the annual budget process and budget credibility						
This indicator analyses the process of budget preparation and the level of transparency and quality of the budget documents. Quality parameters include the link between the multi-annual and annual budget, the budget preparation process, selection of priorities for new expenditures, comprehensiveness and transparency of budget documentation, scrutiny and oversight of the budget proposal and rules for in-year budget adjustment.						
Overall 2021 indicator value	0	1	2	3	4	5
			Points 2021	Change from 2017		
1. Operational alignment between the MTBF and the annual budget process			1/4	-1		
2. Reliability of the budget calendar			2/4	=		
3. Transparency of the budget proposal before its adoption in parliament			5/8	=		
4. Quality in the budgeting of capital investment projects			2/5	=		
5. Parliamentary scrutiny of the annual budget			0/5	=		
6. Transparency and predictability of procedures for in year budget adjustments			2/4	-1		
7. Credibility of revenue plans in the annual budget (%)			3/4	=		
8. Credibility of expenditure plans in the annual budget (%)			3/4	=		
Total			18/38	-2		

Note: The point allocation for 2017 for sub-indicator 8 was revised retrospectively from 2 to 3 due to miscalculation.

The annual budget documentation presents appropriations by first-level budget organisations and indicates the latest estimates of the budget balance, revenues and expenditure of the current year for comparison. The process for the preparation of the annual Budget Law is set in the OBL²³⁹. The calendar allows budget organisations more than six weeks to prepare their submissions. However, the Parliament is not given enough time to deliberate on the draft Budget Law, as the deadline for submitting the draft to the Parliament is set for 15 November. The budget calendar was not complied within 2020. The Fiscal Strategy 2021-2025, which was to be adopted by the Government by 31 May 2020, was adopted in July 2020 and revised in December 2020²⁴⁰.

The Budget Law allows significant room for in-year budget reallocations without the approval of the Parliament. Appropriations at the item level within a sub-programme can be reduced by a maximum of 20% and reallocated during the fiscal year²⁴¹. In 2020, four supplementary budgets were adopted. Although this is done with the approval of Parliament, it weakens the credibility of the originally adopted budget.

The budget documents include performance objectives and indicators for each budget organisation. As can be expected with 100 first-level budget organisations (including 5 constitutional bodies and

²³⁸ The Government adopted the new OBL on 19 January 2021 and submitted it to the Parliament for enacting.

²³⁹ Budget Law, Articles 16 and 19.

²⁴⁰ The delay is attributed to the state of emergency established by the President following the outbreak of the COVID-19 pandemic and the related Decree on the application of the Law on Budgets during a state of emergency. Article 2 of the Decree stipulates that the activities for preparing and adopting the FS for a medium term of three years be postponed for the duration of the state of emergency.

²⁴¹ Budget Law, Article 33.

16 ministries), the quality of performance information varies across budget organisations, and they lack strategic information.

The planning of capital projects is an integral part of the annual budget preparation cycle, and the multi-annual commitments of capital projects are presented in the budget documentation. However, there is no national requirement for large capital projects to be subject to an independent appraisal procedure, and no estimate of the related recurrent cost is included. Only capital projects that are financed through loans by international finance institutions and bilateral creditors are subject to a feasibility analysis based on the requirements and procedures of those institutions. Since 2020, the MoF, in collaboration with international experts, has been advancing with the assessment and renewal of the public investment management system (PIMS).


Notwithstanding the weaknesses in the budget preparation, the budget credibility is reasonably high at the aggregate level. Using the outturns for 2019, the deviation between annual outturns and original estimates was -3.3% for revenues and -4.9% for expenditures. The assessment did not use the deviation from the original 2020 budget estimates, which was 14.6% lower for the revenue outturns and 1.6% higher for expenditures. The large revenue deviation was caused by the COVID-19 pandemic and could not be foreseen. By adopting four supplementary budget laws during 2020, among others, the Government was able to control expenditures and the deficit did not increase in the same way as the shortfall in revenues. The 2020 government deficit was 8.1% of gross domestic product (GDP). In 2019, the government budget deficit-to-GDP ratio of 1.8% was well in line with the targets of the FS.

Conclusion

The fiscal performance until 2019 was well within the margins of the fiscal targets for the deficit and the public debt. Although the COVID-19 pandemic negatively affected the fiscal outcomes and adherence to the budget calendar, the Government was able to control expenditure and the deficit did not increase in the same way as the shortfall in revenues. No significant changes have occurred in the methodology of budget preparation. However, the Government has paved the way for fundamental reforms by preparing the draft of a new OBL and the renewal of the PIMS.

Principle 3: The ministry of finance (or authorised central treasury authority) centrally controls disbursement of funds from the treasury single account and ensures cash liquidity.

Overall, the value for the indicator 'Reliability of budget execution and accounting practices' is 4 which is an increase to 2017 when the value was 3. The increase reflects the improved monitoring of payment arrears following the adoption of the Law on Reporting and Recording of Liabilities in 2018.

Indicator 6.3.1 - Reliability of budget execution and accounting practices						
This indicator measures the quality of cash and commitment management, controls in budget execution and accounting practices. These aspects ensure reliable information on government spending and thus a foundation for management decisions on government funds.						
Effective cash flow and planning, monitoring, and management of commitments by the treasury facilitate predictability of the availability of funds for budgetary units. Reliable accounting practices that include constant checking and verification of the recording practices of accountants are important to ensure good information for management.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
	Points 2021	Change from 2017				
1. Presence of a treasury single account (TSA)	2/2	=				
2. Frequency of revenue transfer to the TSA	1/1	=				
3. Frequency of cash consolidation	1/1	=				
4. Credibility of cash flow planning	1/2	=				
5. Budget classification and chart of accounts	2/2	=				
6. Frequency of bank account reconciliation for all central government bank accounts	2/2	=				
7. Availability of data on the stock of expenditure arrears	2/2	+2				
8. Expenditure arrears (%)	1/3	+1				
Total	12/15	+3				

Cash management follows the same procedures and is guided by the same legislation as in 2017. The legal basis for the Treasury Single Account (TSA) is set in the OBL, and the MoF has sole authority to open bank accounts and disburse funds on behalf of the Government. The TSA is held in the National Bank of the Republic of North Macedonia (NBRNM) and comprises a TSA in the MoF and a TSA for the Health Fund. Information on account balances is available in real time, and the cash is consolidated daily. The coverage is comprehensive in the sense that all cash transactions of all budget users at all levels of government (including local and central government) are conducted within it. Budget users do not have transaction accounts in the commercial banks.

Transactions are recorded in the Treasury Information System (TrIS). The transaction records in the treasury system are reconciled with the bank records of the NBRNM daily for domestic currency transactions and monthly for foreign currency transactions.

The Unit for Liquidity Management and Projections in the MoF Treasury Department prepares a month-by-month cash flow plan for the year, informed by the per-quarter cash flow plans submitted by budget organisations at the beginning of the fiscal year. Budget organisations are also required to submit to the Treasury their quarterly expenditure plans broken down by month at the beginning of each quarter.

The TrIS includes a commitment control module by which payments from the Treasury are only possible if a commitment has been registered in the system. Although commitment control measures are in place (including multi-year commitments), they are not universally respected by budget institutions and have failed to halt the accumulation of arrears.

The Law on Financial Discipline (2013) prescribes that all payment orders be executed within 30 days of their submission to the treasury system and that all invoices to contractors and suppliers be settled within

60 days. However, the TrIS does not record the date on which an invoice is received by a budget organisation. An invoice is recorded when the budget organisation presents it to the Treasury for payment.

Following the adoption of the Law on Reporting and Recording of Liabilities (2018), the Electronic System for Reporting and Recording of Liabilities (ESPEO) collects, records and reports information on liabilities²⁴². Although the MoF publishes summary reports on a quarterly basis on its website, data in ESPEO is self-reported, and data accuracy is conditional on the individual budget organisations and is not externally verified. Based on the ESPEO data, the MoF reports arrears below 1% of total expenditure and a decreasing trend since 2018. However, the SAO has raised concerns over the comprehensiveness of the reporting, as the system contained data from only 1 047 entities out of the 1 380 required to report²⁴³. According to an independent financial report, the problem of overdue payments is also present among SOEs at the central and local levels²⁴⁴.

Conclusion

Cash management performs in line with international standards using the TSA and efforts to forecast revenues and expenditures. To address the build-up of payment arrears, the Government has adopted the Law on Reporting and Recording of Liabilities (2018). Although the registration of arrears may not yet be complete, it has improved the information on payment arrears through mandatory reporting by all public entities on a monthly basis in a designated IT system.

²⁴² Law on Reporting and Recording of Liabilities, Official Gazette No. 64/2018.

<https://finance.gov.mk/wp-content/uploads/2009/05/21.03.2018-zpeo-na-sobranie-ANG.pdf>.

²⁴³ The SAO audited the ESPEO system as part of regularity audit in fiscal year 2020.

²⁴⁴ Center for Civil Communications (2021), "The operation of state-owned/public enterprises through the prism of financial indicators 2015-2019",

https://www.ccc.org.mk/index.php?option=com_content&view=article&id=425%3A2021-01-15-10-40-55&lang=en

Principle 4: There is a clear debt management strategy in place and implemented so that the country's overall debt target is respected and debt servicing costs are kept under control.

Overall, the value for the indicator 'Quality of public debt management' is 3. Although performance increased on some sub-indicators, the overall indicator value is the same as in 2017 due to lower performance on risk mitigation.

Indicator 6.4.1 - Quality of public debt management						
This indicator measures the procedures and organisation established for the management of public debt and the outcomes achieved, in terms of debt risk mitigation practices, the share of public debt to gross domestic product (GDP), and the difference between public sector debt outturn and target.						
Overall 2021 indicator value	0	1	2	3	4	5
				Points 2021		Change from 2017
1. Existence of requirements and limitations for borrowing in the legal framework				3/3		=
2. Existence and minimum content of a public debt management strategy				4/4		+1
3. Clarity of reporting on public debt				3/4		+1
4. Risk mitigation in the stock of public debt				1/6		-2
5. Difference between public sector debt outturn from target (%)				3/3		=
6. Public debt as a share of GDP (%)				2/2		=
Total				16/22		=

In 2020, debt management followed similar procedures and was guided by the same legislation as in 2017. Debt management is regulated by the Public Debt Law (PDL)²⁴⁵, which includes definitions and procedures for borrowing by central and local government and SOEs. As per the PDL, the MoF has exclusive competence for domestic and external public debt operations. Annual borrowing, as presented in the financing section in the annual Budget Law, is approved by the Government and the Parliament, and the total level of borrowing must stay within the limits indicated in the FS. Most recently, the MoF adopted the Credit Risk Manual (2020), which stipulates the procedure to assess the creditworthiness of public debt issuers.

Within the MoF, the International Financial Relations and Public Debt Management Department is responsible for the annual preparation of the Public Debt Management Strategy (PDMS)²⁴⁶. Compared to 2017, the PDMS is now published as an independent document, differentiated from the FS. It provides data about the debt developments during the past seven years, includes forecasts about debt at all levels of government and sets targets for public debt levels for the three outward years (and an outlook for five outward years).

The MoF reports quarterly statistics and development on debt management, and these reports are publicly available. In line with Article 2 of the PDL, the annual report on public debt management was published on 30 June 2020 within six months of the end of the fiscal year. The report covers all levels of government. It provides information on the breakdown of the existing stock of debt by currencies, sources and maturity levels. The annual report also explains the reasons for any deviations from the estimates or targets presented in the PDMS. The level of public debt is still low in the European context; however, it has been

²⁴⁵ PDL, initially published in the Official Gazette No. 62/05 and amended as per the Official Gazette Nos. 88/08, 35/11, 139/14 and 98/19. The amendments in 2019 concern additional provisions on municipal borrowing.

²⁴⁶ PDL, Article 7.

gradually rising over the last seven years²⁴⁷. The government debt-to-GDP ratio increased from 34% in 2013 to 51.2% in 2020 (39.4% in 2017, 40.4% in 2018 and 40.7% in 2019).


In line with SIGMA's recommendations from 2017, the MoF has achieved several improvements in the debt portfolio, reducing interest rate risks and re-financing risks. On the other hand, the maturity of external debt, which represents about 67% of total public debt, decreased from 4.8 years in 2017 to 4.4 years in 2020²⁴⁸. Overall, the overall risk profile of the country's debt portfolio is still high.

Conclusion

The PDMS has been upgraded as an independent document, separate from the FS, and it provides elaborate information on past debt developments and future objectives. An annually debt management report is also published. The report is elaborate and provides explanations for deviations between objectives and outturns. Although the risk profile of the debt portfolio has improved, it is still high. Measures to reduce the debt rate and risk profile are called for, given that the total level of government debt is consistently rising.

Principle 5: Transparent budget reporting and scrutiny are ensured.

Overall, the value for the indicator 'Transparency and comprehensiveness of budget reporting and scrutiny' is 2, down from 3 in 2017. The downward trend is largely explained by a decision made in relation to the COVID-19 pandemic to extend the deadline for the SAO's audit report on the Final Budget Account 2019.

Indicator 6.5.1 - Transparency and comprehensiveness of budget reporting and scrutiny						
This indicator measures the extent to which the government facilitates external monitoring of the execution of the budget through the publication of relevant information, as well as the credibility of that information and whether it is used effectively to ensure accountability. The degree of budget scrutiny on the basis of the published information is also assessed.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021	Change from 2017		
Comprehensiveness of published information						
1. Quality of in year reports of government revenue, expenditure and borrowing			5/7	+0.5		
2. Quality of the annual financial report of the government			3/7	-1		
3. Quality of annual reports of state-owned enterprises, extra budgetary funds and local government			1/5*	-1		
4. Clarity of national accounting standards and consistency with international standards			2/4	+1		
5. Existence of reporting on fiscal risks identified in the budget			0/1	=		
Scrutiny and oversight using published information						
6. Quality of the annual financial reporting on the use of public finances			1/3	=		
7. Timeliness of submission of the SAI report to parliament			0/2	-2		
8. Timeliness of parliamentary discussion on the report of the SAI			2/3	-1		
Total			14/32	-3.5		

Note: *Data not available or provided.

²⁴⁷ Government of the Republic of North Macedonia (2020), *2021-2023 Public Debt Management Strategy of the Republic of North Macedonia (with 2025 prospects)*, https://finance.gov.mk/wp-content/uploads/2021/02/Strategija_2021_2025_EN-.pdf.

²⁴⁸ 2020 Annual Report on Public Debt Management of the Republic of North Macedonia" and "2017 Annual Report on Public Debt Management of the Republic of Macedonia".

The MoF continues to report monthly on budget execution in line with the Budget Law (Article 53). The reports are extensive and timely and cover central and local budgetary units on an economic and administrative basis, as well as the three social insurance funds (pensions, health insurance and unemployment). The details of the monthly reports have improved since 2017, as the reports are no longer limited to the fiscal aggregates and economic categories but present disaggregated budget execution data across budget organisations.

Shortcomings of the in-year reports concern the lack of data on commitments. The report data is taken from TrIS and is solely cash based. The reports are also mostly descriptive. The monthly economic reviews present explanatory text on budget execution variations, but they do not present explanations to justify them.

Regarding SOEs, the Unit for Public Enterprises and Agencies in the MoF is mandated to monitor all 29 entities for which the Government is majority owner²⁴⁹. The monitoring is less effective due to the late submission of audited annual financial statements. For fiscal year 2019, 14 SOEs reported their financial statements within 6 months, 8 within 9 months and 7 in over 9 months. Some consolidated information on SOEs is provided annually in the FS. However, the information falls short of a comprehensive analysis of the balance sheets of SOEs and the fiscal risks they pose to the Government.

The monitoring of local government is carried out by the Unit for Budgets of Local Self-government Units (UBLSU). In 2020, for fiscal year 2019, all municipalities submitted their annual financial reports within nine months of the end of 2019. However, these reports are mostly not audited. The SAO does not audit the financial statements of all local governments on an annual basis, and municipalities do not have a legal obligation to have their financial accounts audited by private auditors each year.

Reports on local government are published on a quarterly basis during the year. The reports do not include information on arrears stock, but as noted under Principle 3, the Law on Reporting and Recording of Liabilities (2018) requires local government to register arrears in the ESPEO. A consolidated report on the financial position of municipalities is not prepared. The UBLSU does not analyse the annual financial reports submitted by municipalities for fiscal risks. Public debt held by local government is estimated to be less than 1% of GDP²⁵⁰.

Annual reporting by the budget users include the statement of revenue and expenditure and the balance sheet. The MoF prepares annually a consolidated Final Budget Account, which reports on budget execution across all budget organisations²⁵¹. The report is on a cash basis and captures revenues and expenditures. The balance sheet is not consolidated. Although the Law on Accounting (Article 2) prescribes the use of the International Public Sector Accounting Standards Cash-basis standard, the primary source of reference for budget users and the MoF is the national legislative framework. In order to report financial statistics to EUROSTAT, the State Statistical Office uses a bridge table between the national accounting codification and the European System of Accounts 2010 to convert reports on the government sector. The annual financial report is comprehensive at the central government level, but it does not include performance information or explain variations from the original budget allocation.

The deadline for submission of the Final Budget Account to the Parliament is 30 June of the current year for the previous fiscal year. The deadline was not met in 2020 for the Account of fiscal year 2019. The delay is attributed to the state of emergency established by the President following the outbreak of the COVID-19 pandemic and the related Decree on the application of the Law on Budgets during a state of emergency. Article 2 of the Decree stipulates that the activities for preparing and adopting the FS for a medium term of three years and the Final Account of the Budget of the Republic of North Macedonia be

²⁴⁹ Consisting of 21 companies registered under the Law on Public Enterprises and 8 joint stock companies registered under the Law on Commercial Companies. The classification of the Public Enterprise for State Roads is not in line with the classification under the International Monetary Fund's *Government Finance Statistics Manual 2014*. As it is supported primarily by state revenue (financed by a share of excise duty on road fuel), its operations should be included in the budget and reported in the Government's annual financial report or as an extra-budgetary unit.

²⁵⁰ Public Expenditure and Financial Accountability assessment, draft report, August 2021.

²⁵¹ Based on the Law on Accounting of the Budget and Budget Users (last amended 2017).

postponed for the duration of the state of emergency. The annual audit report of the SAO for 2019 was presented to the Parliament on the 25 January 2021. At the time of the drafting of this report (September 2021), the annual Budget Accounts of 2020, together with the audit report of the SAO, had not been presented to the Parliament.


Conclusion

Although the framework for budget reporting has improved its detail on budget organisations and public availability, there is ample room for improvement to address the current lack of explanations on deviations, incorporation of commitments, timeliness of audited SOE reports and lack of their analysis in a comprehensive consolidated report and the lack of audit of municipal accounts. The delay in the submission of the SAO report on the Final Budget Account is justified by government decree. An Integrated Financial Management Information System (IFMIS) that has the potential to strengthen government reporting is currently in development.

Internal control and audit

Principle 6: The operational framework for internal control defines responsibilities and powers, and its application by the budget organisations is consistent with the legislation governing public financial management and the public administration in general.

Overall, the value for the indicator ‘Adequacy of the operational framework for internal control’ is 3. This is a slight deterioration from 2017 when the score was 4, reflecting a reduction in points allocated for sub-indicator 3 on annual report on PIFC implementation.

Indicator 6.6.1 - Adequacy of the operational framework for internal control						
This indicator measures the extent to which the operational framework for internal control (financial management and control) is established, in terms of policy and strategic content, the regulatory framework, and adequate review and reporting mechanisms.						
A separate indicator measures the implementation of the operational framework for internal control.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
1. Existence of policy for the development of internal control				4/6	=	
2. Completeness of the regulatory framework for internal control				5/5	+1	
3. Comprehensiveness and regularity of the annual review and reporting on internal control				2/5	-2	
Total				11/16	-1	

Note: SIGMA has revised the 2019 Methodological Framework and removed the sub-indicator on alignment between national budget management and control systems and those for EU-funded programmes. The total number of points therefore changed from 20 to 16.

Overall, the operational framework for PIFC is established and can be considered largely complete. The requirements for financial management and control (FMC) are applicable to central government organisations, funds, municipalities and the City of Skopje²⁵². The MoF has issued further guidance on managerial accountability of heads of budget users and heads of structural units, role of finance departments in the PIFC system, methodology for FMC implementation based on the Committee of Sponsoring Organizations of the Treadway Commission, planning of FMC activities, and budget supervision²⁵³.

Reform of PIFC implementation is addressed by a new PIFC Policy Paper 2019-2021²⁵⁴. The PIFC Policy Paper serves as an “interlocutor”, linking the PIFC-related priorities of the Public Administration Reform (PAR) Strategy 2019-2022 and those of the PFM Reform Programme 2018-2021. The PIFC Policy Paper envisages measures in the areas of strategic and resource planning, managerial accountability, risk management, control activities, reporting, communication and monitoring, internal audit, and financial inspection. The MoF established a dedicated committee²⁵⁵ to monitor the implementation of the PIFC Policy 2019-2021. However, due to limitations imposed by COVID-19 pandemic, only 22% of the planned FMC improvement measures were implemented in 2020.

A significant achievement of the PIFC Policy Paper implementation is the drafting of a new Law on PIFC. The Law is currently in deliberation by the Parliament. In combination with the draft OBL, it envisages a

²⁵² Law on PIFC, Official Gazette Nos. 90/2009, 12/2011, 188/2013 and 192/2015.

²⁵³ Manual for Financial Management and Control, February 2016.

²⁵⁴ In March 2019.

²⁵⁵ In May 2019.

complete restructuring of state administration bodies. While the current PIFC framework scatters implementation, monitoring and reporting across 1 324 budget users, the new Law on PIFC will introduce the concept of “parent” budget users. Parent budget users at the state or local level will be hierarchically superior to and accountable for subordinate users. The new law envisages 19 parent budget users.

Based on the current Law on PIFC²⁵⁶, the CHU submits an annual report on the overall developments in the PIFC domain across the 1 324 entities. The report is informed by annual reports from the budget users. For 2019, the obligation to report to the MoF was met by 84% of the central-level budget users and 78% of the local-level budget users. Although this represents an increase in compliance at both levels compared to the previous year, the PIFC report for 2019 reveals that the reports do not respond to all mandatory topics. The Government takes note of the annual PIFC report but does not make any further decisions on specific measures to improve the PIFC system or practices.


Conclusion

The legal and policy framework for PIFC is established, and the PIFC Policy Paper links relevant measures from the PAR Strategy 2019-2022 and the PFM Reform Programme 2018-2021. Policies include adequate measures for strengthening managerial accountability, IA and performance reporting, as well as reforms of budget management. Most but not all budget users (public-sector organisations, funds and municipalities) comply with the requirement to report to the MoF on the relevant PIFC arrangements in their organisations. The PIFC report consolidates this information. This report is used to inform the Government, but no conclusions or decisions result from the Government’s deliberation. The adoption of the new draft Law on PIFC is pending.

²⁵⁶ Official Gazette Nos. 90/2009, 12/2011, 188/2013 and 192/2015.

Principle 7: Each public organisation implements internal control in line with the overall internal control policy.

Overall, the value for the indicator ‘Functioning of internal control’ is 0, which is a decrease from 1 in 2017. The implementation of internal control (IC) in line with good practice at an institutional level is lagging behind the development of the policy framework.

Indicator 6.7.1 - Functioning of internal control		
This indicator measures the extent to which internal control systems are implemented in practice within the budget organisations and between ministries and their subordinate organisations, and the immediate results in terms of improved managerial accountability and governance arrangements between ministries and subordinated bodies.		
Overall 2021 indicator value  since 2017	0	1 2 3 4 5
	Points 2021	Change from 2017
1. Number of first-level budget organisations that are neither ministries nor constitutional bodies	0/3	=
2. Alignment between management and budget structures (%)	2/3	-1
3. Credibility of controls for avoiding commitments above the expenditure ceilings	0/2	=
4. Availability of reporting of total cost and physical progress of major investment projects	0/2	=
5. Effectiveness of basic managerial accountability mechanisms for central government bodies	0/4	=
6. Delegation of decision-making authority within ministries	0/4	-1
7. Regularity and completeness of risk management practices	0/3	=
8. Existence of reporting on irregularities	0/2	-1
Total	2/23	-3

Note: The point allocation in 2017 for sub-indicator 2 was revised retrospectively from 2 to 3 due to miscalculation.

One reason for the delays in the implementation of the PIFC regulatory framework is the fragmented structure of the public sector and responsibility for PIFC implementation. In a larger context, this is noted in Principle 1 of the Accountability domain of PFM. This is reflected by the high level of first-level budget organisations (100 in 2021).

One pillar of adequate IC and managerial accountability is that senior managers performing delegated tasks be allocated the associated budget funds. This requires that budget users make decisions on internal distribution of the total budget. Such decisions were adopted by 77 central-level budget users (83%) and 56 local-level budget users (69%), reflecting 72% of budget users²⁵⁷.

A second aspect of IC is that controls should prevent commitments above budget ceilings. As explained under Principle 3, the MoF reports arrears below 1% of total expenditure. However, the SAO audit report on the Budget Accounts of 2019 raised IC weaknesses in this regard. It reports that the ESPEO system that records the arrears incorporates data from only 1 047 entities out of the 1 380 required to report.

Another IC element concerns major investment projects. Financial reports on the capital investment projects of each institution are available on the MoF webpage²⁵⁸; however, the disclosure of progress is limited to a comparison between the planned and disbursed expenditures of institutions. Financial and physical monitoring of investment projects is carried out at the project level by individual ministries using “interim certificates” that are presented with each invoice, but no consolidated reports on the total cost and physical progress of major investment projects are prepared.

²⁵⁷ According to the CHU's analysis and taking 31 December 2020 as the cut-off date.

²⁵⁸ MoF webpage, “Performance of Capital Investments in the Budget of the Republic of North Macedonia”. <https://kapitalni-rashodi.finance.gov.mk/>.

Another challenge relates to risk management by budget organisations. Generally, public administration organisations at the level of central government have developed risk registers, performed annual updates and produced action plans for mitigating risks. However, there seems to be no evidence that risks have been prioritised and assessed against the achievement of the organisation's overall objectives. Monitoring of the implementation of risk mitigation action plans is decentralised and to be performed by relevant structural units individually. However, the majority of the sampled institutions could not demonstrate that such reports on risk mitigation are prepared.

Irregularity management and reporting is one of the weakest aspects of the IC system. Although article 50 of the PIFC Law obliges the head of the public sector entity to prevent the risk of irregularities and frauds and to take action if they happen, SIGMA observed that no internal procedures for reporting on irregularities are established in budget organisations, and no irregularities were reported in 2019.

Conclusion

The implementation of good practices for IC and managerial accountability suffers from the scattered accountability structure in the overall organisation of the public administration. Not all budget organisations follow the legal obligations for putting in place internal procedures for the delegation of tasks, risk management and the definition and monitoring of performance indicators. PIFC-related manuals are not applied consistently by budget organisations, and the IC requirements are perceived as an administrative burden rather than as useful management tools. The new Law on PIFC introducing the concept of parent budget users can potentially streamline accountability, monitoring and reporting lines.

Principle 8: The operational framework for internal audit reflects international standards, and its application by the budget organisations is consistent with the legislation governing public administration and public financial management in general.

Overall, the value for the indicator 'Adequacy of the operational framework for internal audit' is 2, unchanged from 2017. The fragmentation and inadequate staffing of the IA function are the main problems which have not been solved.

Indicator 6.8.1 - Adequacy of the operational framework for internal audit						
This indicator measures the extent to which the operational framework for internal audit (IA) has been established, assessing the adequacy of the regulatory framework, the institutional set-up, and co-ordination and quality assurance mechanisms.						
A separate indicator measures the implementation of the framework and the results achieved.						
Overall 2021 indicator value	0	1	2	3	4	5
			Points 2021	Change from 2017		
1. Adequacy of the regulatory framework for internal audit			5/5	=		
2. Organisational capacity for internal audit			2/5	-1		
3. Co-ordination, development and guidance of the internal audit system			1/5	=		
4. Existence of a system for quality assurance for internal audit			0/3	=		
Total			8/18	-1		

The overall legal and policy framework for IA is in place²⁵⁹. The framework provides for the organisational and functional independence of IA units and their direct reporting and accountability line to the head of the entity. IA requirements apply to all general government organisations irrespective of their size – either

²⁵⁹ Law on PIFC, Official Gazette Nos. 90/2009, 12/2011, 188/2013 and 192/2015.

by establishing own IA units or by outsourcing the IA function²⁶⁰. An IA manual exists and is consistent with the International Professional Practices Framework (IPPF). The MoF has issued specific guidelines for the operations of public-sector IA units during the COVID-19 pandemic²⁶¹.

The legal framework specifies the operational arrangements for IA, including minimum organisational requirements and size of units. As a minimum, it requires at least one internal auditor and one head of IA unit, but it allows variations, depending on the type and size of the organisation. Regarding central government organisations, 98% (91 out of 93) had established their IA units by the end of 2020. However, only 6.5% met the national requirements for minimum staffing levels. By the end of 2020, there were 1.5 auditors per unit at the central level and 0.9 auditors per unit at the local level. The small size of most IA units makes compliance with the international standards of supervision and quality control requirements impossible. The draft Law on PIFC is expected to modify (lower) the minimum size of IA units. This change would legitimize the current situation, but not inspire an increased scale of IA units which is necessary to conduct quality control and specialised audit types.

The number of internal auditors decreased by 9.2% in 2019 compared to 2018²⁶². This trend is expected to continue in the next years, mostly due to the age structure of internal auditors (retirement) and the problem of filling vacancies. Most auditors lack the appropriate qualifications. Only 28.9% of internal auditors have a national or international IA certificate. Training for auditors is not organised in a sustainable manner. In 2019, training was performed in the framework of an IPA-funded twinning project²⁶³. The small size of IA units, number of unfilled posts and lack of appropriate qualifications cause annual IA plans to include a modest number of audits and to address less risky audit topics. The lack of qualified staff is also the reason for not launching performance audits.

The annual PIFC reports provide comprehensive information on organisational capacity and numbers of reports and recommendations. It does not report on the quality of IA as assessed through quality assurance measures because a formal system for quality assurance is lacking. The CHU plans to develop an adequate quality assurance methodology and train the staff and afterwards proceed with “pilot” quality assurance measures. The implementation will be challenging if the problems of fragmented organisation and understaffing are not first addressed.

Conclusion

In terms of the operational framework required to implement IA, laws and regulations are consistent with the international standards and specify appropriate operational arrangements. However, the staffing of the IA function does not meet minimum requirements, and basic quality assurance arrangements for IA are not yet in place. Any lowering of legal requirements on the size of IA units would further jeopardise the sustainability of IA systems.

²⁶⁰ *Idem*, Article 29.


²⁶¹ Adopted on 22 April 2020.

²⁶² PIFC report for 2019.

²⁶³ The establishment of a Public Finance School was recently initiated, and policy makers are in the process of selecting an appropriate model for the school.

Principle 9: Each public organisation implements internal audit in line with the overall internal audit policy documents, as appropriate to the organisation.

Overall, the value for the indicator 'Functioning of internal audit' is 2 which is a deterioration compared to 2017 when the value was 3. The downward trend reflects a worsening in the planning of internal audits by budget organisations.

Indicator 6.9.1 - Functioning of internal audit						
This indicator measures the extent to which internal audit is implemented and whether activities effectively contribute to improved management of public finances within the budget organisations.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
			Points 2021		Change from 2017	
1. Strength of planning of internal audit in budget organisations			2/7		-4	
2. Quality of audit reports			3/6		+1	
3. Follow-up and implementation of audit recommendations (%)			3/3		+2	
Total			8/16		-1	

Out of the 164 public-sector organisations that have established IA units (91 at the central level; 73 at the local level), 114 units (70%) have approved a strategic IA plan. Underlying the lack of compliance of 30% of the IA units is the small average size of IA units. In situations where there is only one internal auditor, the need to prepare an IA plan is not always urgently felt.

Review of the annual audit plans for 2020 of a sample of budget organisations²⁶⁴ showed that they were prepared in line with the national legal requirements and included a risk assessment covering all parts of the organisation. The audit plans demonstrated a variety of audit types, but preference was given to compliance audits. The CHU and individual IA units acknowledge that they need a more sophisticated methodology and training for conducting performance auditing. Annual audit plans for 2020 covered a variety of funding sources, including IPA and other donor-funded programmes relevant for the organisations.

Further review of the audit reports of a sample of public entities showed that they generally include audit objective, scope, findings and recommendations, as required by the IPPF developed by the Institute for Internal Auditing.

IA units monitor the implementation by auditees of their recommendations. The central-level IA units issued 1 149 recommendations in 2019, all of which were followed up during 2020. The percentage of recommendations issued by the central-level IA units that were implemented was 66% (925 recommendations issued in 2019), while the percentage of those issued by local-level IA units was 58% (990 recommendations issued in 2019)²⁶⁵.

Conclusion

The small average size of IA units, combined with understaffing and low qualifications, has an impact on the quality of the audit activities. Although 70% of IA units prepare strategic and annual audit plans based on a risk assessment, these plans generally lack ambition and fail to address high-risk and complex issues. Audit reports, although demonstrating a credible link between evidence and conclusions, are generally focused on compliance issues with a narrow scope.


²⁶⁴ The sample included the MoF, Ministry of Transport, Ministry of Education and Science, Tax Administration and the Public Enterprise for State Roads. No audit plan was provided by the Public Enterprise for State Roads.

²⁶⁵ Based on information provided by the CHU of the MoF.

Public procurement

Principle 10: Public procurement regulations (including public private partnerships and concessions) are aligned with the European Union acquis, include additional areas not covered by the acquis, are harmonised with corresponding regulations in other fields, and are duly enforced.

Overall, the value for the indicator 'Quality of legislative framework for public procurement and PPPs/concessions' is 5. There has been a continued positive trend since 2017 and 2019, when the overall value was 4. The positive trend since 2019 is primarily due to the adoption in 2019 of implementing regulations to support the PPL and the adoption of the new Defence and Security Procurement Law and implementing regulations, aligned with the EU Defence and Security Directive.

Indicator 6.10.1 - Quality of legislative framework for public procurement and PPPs/concessions						
This indicator measures the quality of the legislative framework for public procurement and public private partnerships (PPPs)/concessions, above and below EU thresholds. Opportunities for participation of small and medium-sized enterprises (SMEs) in public procurement are assessed, as well as whether practical measures are taken to allow proper implementation of the legislation. The other indicators in the public procurement area analyse the actual implementation of laws and regulations and the results thereof.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
					Points 2021	Change from 2017
Compliance of public procurement legislation with the <i>acquis</i> above EU thresholds						
1. Level of alignment of public procurement legislation with the EU Directives					4/6	+1
2. Scope of public procurement legislation					6/6	+3
3. Public procurement procedures					4/4	+1
4. Publication and transparency					5/5	=
5. Choice of participants and award of contracts					3/5	+1
6. Availability of procedural options					4/4	+1
Public procurement procedures below EU thresholds						
7. Advertising of public procurement procedures					3/3	=
8. Contract award procedures					7/7	+1
Opportunities for participation of SMEs in public procurement						
9. Opportunities for participation of SMEs in public procurement					5/5	+3
Availability of measures for the practical application of the legislative framework						
10. Availability of measures for the practical application of the legislative framework					5/5	+2
Quality of legislation concerning PPPs/concessions						
11. Coverage of legislation on PPPs/concessions					2/2	=
12. Value for money, free competition, transparency, equal treatment, mutual recognition and proportionality for PPPs/concessions					8/8	=
Total					56/60	+13

The PPL²⁶⁶ transposes the current EU public procurement directives (2014 Public Sector Directive²⁶⁷ and 2014 Utilities Directive²⁶⁸) and, except for some minor deviations, represents a high level of compliance with the relevant EU legislation. The regulatory framework reflects the fundamental EU Treaty principles of transparency, equal treatment and non-discrimination. The PPL covers the classic and utilities sectors and regulates the award of contracts both above and below the EU thresholds. No specific exclusions in terms of coverage exceed what the directives allow. The PPL also incorporates the relevant provisions of the EU challenges and remedies regimes. The relevant by-laws and rulebooks in support of the PPL were prepared and published on time on the PPB website in the first half of 2019. However, not all standard documents and guidance has been updated in line with the PPL.

All of the procedures provided for in the 2014 EU Directives are regulated in the PPL, as are the techniques and instruments for electronic and aggregated procurement, including innovation partnership and electronic catalogues, as well as provisions aimed at encouraging the participation of SMEs. All communication and exchange of information, requests to participate and submission of tenders must be conducted through the ESPP, from which procurement documents can be downloaded. The e-Appeals function of the ESPP became fully operational on 1 April 2019.

The PPL provides for all types of procurement-related notices required by the 2014 EU Directives. Contracting authorities are required to publish public procurement plans and a notice on the performance of the contract. The financial thresholds for the application of the PPL are relatively low²⁶⁹. In the public sector, the threshold value is EUR 1 000 for supplies and services and EUR 5 000 for works. For lower value contracts, the PPL provides for a “small-value” procurement procedure²⁷⁰ and a “simplified open procedure”²⁷¹.

The PPL removes some shortcomings of the previous legislation, identified in previous SIGMA reports, such as the mandatory application of e-auctions and the use of the lowest price as the sole criterion for awarding contracts²⁷². In practice, however, the lowest-price award criterion and e-auctions are still used for most procurements. A few inconsistencies between the PPL and the EU *acquis* persist, such as automatic exclusion in certain cases, including when an economic operator is automatically added in specified circumstances to the negative reference list published on the ESPP²⁷³, and the lack of a right to demonstrate “self-cleaning” prior to exclusion.

No major changes to the public procurement legal framework were introduced in response to the COVID-19 pandemic, as all tools and procedures for emergency procedures are in the PPL²⁷⁴. Prompt

²⁶⁶ PPL, adopted on 28 January 2019, entered into force on 1 April 2019, Official Gazette No. 24/2019.

²⁶⁷ Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC.

²⁶⁸ Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities in the water, energy, transport and postal services and repealing Directive 2004/17/EC.

²⁶⁹ PPL, Article 40, Thresholds for application of the Law, lists threshold values in euros “Denar equivalent”.

²⁷⁰ PPL, Article 48, Small-value procurement, applies to contracts valued between EUR 1 000 and EUR 10 000 for supplies and services and between EUR 5 000 and EUR 20 000 for works.

²⁷¹ PPL, Article 49, Simplified open procedure, applies to contracts where the value does not exceed EUR 70 000 for services or supplies and EUR 500 000 for works.

²⁷² PPL, Article 99(5), Criteria for selection of the most advantageous tender, provides that price shall not be used as the sole award criterion for the procurement of services for software development, architecture or engineering services, translation services and consultancy services.

²⁷³ PPL, Article 101, Tender guarantee.

²⁷⁴ PPL, Article 55, Negotiated procedure without publication of a contract notice, foresees that the contracting authority may conduct negotiated procedure without prior notice if, due to extreme urgency caused as a result of events which the contracting authority could not foresee, the time limits for the other procedures cannot be applied. Other provisions of the PPL permit reduction in timescales in the case of urgency.

action was taken in March/April 2020: minor amendments were made to the PPL²⁷⁵ and the PPB issued relevant information on its website, including instructions on the use of the negotiated procedure without prior notice and confirmation of waiver of the requirement for a prior opinion from the PPB. Reasonable deadlines for submission of bids and state of play relating to public procurement training and certification were set. The Government adopted a number of fiscal transparency measures and prohibited conducting most non-essential procurements. Additional requirements on reporting of concluded contracts and publication of data were also introduced. Concerns have been raised about the practical impact of the public procurement response to the COVID-19 pandemic, including the continued use in the longer term of extreme urgency provisions, failure to leverage buying power by appropriate use of centralised procurement, and the incompleteness of the content of awarded contracts²⁷⁶.

The provisions of the EU Defence and Security Directive have been transposed in the new Defence and Security Procurement Law²⁷⁷, adopted on 27 August 2019^{278,279}. The Defence and Security Procurement Law is substantially aligned with the EU Defence and Security Directive²⁸⁰, supporting rulebooks have been prepared and published, and the law is being applied in practice.

Concessions and PPPs are subject to a separate law. The material scope of the Concessions and PPP Law²⁸¹ includes both concessions defined by European legislation and “concessions for goods of general interest” (e.g. land). The general principles of transparency, equal treatment and non-discrimination are well reflected in the national legislation, and provisions in the PPL concerning award procedures, review and remedies apply to the award of concession and PPP contracts. The EU Concessions Directive has not yet been transposed, although a draft law substantively reflecting the provisions of the EU Concessions Directive has been prepared.

Conclusion

The legal framework for public procurement is substantially compliant with the 2014 EU Directives. Although a few inconsistencies persist, it provides a sound basis for ensuring transparency and increasing value for money in public procurement both above and below the EU thresholds. Alignment with the *acquis* has been further improved with the new legal framework for defence and security procurement. There is no new legislation adopted on concessions and PPPs. The current Concessions and PPP Law is not fully harmonised with the EU Concessions Directive, but it respects the general principles of public procurement.

²⁷⁵ Law amending the Public Procurement Law, adopted on 18 April 2021, Official Gazette No. 87/2021.

²⁷⁶ Center for Civil Communications (CCC) (2020), “Public procurements in North Macedonia at times of Corona: How it was and what can be done in the future?”, pp. 5-7, https://www.ccc.org.mk/index.php?option=com_content&view=article&id=416%3A2020-12-16-13-23-36&lang=en.

²⁷⁷ Defence and Security Procurement Law, adopted on 27 August 2019, Official Gazette No. 180/2019.

²⁷⁸ SIGMA was unable to find on the National Electronic Registry of Legislation (ENER) portal detailed information on the extent or manner of consultation or preparation of a Regulatory Impact Assessment (RIA) for the draft defence legislation. https://ener.gov.mk/Default.aspx?item=pub_regulation&subitem=view_reg_detail&itemid=50736 (accessed 26 April 2021).


²⁷⁹ The WeBER *Western Balkan PAR Monitor 2019/2020* notes that, in North Macedonia, until autumn 2019, RIAs were prepared for all laws that the Government sent to the Parliament in its regular procedure, but then a number of exceptions were made in a short period of time with the adoption of some laws in an extraordinary procedure (p. 47). <https://www.par-monitor.org/par-monitor-reports-2019-2020/>.

²⁸⁰ Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on the co-ordination of procedures for the award of certain works contracts, supply contracts and service contracts by contracting authorities or entities in the fields of defence and security, and amending Directives 2004/17/EC and 2004/18/EC.

²⁸¹ Concessions and PPP Law, with later amendments, adopted on 11 January 2012, Official Gazette No. 6/2012.

Principle 11: There is central institutional and administrative capacity to develop, implement and monitor procurement policy effectively and efficiently.

Overall, the value for the indicator 'Central institutional and administrative capacity to develop, implement and monitor public procurement policy effectively and efficiently' is 4. There has been a continued positive trend since 2017 and 2019, when the overall value was 3: practically all sub-indicators have improved since 2017.

Indicator 6.11.1 - Central institutional and administrative capacity to develop, implement and monitor public procurement policy effectively and efficiently						
This indicator measures to what extent public procurement policy is systematically developed, implemented and monitored, how central public procurement functions are distributed and regulated, and to what extent the preparation and implementation of policies is open and transparent.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
Quality of the policy framework for public procurement						
1. Quality of the strategy for development of public procurement and PPPs/concessions				4/5	+1	
2. Quality of the operational action plan				5/5	+3	
3. Implementation of the strategy and the action plan (%)				1/5	-3	
4. Monitoring of strategy implementation				5/5	+2	
Capability of central procurement institutions and their performance						
5. Adequacy of the legal framework to ensure capable institutions				8/10	+2	
6. Clarity in definition and distribution of central procurement functions in the legislation				8/10	=	
7. Performance of the institutions involved, their capacity and resources				12/20	+3	
Comprehensiveness and efficiency of systems for monitoring and reporting on public procurement						
8. Presence and quality of monitoring and data collection				10/10	+4	
9. Accessibility of public procurement data				10/10	+4	
Total				63/80	+16	

The current strategy for the development of public procurement, including concessions and PPPs, falls within the wider Public Finance Management Reform Programme 2018-2021, with activities listed in the Action Plan. Thirty-three percent of activities related to public procurement and concessions and PPPs were implemented within the 2020 deadlines. A separate strategy for the development of the public procurement system is expected to be finalised by the end of 2021 to cover, for a period of four years, all aspects of the public procurement system, including remedies and PPPs²⁸².

The MoF has primary competence for defining public procurement policy and drafting legislation. The PPB is established as a state administration body within the MoF, with capacity as a legal entity and funded from the Budget of the Republic of North Macedonia. In practice, the PPB is the main actor involved in the elaboration of legislative drafts for public procurement, alongside fulfilling its other competences listed in the PPL²⁸³, including monitoring and analysing the functioning of the public procurement legal framework and system, providing advisory and operational support for contracting authorities and economic operators, developing manuals and brochures, organising and conducting training activities, managing and developing the ESPP, preparing reports on public procurement procedures, managing negative reference lists, performing administrative control, and co-operating with international institutions, including co-ordination with the EU.

²⁸² SIGMA interviews with the MoF and the PPB, 12-16 April 2021.

²⁸³ PPL, Article 45, Competences of the Bureau.

Administrative *ex ante* control is a new task for the PPB, introduced by the PPL²⁸⁴. The control concerns selected procurement procedures: those whose value exceeds EUR 500 000 (goods and services) and EUR 2 million (works), those flagged by the risk assessment system as “high-risk”, and other randomly selected procedures. In practice, due to staffing and expertise issues, administrative control has been limited to formalised consideration of contracts over the designated values²⁸⁵. The PPB will also issue opinions on the application of the negotiated procedures without prior publication²⁸⁶.

The PPB’s main functions are divided between the Department for Normative Affairs Education and International Relations and the Department for the Electronic System for Public Procurement. The PPB is currently significantly understaffed²⁸⁷, which has a negative impact on its current workload and its ability to perform proactively all of its obligations in a proper and timely manner.

Following the drafting, consultation²⁸⁸ and final adoption of the new PPL, the PPB focused on developing by-laws within the specified timescales, the publication of brochures, the updating of training curricula and the organisation and provision of training on the legislative changes.

The PPB monitors procurement by using the ESPP, which is also used for reporting purposes²⁸⁹. Information is freely available to the public from the ESPP, without specific registration. Stakeholder feedback on the accessibility of information from the ESPP is consistently positive. The information gathered through the ESPP covers the phases of procurement from the publication of the contract notice to the contract award. Contracting authorities are obliged to publish on the ESPP not only the notices and tender documents but also other information, such as public procurement annual plans, copies of awarded contracts, and notices concerning the modification of contracts^{290,291}.

The PPB website is comprehensive, user-friendly and well-structured. It contains a wide range of information, including a full set of primary and secondary public procurement legislation. There are frequently asked questions, as well as standard procurement and contract documents that can be downloaded, although not all documents have been updated in line with the PPL.

In the area of concessions and PPPs, no progress has been made on strengthening the administrative capacity of central institutions. A range of PPP-related tasks is allocated to the MoE under the Concessions and PPP Law, including monitoring, analysis, provision of expert assistance, education and training²⁹². In practice, activities concerning the development, support and delivery of PPPs is very limited.

²⁸⁴ PPL, Articles 172-179, Administrative control.

²⁸⁵ SIGMA interviews with the PPB, 12-16 April 2021. The PPB confirmed that, due to resourcing and expertise issues, the administrative controls undertaken are currently limited to contracts over the thresholds specified in the PPL, Article 172, Subject of the administrative control, and the process is rather formalised to identify non-compliance with legal provisions.

²⁸⁶ PPL, Article 45 (1), Competences of the Bureau, indent 5.

²⁸⁷ The PPB confirmed in correspondence, July 2021, that, as of 30 June 2021, the PPB had 75 allocated staff positions but 39 full-time employees and 3 people engaged on a contract basis.

²⁸⁸ The draft PPL was made public two times on the ENER: the initial draft and the second draft resulting from the initial round of consultations. All stakeholders had an opportunity to make comments and suggestions on the draft and the national legislation.

²⁸⁹ The PPB prepares and publishes annual reports. The Government adopts annual reports, which the PPB then publishes on its website.

²⁹⁰ PPL, Article 6, Principle of transparency; Article 63 (9), Types of notices; and Article 75(3), Planning.

²⁹¹ CCC (2020), Report on the Monitoring of Public Procurement for the Period January to June 2020, pp. 12-13. According to this report, one-third of central government institutions did not comply with the statutory deadlines for publication of information on selection decisions and tender annulment decisions.

<https://www.ccc.org.mk/images/stories/34mk.pdf>

²⁹² Concessions and PPP Law, Article 14, competent authority for public private partnership.

Only 16 concession and PPP contracts were awarded in 2020²⁹³. The PPP unit within the MoE is still operating without adequate staff²⁹⁴. All the members of the PPP Council²⁹⁵ have been appointed, but the body has not shown any tangible activities²⁹⁶.

Conclusion

The current institutional set-up for the management of the public procurement system provides a sound foundation and performs the basic tasks that it has been assigned, with the exception of concessions and PPPs. There is regular ongoing review and monitoring of the implementation of strategy, and the continued use of the ESPP and the roll-out of additional functionalities facilitates the gathering of procurement data and the compilation of statistics. The high number of vacant staff positions at the PPB weakens its capacity to cope with current and future challenges and hinders in practice the effective roll-out of the changes and flexibilities introduced in 2019.

²⁹³ Information received from Ministry of Finance, April 2021.


²⁹⁴ SIGMA interview with the MoE, 13 April 2021. Currently, only one person performs some formal tasks related to concessions and PPPs. There is a recent merger with another MoE unit and proposals for expansion in the short to medium term.

²⁹⁵ Concessions and PPP Law, Article 13, Public Private Partnership Council, provides for the establishment of a 15-member PPP Council comprising representatives of ministries, the General Secretariat, the Government, the PPB, the Association of the Units of Local Self-Government and independent experts, to promote PPPs, propose PPP projects and make proposals for amendments to PPP regulations.

²⁹⁶ SIGMA interview with MoE, 13 April 2021. The PPP Council is appointed but has had no meetings and has not been in active operation.

Principle 12: The remedies system is aligned with the European Union acquis standards of independence, probity and transparency and provides for rapid and competent handling of complaints and sanctions.

Overall, the value for the indicator 'Independence, timeliness and competence of the complaints handling system' is 5. In 2017, the value was 4. The positive trend is primarily due to the launch in 2019 of the ESPP e-Appeals function, which means that nearly all appeals are now handled electronically.

Indicator 6.12.1 - Independence, timeliness and competence of the complaints handling system						
This indicator measures the effectiveness of the system for handling complaints on public procurement. First, the quality of the legislative and regulatory framework is assessed, specifically in terms of compliance with EU Directives. Then, the strength of the institutional set-up for handling complaints is analysed. Next, the actual performance of the review system is measured. Finally, the performance of the remedies system for PPPs/concessions is evaluated.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
	Points 2021		Change from 2017			
Legislative mechanisms for handling complaints in compliance with EU Directives						
1. Right to challenge public procurement decisions	5/5		=			
2. Time limit for challenging decisions taken by contracting authorities/entities	2/2		+2			
3. Transposition of mechanisms to avoid ineffectiveness of contracts and impose penalties	3/3		+1			
4. Mechanisms to ensure implementation of the review body's resolutions	2/2		=			
5. Right to challenge decisions of the review body	3/3		=			
Institutional set-up for handling complaints						
6. Legal provisions ensure the independence of the review body and its members	7/7		=			
7. Adequacy of the organisational set-up and procedures of the review body	4/4		=			
8. Public availability and timeliness of data on the review system	3/4		=			
Performance of the review system						
9. Fairness of fee rates for initiating review procedures	2.5/3		+0.5			
10. Actual processing time of complaints	3/3		=			
11. Complaint submission in practice	4/4		+2			
12. Quality of decision making by the review body	4/4		+1			
13. Cases changed or returned after verification by the court (%)	2/2		+1			
Performance of the remedies system in PPPs/concessions						
14. Right to challenge lawfulness of actions/omissions in PPP/concessions procedures	5/5		=			
15. Legal provisions ensure independence of the review body for PPPs/concessions and its members	5/5		=			
16. Timeliness and effectiveness of complaints handling system for PPPs/concessions	5/5		=			
Total	59.5/61		+7.5			

The SAC is the competent entity to resolve appeals concerning public procurement procedures prescribed by the PPL, the Defence and Security Procurement Law²⁹⁷ and the Concessions and PPP Law²⁹⁸. The legislation incorporates the relevant provisions of the EU challenges and remedies regimes²⁹⁹. The SAC

²⁹⁷ Defence and Security Procurement Law, Article 81, Competence of the State Commission.

²⁹⁸ Concessions and PPP Law, Article 54, Review procedures.

²⁹⁹ Directive 89/665/EEC on the coordination of the laws, regulations and administrative provisions relating to the application of review procedures to the award of public supply and public works contracts (1989) OJ L395/33, as amended; and Directive 92/13 on the coordination of the laws, regulations and administrative provisions relating to

is an independent, state-financed authority with the capacity of a legal entity³⁰⁰. It is composed of a chairperson and four members³⁰¹, although it has operated with only three or four members (including the chairperson) at points since the last assessment in 2019. The SAC is supported by an expert service headed by a secretary general of the SAC³⁰².

Any economic operator that has a legal interest in obtaining a public contract or framework agreement and which has suffered or could suffer damage as a consequence of the possible violation of the PPL, the Defence and Security Procurement Law or the Concessions and PPP Law may initiate a review procedure³⁰³ (both against the contract award decision and at the earlier stages of the procurement procedure³⁰⁴). In addition, a review procedure may be initiated by the PPB and the state attorney³⁰⁵. The SAC is required to act *ex officio* with regard to major infringements, including major infringements listed in the PPL³⁰⁶.

The e-Appeals function of the ESPP became fully operational on 1 April 2019, which is a significant achievement widely welcomed by stakeholders. As a general rule, appeals are submitted electronically using the e-Appeals function of the ESPP. The time limit for submitting appeals is ten days from the triggering event. In the case of simplified open procedure and small-value procurement, the time limit is five days. The e-Appeals system covers the full appeals process, including submission of the appeal and supporting documents, payment of the relevant fees, submission of supplemental information and publication of both the notification of the appeal and the decision of the SAC. The fees to be paid by an economic operator filing an appeal range between EUR 100 and EUR 200, plus an administrative fee of approximately EUR 4³⁰⁷. The effect of an appeal is the automatic suspension of the conclusion of the public contract or framework agreement until the decision of the SAC becomes final³⁰⁸. Interim measures are available, as are the remedies of ineffectiveness and penalties, aligned with the EU Remedies Directives³⁰⁹.

There is steady growth in the number of appeals submitted to the SAC, with 1 076 appeals received in 2020, which are dealt with promptly. (Figure 1).

the application of community rules on the procurement procedures of entities operating in the water, energy, transport and telecommunications sectors (1992) OJ L76/7, as amended.

³⁰⁰ PPL, Article 131(1), Capacity of the State Commission.

³⁰¹ PPL, Article 132(1), Composition and appointment.

³⁰² PPL, Article 131(2), Capacity of the State Commission.

³⁰³ PPL, Article 138(1), Right of appeal; Defence and Security Procurement Law, Article 81(1), Competence of the State Commission; and Concessions and PPP Law, Article 54, Review procedures.

³⁰⁴ PPL, Articles 144 – 150.

³⁰⁵ PPL, Article 138(2), Right of appeal.

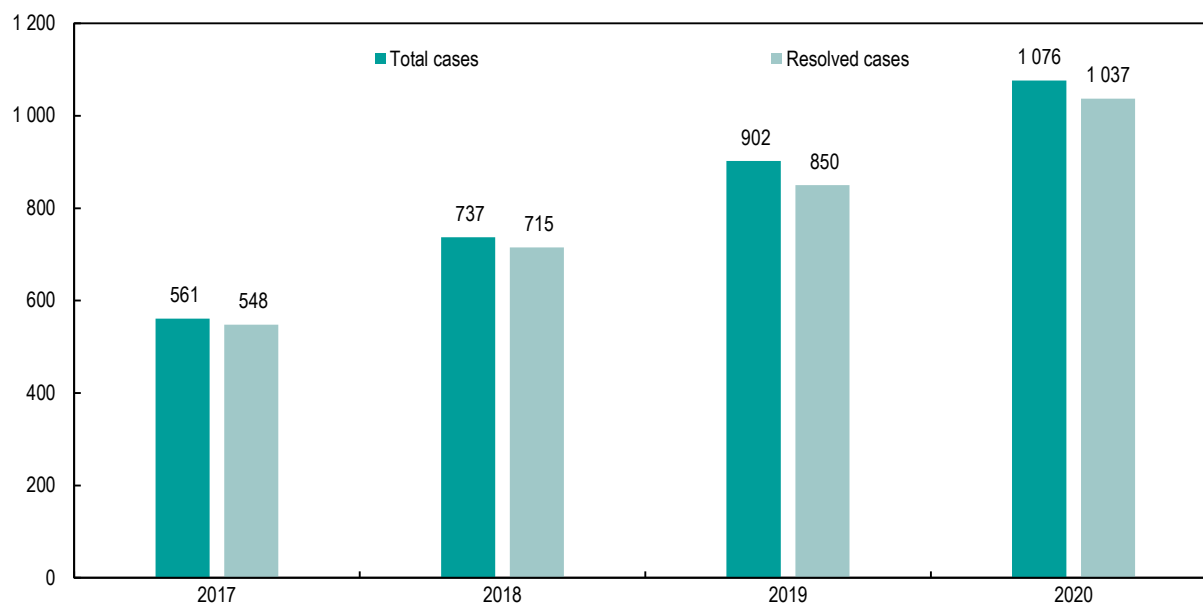
³⁰⁶ PPL, Article 141, Actions of the State Commission and major infringements of the Law.

³⁰⁷ PPL, Article 165, Fee for conduct of the procedure.

³⁰⁸ PPL, Article 157, Effect of appeal.

³⁰⁹ PPL, Article 159, Interim measures; Article 163, Cancellation of public contract or framework agreement; and Article 164, Penalties.

Figure 1. Total cases received and cased resolved by the State Appeals Commission, 2017-2020



Source: SAC Annual Report 2020.

The SAC is required to make a decision within 15 days of when the documentation relating to the case is complete. In 2020, all appeals were decided within the designated 15-day time period³¹⁰. The decisions of the SAC are published promptly on both the SAC website and the ESPP e-Appeals pages. The reviewed cases referred to applicable law and principles and demonstrated a clear rationale. The contracting authority is obliged to act in accordance with the decision of the SAC within 30 days of receipt of the decision³¹¹. Decisions of the SAC may be appealed to the Administrative Court, which should adopt a decision on the administrative dispute within 30 days of receipt of a complete lawsuit³¹².

The e-Appeals function of the ESPP provides an efficient and transparent system for the submission and conduct of appeals. The introduction of e-Appeals is a very positive step and has been generally welcomed by stakeholders. The search facilities on the SAC website and the ESPP e-Appeals pages allow interested parties to search decisions using specific fields, but there is no free text search facility, which restricts the nature of the analysis available. The SAC website requires updating and aligning with the ESPP e-Appeals system.

Conclusion

The remedies system is aligned with the *acquis* standards. The SAC is an independent review institution which continues promptly to resolve the growing number of appeals. The system has significantly benefited from the introduction of the ESPP e-Appeals system, which has been widely welcomed. Stakeholders, however, are unable to analyse and compare decisions of the SAC fully and flexibly, which hinders the overall clarity, efficiency and transparency of the remedies system.


³¹⁰ SIGMA interviews, 12-16 April 2021. Stakeholders consistently commented positively on the speed of decision making by the SAC in 2020 and the ease of use of the e-Appeals system.

³¹¹ PPL, Article 160(5)(6), Decision making in the appeal procedure.

³¹² PPL, Article 170, Court protection.

Principle 13: Public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, while ensuring the most efficient use of public funds and making best use of modern procurement techniques and methods.

Overall, the value for the indicator 'Efficiency, non-discrimination, transparency and equal treatment practiced in public procurement operations' is 3. There has been an overall upward trend since 2017 and 2019, when the value was 2.

Indicator 6.13.1 - Efficiency, non-discrimination, transparency and equal treatment practiced in public procurement operations						
This indicator measures the extent to which public procurement operations comply with basic principles of equal treatment, non-discrimination, proportionality and transparency, while ensuring most efficient use of public funds. It measures performance in the planning and preparation of public procurement, the transparency and competitiveness of the procedures used, the extent to which modern approaches and tools are applied, and how the contracts are managed once they have been concluded.						
Overall 2021 indicator value  since 2017	0	1	2	3	4	5
				Points 2021	Change from 2017	
Planning and preparation of the public procurement procedure						
1. Due attention is given to the planning process				3/5	+1	
2. Presence and use of cost estimation methods and budgeting				0/2*	-2	
3. Perceived quality of tender documentation by contracting authorities and economic operators (%)				2/4	=	
Competitiveness and transparency of conducted procedures						
4. Perceived fairness of procedures by businesses (%)				4/4	+1	
5. Contracts awarded by competitive procedures (%)				5/5	=	
6. Contracts awarded based on acquisition price only (%)				0/5	=	
7. Average number of tenders submitted per competitive procedure				1/3	=	
8. Contracts awarded when one tenderer submitted a tender (%)				1/2	=	
Use of modern procurement methods						
9. Adequacy of regulatory framework for and use of framework agreements				4/5	+3	
10. Adequacy of regulatory and institutional framework and use of centralised purchasing				0/5	-1	
11. Penetration of e procurement within the procurement system				5/5	+1	
Contract management and performance monitoring						
12. Presence of mechanisms requiring and enabling contract management				4/6	+4	
13. Contracts amended after award (%)				4/4	=	
14. Use of <i>ex post</i> evaluation of the procurement process and of contract performance				0/6	=	
Risk management for preserving the integrity of the public procurement system						
15. Existence of basic integrity tools				2/4	=	
Total				35/65	+7	

Note: The point allocation in 2017 for sub-indicators 3 and 4 were revised retrospectively due to errors related to manual data entries. Points for sub-indicators 3 and 4 changed from 3 to 2.

The PPL requires contracting authorities to publish annual public procurement plans on the ESPP, listing all public procurement procedures above specified thresholds. These plans may be modified and supplemented throughout the year, with changes published on the ESPP³¹³. The PPL permits preliminary

³¹³ PPL, Article 75, Planning.

market consultations using the ESPP³¹⁴, but the use of this process is not standard practice^{315,316}. There is no conclusive evidence on whether or not there is a systemic practice of unlawful splitting of contracts into lots. Contracting authorities take into account applicable budgetary constraints when preparing for a specific public procurement process³¹⁷.

A total of 1 461³¹⁸ contracting authorities are registered in the ESPP. The value of public procurement organised was MKD 55 783 858 451 (Macedonian denar) ‘approximately EUR 905 650 000) in 2020 and MKD 55 817 553 768³¹⁹ (approximately EUR 906 200 000) in 2019. In 2020, contracting authorities initiated through the ESPP 20 943 competitive procurement procedures with a value above the national thresholds³²⁰, which represented 97.5% of the total number of procurement procedures. They most often use the simplified open procedure and the open procedure³²¹.

Under previous procurement legislation, there was a legal requirement to use the lowest-price award criterion in most circumstances (only a few exceptions were allowed). In 2018, for example, 99% of competitive procedures used the lowest-price criterion only. This was identified as a major weakness of the public procurement system in the 2017 and 2019 SIGMA monitoring reports, together with the mandatory use of e-auctions, as this is unlikely to ensure the economic, efficient and effective use of public funds³²². The PPL requires that the public contract be awarded on the basis of the most economically advantageous tender, in line with the 2014 EU Directives, and e-auctions are no longer mandatory. However, in practice, the lowest price remains the dominant criterion for award, used in 96% of the procurement procedures in 2020. Use of e-auctions also remains high, being applied in 92% of the procurement procedures in 2020³²³.

³¹⁴ PPL, Article 76, Preliminary market consultations, permits the use of technical dialogue with economic operators after the contracting authority makes the public procurement decision and before the public procurement notice is published. The steps for preliminary market consultation using the ESPP are set in the Manual for Contracting Authorities for using the ESPP (pp. 46-49) and the Manual for Economic Operators for using the ESPP (pp. 53-55).

³¹⁵ SIGMA Public Procurement Survey, February-March 2021, questions for contracting authorities, A1 and A2. Approximately 37% of contracting authorities said that, in the last three years, they consulted the market “often” (25.77%) or “always” (11.34%) when preparing a specific public procurement process. Approximately 15% of contracting authorities said that, in the last three years, they consulted the market “often” (10.82%) or “always” (4.36%) on drafts of tender documents.

³¹⁶ The CCC Shadow Report on Public Procurement in North Macedonia 2020 notes, with reference to the new provision in the PPL, that market research is rarely conducted and identifies this as a weakness in the implementation of public procurement that needs to be addressed (pp. 3, 8, 10). The CCC Report No. 34 on Monitoring the Implementation of Public Procurement January-June 2020 refers, in the analysis of monitored public procurements at the central level, to technical dialogue being organised for only 1.4% of procurement processes and by only 43 (3%) of contracting authorities (pp. 10-12). It also questions the efficacy of the technical dialogue processes undertaken, indicating that they are rather symbolic.

³¹⁷ According to the SIGMA Public Procurement Survey, February-March 2021, 71.5% of contracting authorities often or always take into account applicable budget constraints.

³¹⁸ ESPP. <https://e-nabavki.gov.mk/PublicAccess/home.aspx#/registered-contracting-institutions/> (accessed 15 June 2021).

³¹⁹ PPB Annual Report 2019, s.8.2.

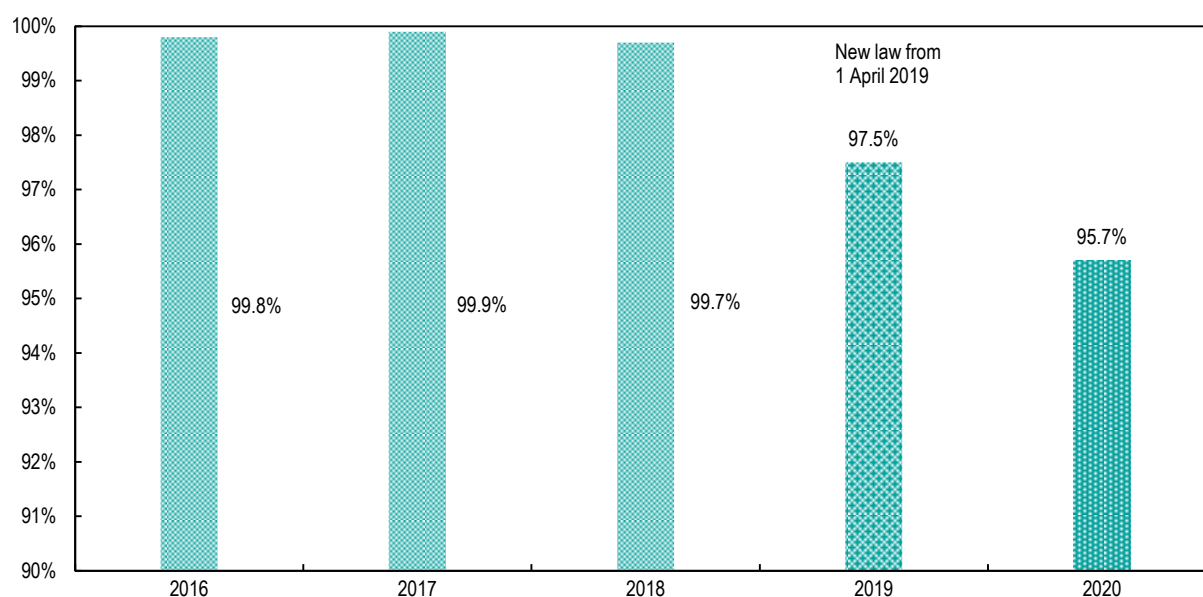
³²⁰ Information received from Ministry of Finance, April 2021. Total number of procurement procedures above the national thresholds: Supplies (11 685), Services (7 435), Works (1 823), Total calculated (20 943, excluding concessions and PPPs [16]). Total number of contracts awarded by competitive procedures (20 159).

³²¹ PPB Annual Report 2020, Total number of procurement notices published (20 159). Low value procurement (10 663), Simplified open procedure (7 528), Open procedure (1 945), Competitive negotiated procedure (1), Negotiation with prior publication (5), Qualification system (6), Design contest (11).

³²² PPL, Article 4, Principle of economy, efficiency and effectiveness in the use of public funds.

³²³ Information received from Ministry of Finance, April 2021 and updated data from the Public Procurement Office, June 2021.

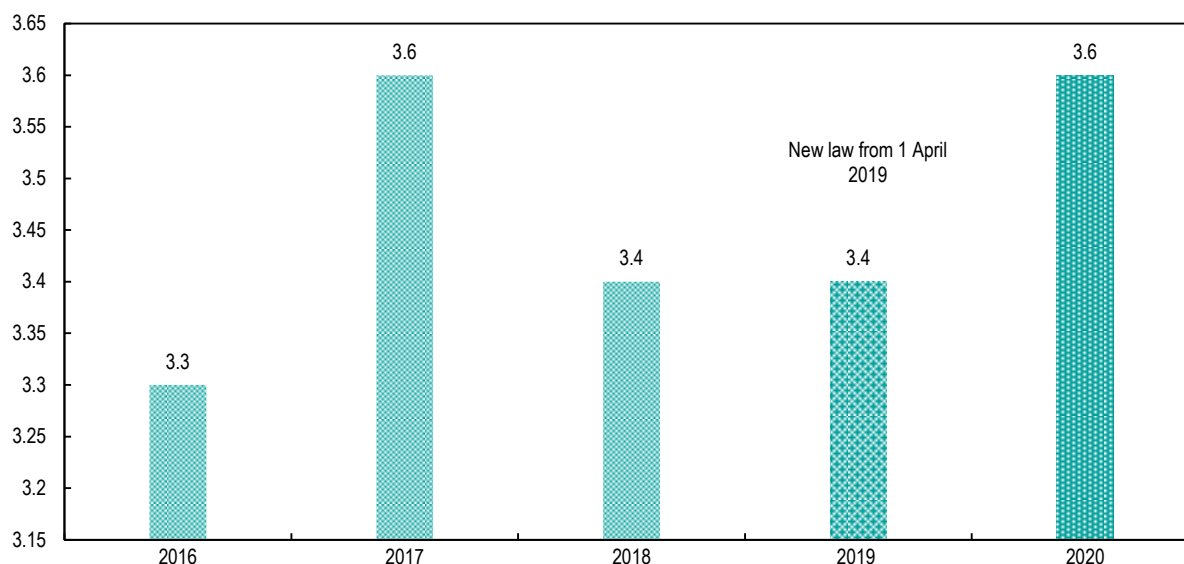
Figure 2. Percentage of awards based on the lowest price, 2016-2020



Source: Data provided by PPB, May 2021.

The average number of tenders submitted per competitive procedure in 2020 was 3.62, similar to the level in previous years.

Figure 3. Average number of tenders submitted, 2016-2020

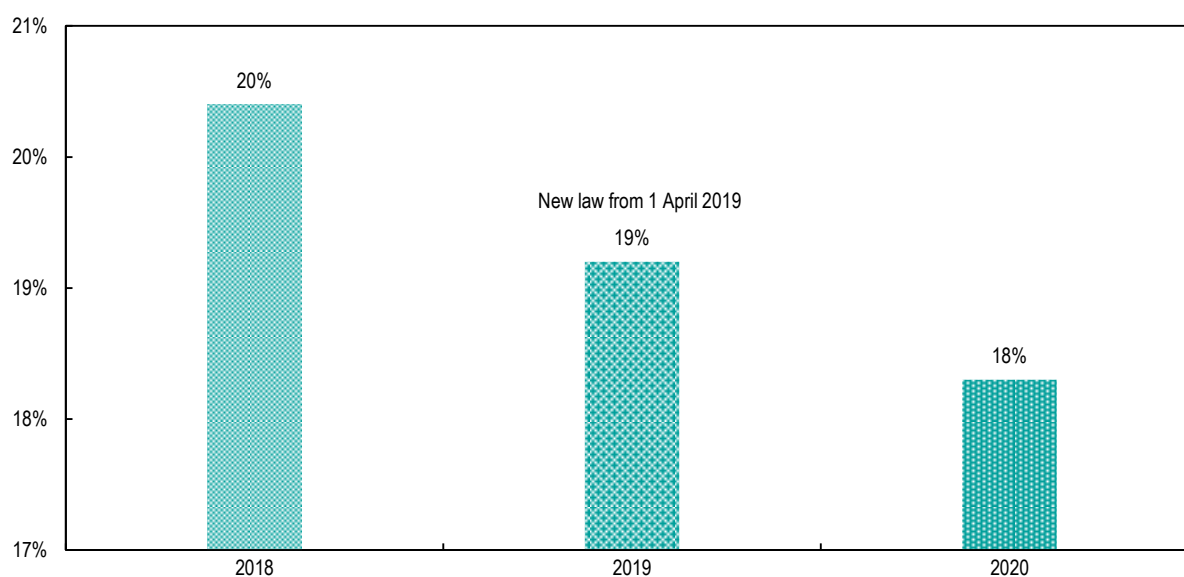


Source: Data provided by PPO, May 2021.

In just over 18% of the cases³²⁴, only one tender was received, which is a decrease since 2018 but remains high.

³²⁴ Data provided by PPB, May 2021.

Figure 4. Percentage of contracts awarded with one tender submitted, 2018-2020



Source: Data provided by PPO, May 2021.

Thus, despite changes in legislation, the weaknesses remain in practice, and the level of competition, in terms of the number of tenders received, has not improved significantly. There appears to be a number of reasons for the very limited use of criteria other than the lowest price, including a fear of change and preference for sticking with well-understood routine procedures, and a lack of the practical training, guidance and resources needed to increase knowledge, understanding and confidence on the part of contracting authorities, who may be concerned about the consequences of selecting and applying qualitative criteria incorrectly³²⁵.

The PPL provides for the establishment and use of framework agreements³²⁶. In 2020, 1 602 framework agreements were concluded for a total value of MDK 7.74 billion, representing a share of approximately 14% of the total contract value, which shows a small increase in use^{327, 328}. There are no up-to-date guidelines on the use of framework agreements under the PPL. No central purchasing body has been established, and the amount of centralised procurement organised in 2020 was minimal.

The comprehensive ESPP provides the basic framework for ensuring the transparency of procurement opportunities and the equal access of economic operators to public procurement. All procurement notices and tender documents must be published on the ESPP, including those for low-value contracts. The ESPP facilitates the use of modern procurement techniques and methods for the award of contracts both above and below the relevant EU financial thresholds, such as downloading of all tender documents, e-submission³²⁹, e-evaluation and e-auctions. The PPL includes provisions for dynamic purchasing

³²⁵ SIGMA interviews, 12-16 April 2021; CCC Shadow Report on Public Procurement in North Macedonia 2020, p. 6; and CCC Report No. 34 on Monitoring the Implementation of Public Procurement January-June 2020.

³²⁶ PPL, Article 57, Framework agreement.

³²⁷ Information received from Ministry of Finance, April 2021 and data confirmed by the PPO, June 2021.

³²⁸ SIGMA (2019), *Monitoring Report: The Principles of Public Administration, North Macedonia, May 2019*, OECD, Paris, <http://www.sigmaweb.org/publications/Monitoring-Report-2019-North-Macedonia.pdf>. In 2018, 615 framework agreements were concluded for a total value of MDK 4.8 billion (approximately EUR 78 million), representing a share of approximately 11% of the total contract value.

³²⁹ In 2020, 99.92% of competitive procurement procedures used e-submission.

systems, electronic catalogues and qualification systems (in the case of utilities)³³⁰. There are up-to-date user guides for the ESPP.

The PPL introduced new requirements concerning some aspects of contract management, covering conclusion of the contract, contract performance, subcontracting, modification and termination³³¹. However, there is no evidence of systematic *ex post* evaluation of the procurement process or of proactive contract management, evaluation of concluded contracts or a common standard approach to reviewing and learning from problems that arise during contract execution. Contract management is still a weak aspect of the procurement process³³².

The PPL addresses the issues of ensuring the integrity of the procurement process and preventing conflicts of interest in a more detailed manner than the previous procurement legislation.

Conclusion

Public procurement operations comply with the basic principles of equal treatment, non-discrimination, proportionality and transparency. However, the introduction of the new PPL in 2019 which is substantially compliant with the 2014 EU Directives and introduces flexibilities, has had minimal practical impact. Old habits have not changed and the levels of competition have not shown marked improvement. The continued extremely high number of awards based on the lowest price using e-auctions, and the limited use of centralised procurement means that the most efficient use of public funds is unlikely. Contract management remains a significant area for improvement.


³³⁰ PPL, Article 60, Electronic catalogue; Article 59, Electronic auction; Article 58, Dynamic purchasing system; and Article 74, Qualification System.

³³¹ PPL, Articles 116-120.

³³² For example, the State Audit Office Annual Report 2019 notes examples of inconsistent monitoring of the implementation of signed contracts (p. 44). The CCC Shadow Report on Public Procurement in North Macedonia 2020 states that "[in] the contract performance stage, the mandatory notification on contract performance is not published, while monitoring of contract performance is still predominantly viewed only in financial terms", p. 8.

Principle 14: Contracting authorities and entities have the appropriate capacities and practical guidelines and tools to ensure professional management of the full procurement cycle.

Overall, the value for the indicator 'Availability and quality of support to contracting authorities and economic operators to strengthen professionalisation of procurement operations' is 2. This is significantly worse than in 2017 when it was 4. This is due to the delay in updating the key documents to reflect the new PPL fully, e.g. failure to update all of the standard procurement documents as well as the Manual on Public Procurement, and lack of detailed explanations and practical examples.

Indicator 6.14.1 - Availability and quality of support to contracting authorities and economic operators to strengthen professionalisation of procurement operations			
This indicator measures the availability and quality of support given to contracting authorities and economic operators to develop and improve the knowledge and professional skills of procurement officers and to advise them in preparing, conducting and managing public procurement operations. This support is usually provided by a central procurement institution.			
This indicator does not directly measure the capacity of contracting authorities and entities. The assessment is of the scope of the support (whether all important stages of the procurement cycle are covered), its extent, and its quality and relevance for practitioners (whether it provides useful, practical guidance and examples). Surveys of contracting authorities and economic operators are used to gauge the relevance and practical applicability of the support.			
Overall 2021 indicator value		since 2017	
	0	1	2
	3	4	5
		Points 2021	Change from 2017
Availability and quality of manuals, guidelines, standard tender documents and other operational tools			
1. Availability and quality of manuals and guidelines		0/5	-4
2. Availability and quality of standard tender documents, standard forms and standard contract models		1/5	-3
Availability and quality of training and advisory support			
3. Access to quality training for procurement staff		3/5	=
4. Availability of advice and support for contracting authorities and economic operators		3/5	=
Procurement procedures cancelled			
5. Procurement procedures cancelled (%)		2/5	-1
Total		9/25	-8

The PPB and the ESPP websites provide access to guidelines, manuals and standard procurement and contract documents. A number of new brochures and guidelines published in 2019-2020 reflect changes brought about by the PPL 2019, including publications on evaluation of offers, determining ability, competition protection, most economically advantageous tender, education and tender documentation. The manuals for contracting authorities and economic operators on using the ESPP are up-to-date. However, the comprehensive Manual on Public Procurement (Fourth Edition) has not been updated since 2017 and does not reflect the current law³³³. There are model tender documents and contract models published on the PPB website, but the collection is not comprehensive, and they are not all up-to-date and aligned with the PPL³³⁴. The available publications do not provide detailed explanations and practical

³³³ PPB website and publications, accessed and reviewed with a local expert on 29 April 2021.

³³⁴ PPB website standard tender documents and contract models, accessed and reviewed with a local expert on 29 April 2021. There are model tender documents of general application, including Low value procurement (2019), Simplified Open Procedure (2019), Open Procedure (2016), Request for Bids (2014) and models for individual purchases for mobile telephony, fixed telephony, insurance services and electricity (2014). There are also model contract terms for mobile telephony, computer programme development services, and public works and supplies (goods), all dating from 2012.

examples³³⁵. The PPB operates a call centre (help desk) on work days from 13:30 to 15:30, which provides support and advice to both contracting authorities and economic operators. The PPB publishes updated frequently asked questions on its website.

During 2020, the PPB conducted 28 public procurement training events with 480 participants³³⁶. Due to COVID-19, the PPB reorganised the delivery of training during 2020 to enable distance learning. A diary of training events is easily available from the PPB website. Training and certification is obligatory only for contracting authorities³³⁷. The PPB updated training materials in line with the new PPL at the end of March 2019. The focus is on delivery of training to procurement officers, and there were no specialised events for economic operators. The training delivered by the PPB is of high quality and regarded as useful³³⁸, but it is focussed on legal provisions and legal compliance and lacks practical information and guidance, which is unlikely to support fully the development of the professional skills of procurement officers³³⁹. Trainers from the private sector and from other organisations also offer *ad hoc* training to economic operators and contracting authorities.

There is no active formal or informal mechanism in place to co-ordinate the interpretation of procurement legislation by key institutions³⁴⁰. This is a change from 2017, when there was an informal co-operation mechanism among key institutions, including resolution of the interpretation of the previous PPL.

The general upward trend of cancelled procedures continues. In 2020 approximately 20% of procurement procedures above the national thresholds (excluding concessions and PPPs) were cancelled³⁴¹. One reason for the continued high level of cancellations may be the limited expertise of some procurement professionals and the lack of practical training and other support to improve expertise in some matters, such as planning for procurement and specification drafting.

³³⁵ SIGMA procurement survey of contracting authorities and Balkan Business Barometer, February-March 2021. Out of 48.6 contracting authorities and 200 businesses taking the survey, 55% of contracting authorities and 42.1% of businesses found the guidelines "useful" or "very useful". The arithmetic mean is 37.5%. However, the lack of practical explanation and examples was consistently raised by stakeholders in interviews, 12-16 April 2021, and by economic operators in the public procurement survey.

³³⁶ Information received from Ministry of Finance, April 2021. The PPB organised 14 regular education training events attended by 225 participants, 13 training events for recertification attended by 235 participants, and 1 training of trainers attended by 20 participants.

³³⁷ The PPB confirmed in the clarification process, June 2021, that economic operators are free to certify their staff if they wish.

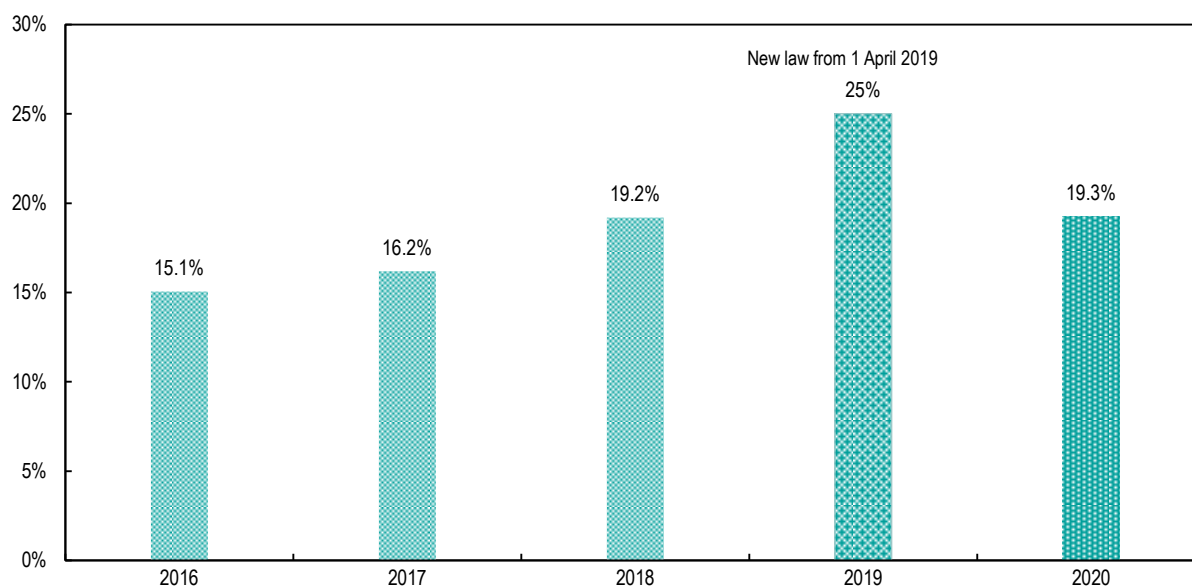
³³⁸ SIGMA procurement survey of contracting authorities, February-March 2021: 69% of respondents found the training "useful" or "very useful".

³³⁹ SIGMA interviews with contracting authorities and trainers, 12-16 April 2021: participants consistently noted the lack of practical information in training materials, the focus being on legal provisions and legal compliance.

³⁴⁰ SIGMA interviews, 12-16 April 2021.

³⁴¹ Information received from Ministry of Finance, April 2021, revised data provided by the PPB, June 2021.

Figure 5. Percentage of procedures cancelled, 2016-2020



Source: Data provided by PPB, May 2021.

Conclusion

The PPB has continued to deliver certification training and publish guidance, despite challenges presented by the pandemic, but the focus in training is on legal compliance. Practical guidelines, tools and training, have not been fully updated or aligned with the new PPL. There has been a decline in active co-operation among institutions to co-ordinate the interpretation of procurement legislation, contributing to uncertainty as to the application of the legal framework in practice.

External audit

Principle 15: The independence, mandate and organisation of the supreme audit institution are established, protected by the constitutional and legal frameworks and respected in practice.

Overall, the value for the indicator ‘Independence of the supreme audit institution’ is 3. There has been no change in the overall indicator and sub-indicator values from 2017.

Indicator 6.15.1 - Independence of the supreme audit institution					
This indicator measures the extent to which external audit by the supreme audit institution (SAI) is conducted independently, and the internationally recognised conditions for the effective functioning of the SAI are found in law and practice.					
Overall 2021 indicator value	0	1	2	3	4 5
				Points 2021	Change from 2017
1. Constitutional and legal independence of the SAI				1/4	=
2. Organisational and managerial independence of the SAI				5/5	=
3. Adequacy of the SAI mandate and alignment with International Standards of Supreme Audit Institutions (ISSAIs)				3/3	=
4. Access to information and premises				1/1	=
5. Perceived independence of the SAI by the population (%)				0/3	=
Total				10/16	=

The legal framework defines preconditions for the SAO's independence³⁴². The Auditor General (AG) and the Deputy Auditor General (DAG) are appointed by the Parliament for a nine-year term with no possibility of re-election. The long tenure and the election process ensure independence from the Government. The current AG took office in December 2019 with broad support of the Parliament including governing and opposition parties. However, the Parliament did not secure a seamless succession. The appointment process was only completed two years after the expiry of the former AG's term. During this period, the duties of the AG were performed by the DAG. After the expiry of the DAG's term in October 2019, the SAO lacked leadership for two months. The International Organization of Supreme Audit Institutions (INTOSAI) General Secretariat and Development Initiative, informed by SAO employees about the situation, intervened by issuing a joint statement to the Government expressing concern regarding the situation and its severe impact on the independence and functioning of the SAO³⁴³.

The legal framework ensures that the AG and DAG may not be held criminally liable or detained for expressing views, opinions and recommendations regarding audits, and further safeguards the AG's and DAG's independence by prohibiting performing another public function, be it as a member of a political party, management board, supervisory board or any other body of another legal entity. The same prohibition is imposed on state auditors performing audits.

The organisation of the SAO is also sufficiently regulated, and the SAO's operational independence is protected by the legal framework³⁴⁴. The SAO submits its budget request directly to the Parliament, which approves the SAO budget section separately when voting on the adoption of the overall budget of the state. Although all of the SAO's payments are processed through the TSA, the Government does not control how the SAO uses its financial resources after approval of the SAO's budget by the Parliament.

³⁴² State Audit Law (SAL) of 13 May 2010, Official Gazette Nos. 66/10, 145/10, 12/14, 43/14, 154/15, 192/15 and 27/16.

³⁴³ INTOSAI Development Initiative website.
<https://www.idi.no/news/independent-sais/intosai-idi-joint-statement-north-macedonia>.

³⁴⁴ *Idem*.

The SAO states that it has not experienced undue interference from the legislature or the Government in the organisation and management of its office, including individual recruitment decisions³⁴⁵. The SAO has 183 approved staff positions and filled 112 of them. Compared to 2017 when the SAO employed 89 employees, this reflects an increase of 26 %.

The legal framework³⁴⁶ ensures that the SAO's mandate is exhaustive and covers all aspects relevant to getting assurance over the proper and effective use of public funds³⁴⁷. The SAO may audit the entities using public funds and those having economic, financial or other type of interest in public funds. All public financial operations are subject to audit by the SAO. The legal framework empowers the SAO to carry out regularity (financial and compliance) and performance audits in accordance with international auditing standards. The SAO has rights to access all required documents, information and premises.

A shortcoming is that the SAO's independence is not yet provided for in the Constitution. Other independent bodies, such as the judiciary, Constitutional Court and Prosecutor General's Office, are part of the constitutional framework, but the draft constitutional amendment submitted to the Parliament in 2014 to grant the SAO constitutional independence was not adopted³⁴⁸.

The political unwillingness to anchor the independence of the SAO in the Constitution may affect public perception of the independence of the SAO. The SAO has been active in the implementation of its Communication Strategy 2020-2023 and has invested considerable effort in improving its communication tools. These efforts include improvements of the website, dissemination of abstracts of each final audit report to civil society organisations, media and key stakeholders. This resulted in a higher appreciation of the SAO's communication and co-operation with the public by external observers³⁴⁹. Notwithstanding these communication efforts, only 24.5% of the population agrees or tends to agree that the SAO is independent of political influence³⁵⁰. This is even a slight decrease from 27% in 2017.

Conclusion

The legal framework includes sufficient provisions for the independence and mandate of the SAO, but its independence is not yet anchored in the Constitution. Although no interference by the Government has been experienced in practice and the SAO has invested considerable efforts in improving its external communication, the majority of the population perceives the SAO as not fully independent.

³⁴⁵ Law on Public Sector Employees; Law on Administrative Servants.

³⁴⁶ *Ibid.*

³⁴⁷ INTOSAI-P1: The Lima Declaration. <https://www.issai.org/pronouncements/intosai-p-1-the-lima-declaration/>.

³⁴⁸ The SAO's Annual Report 2020 includes the intention of the AG to continue initiatives for obtaining constitutional independence. With the support of the Twinning project on "Improving external audit and parliamentary oversight", proposals for amendments to the Constitution and the State Audit Law are being prepared.

³⁴⁹ National PAR Monitor NORTH MACEDONIA 2019/2020, European Policy Institute, Skopje

³⁵⁰ Balkan Barometer 2021. <https://www.rcc.int/balkanbarometer/home>.

Principle 16: The supreme audit institution applies standards in a neutral and objective manner to ensure high quality audits, which positively impact on the functioning of the public sector.

Overall, the value for the indicator ‘Effective functioning of the supreme audit institution’ is 3, the same as in 2017. Although the SAO is generally implementing its mandate adequately, future increases in the indicator value depends on factors that are outside the SAO’s direct sphere of influence, including the implementation of its recommendations by the Government and the Parliament’s use of the SAO’s work.

Indicator 6.16.1 – Effectiveness of the external audit system						
This indicator measures the extent to which external audits contribute to improved management of public finances and how the supreme audit institution applies standards to ensure high-quality audits (e.g. through its manuals and quality assurance system).						
Overall 2021 indicator value	0	1	2	3	4	5
			Points 2021	Change from 2017		
1. Coverage of mandate by external audit			6/6	=		
2. Compliance of audit methodology with ISSAIs			6/6	=		
3. Quality control and quality assurance of audits			5/6*	-1		
4. Implementation of SAI recommendations (%)			1/6	+1		
5. Use of SAI reports by the legislature			0/6	=		
Total			18/30	=		

Note: *Data not available or provided. The point allocation in 2017 for sub-indicators 1 and 4 were revised retrospectively due to errors related to manual data entry. The points in 2017 for sub-indicator 1 changed from 3 to 4 and sub-indicator 4 from 2 to 0.

In 2020, the SAO published 58 audits: 42 regularity (financial and legality), 6 compliance, 4 performance and 2 follow-up audits on previous PA reports³⁵¹. The audits included the four mandatory annual audits prescribed by the legal framework, including the audit of the Core Budget of the Republic of Macedonia and the audit of the three budget funds (Employment Fund, Pension and Disability Insurance Fund and Health Insurance Fund).

Other audits are selected by the SAO itself based on risk assessment and included in the Annual Programme, which is submitted to the Parliament for information³⁵². In 2020, the SAO adopted Guidelines for Strategic and Annual Audit Planning in order to improve audit coverage, which has reached 59% of expenditure.

In order to ensure a common approach by auditors and to increase the quality of audits, the SAO has adopted the Manual on Regularity Audits³⁵³ explaining the audit methodology and the Rulebook on performing state audit³⁵⁴ describing audit processes (planning, execution, reporting and follow-up). The manual is consistent with ISSAI 200 and generally follows ISSAIs 2000-2810. Deviations from these standards are minor. However, the terminology of regularity audits has become outdated, as, since 2013, ISSAI 100 recognises only financial, compliance and performance audits as audit types. The use of “regularity audit” as the SAO’s core audit type reflects well the financial audit standards (ISSAIs 2000-2810) but focuses compliance audit on financial compliance rather than taking a broader perspective on compliance, as stipulated in ISSAI 4000. A separate Compliance Audit Manual is not in place.

³⁵¹ SAO annual report on performed audits and operation in 2020.

³⁵² SAL of 13 May 2010, Official Gazette Nos. 66/10, 145/10, 12/14, 43/14, 154/15, 192/15 and 27/16.

³⁵³ In February 2021.

³⁵⁴ In November 2020.

The SAO has adopted a performance audit manual that is consistent with the principles in ISSAI 300 and in full accordance with ISSAI 3000.

The SAI has also adopted specific Audit Quality Control Guidelines and Audit Quality Assurance Guidelines. Furthermore, quality control and assurance processes are described in the Rulebook on performing state audit³⁵⁵. Quality control is embedded in the whole audit process and covers all audit phases: planning, execution, reporting and follow-up of audit recommendations. Audit staff is involved in quality control procedures according to each one's mandate. The SAO has established a specific expert panel³⁵⁶ to review all draft audit reports and inform the management. In 2020, all audits were subject to quality control interventions. The quality assurance plan is developed annually and lists quality assurance measures for the next year. In 2020, eight audits were subjected to quality assurance measures. The quality assurance report was not shared with SIGMA.

Audit impact is measured by the level of SAO recommendations implemented by audited entities. The SAO has implemented a software system (SAPRI) for monitoring the level of implementation of the recommendations contained in the audit reports. Based on this system, the SAO's Annual Report 2020 provides the following data:

Table 1. Implementation of audit recommendations

Total audit recommendations	755	100%
Implemented audit recommendations	254	34%
Ongoing implementation of audit recommendations	342	46%
Partially implemented audit recommendations	0	0%
Not implemented audit recommendations	136	18%
Audit recommendations that cannot be implemented due to changed circumstances	23	3%

Source: SAO annual report on performed audits and operation in 2020, Skopje, State audit office, 2021.

The percentage of audit recommendations implemented by the Government reflects the recommendations that are implemented within 90 days from the submission date of the final audit reports. This percentage is 34% and must be qualified for the observation that 45% of recommendations have been accepted by the auditee and are in the process of implementation. The status of these recommendations may change to 'implemented' after verification by the SAO.

The implementation of audit recommendations can be promoted by active use of the audit reports by the Parliament. However, the Parliament pays little attention to SAO audit reports. There is no formal mechanism for handling SAO reports in the Parliament. Only the annual report of the SAO is being considered by the Parliamentary Committee for Finance and Budget, followed by deliberation in the plenary session of the Parliament. Individual audit reports are not considered by the Committee or the plenary. No independent decisions (other than the SAO's recommendations) are made by the Committee or the plenary.

Conclusion

During recent years, the SAO further improved the institutional framework to produce ISSAI-compliant audit reports. It has adopted new manuals for regularity and performance audit that are compliant with the ISSAIs. The audit procedures increasingly emphasise quality control and assurance. Most audit recommendations are accepted by the auditee and their implementation is in progress. With the exception of the SAO's annual report, the audit reports are not used by the Parliament.

³⁵⁵ Official Gazette No. 264 of 5 November 2020.

³⁵⁶ Procedure for performance of the Expert Panel in the State Audit Office, March 2020.

For more information:

OECD/SIGMA

2 rue André Pascal
75775 Paris Cedex 16
France

mail to: sigmaweb@oecd.org
Tel: +33 (0) 1 45 24 82 00

www.sigmaweb.org