

Public administration in the Republic of North Macedonia 2024

Assessment against the Principles of Public Administration



SIGMA Monitoring Reports

Public administration in the Republic of North Macedonia 2024

Assessment against the Principles of Public Administration

This report provides analysis on how the Republic of North Macedonia performs based on the standards set by the Principles. It covers the six thematic areas of the Principles (strategy, policy development and co-ordination, public service and human resource management, organisation, accountability and oversight, service delivery and digitalisation, and public financial management) and provides indicator values and comparison of overall trends across the public administration.



This document has been produced with the financial assistance of the European Union (EU). It should not be reported as representing the official views of the EU.

This report was approved by the OECD Public Governance Committee via written procedure on 20 December 2024.

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

The use of this material, whether digital or print, is governed by the Terms and Conditions to be found on the OECD website page <http://www.oecd.org/termsandconditions>.

Kosovo*: 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.

SIGMA Monitoring Reports - ISSN: 3078-8420 (online) | <https://doi.org/10.1787/9c2f22f8-en>

Photo credits: Cover © elettaria/Shutterstock.com

OECD (2025)



Attribution 4.0 International (CC BY 4.0)

This work is made available under the Creative Commons Attribution 4.0 International licence. By using this work, you accept to be bound by the terms of this licence (<https://creativecommons.org/licenses/by/4.0/>).

Attribution – you must cite the work.

Translations – you must cite the original work, identify changes to the original and add the following text: *In the event of any discrepancy between the original work and the translation, only the text of original work should be considered valid.*

Adaptations – you must cite the original work and add the following text: *This is an adaptation of an original work by the OECD. The opinions expressed and arguments employed in this adaptation should not be reported as representing the official views of the OECD or of its Member countries.*

Third-party material – the licence does not apply to third-party material in the work. If using such material, you are responsible for obtaining permission from the third party and for any claims of infringement.

You must not use the OECD logo, visual identity or cover image without express permission or suggest the OECD endorses your use of the work.

Any dispute arising under this licence shall be settled by arbitration in accordance with the Permanent Court of Arbitration (PCA) Arbitration Rules 2012. The seat of arbitration shall be Paris (France). The number of arbitrators shall be one.

OECD/SIGMA - 2 Rue André Pascal 75775 Paris Cedex 16, France
+33 (0) 1 45 24 82 00 | sigmaweb@oecd.org | www.sigmaweb.org

Table of contents

List of abbreviations and acronyms	4
Introduction	6
Executive brief	8
Strategy	15
Summary and recommendations	16
Analysis	18
Policy development and co-ordination	23
Summary and recommendations	24
Analysis	28
Public service and human resource management	51
Summary and recommendations	52
Analysis	55
Organisation, accountability and oversight	71
Summary and recommendations	72
Analysis	75
Service delivery and digitalisation	95
Summary and recommendations	96
Analysis	99
Public financial management	111
Summary and recommendations	112
Analysis	117
Budget management	117
Internal control and audit	125
Public procurement	131
External audit	143
Financing of local governments	147

List of abbreviations and acronyms

AA	Administration Agency
AP	action plan
CGO	central government organisation
CMC	Crisis Management Centre
CoG	centre of government
CSO	civil society organisation
EI	European integration
EQR	engagement quality review
ESPEO	Electronic System for Reporting and Recording of Liabilities
ESPP	Electronic System for Public Procurement
FMC	financial management and control
FS	Fiscal Strategy
GANHRI	Global Alliance of National Human Rights Institutions
GAWP	Government Annual Work Plan
GDP	gross domestic product
GPA	Government Procurement Agreement (of the World Trade Organization)
GS	General Secretariat
HR	human resource
HRMIS	human resource management information system
IA	Internal audit
IC	internal control
ICT	information and communications technology
IFPP	INTOSAI Framework of Professional Pronouncements
IMC	intermunicipal co-operation
INTOSAI	International Organisation of Supreme Audit Institutions
ISSAIs	International Standards for Supreme Audit Institutions
IT	information technology
LAD	Law on Administrative Disputes
LAS	Law on Administrative Servants
LGAP	Law on General Administrative Procedures
LLSG	Law on Local Self-Government
LO	Law on Obligations
LOOSAB	Law on the Organisation and Operation of State Administrative Bodies

LPSE	Law on Public Sector Employees
LS	Legislative Secretariat
LTMS	Law on Top Management
MDT	Ministry of Digital Transformation
MISA	Ministry of Information Society and Administration
MLG	multilevel governance
MoE	Ministry of Economy
MoF	Ministry of Finance
MP	member of parliament
MPA	Ministry of Public Administration
MTBF	Medium-Term Budgetary Framework
MTFF	medium-term fiscal framework
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
PDC	policy development and co-ordination
PFM	public financial management
PIFC	public internal financial control
PPB	Public Procurement Bureau
PPL	Public Procurement Law
PPP	public-private partnership
PRO	Public Revenue Office
RIA	regulatory impact assessment
RoP	rules of procedure
SAC	State Appeals Commission
SAL	State Audit Law
SAO	State Audit Office
SCPC	State Commission for Prevention of Corruption
SEA	Secretariat for European Affairs
SoE	state-owned enterprise
TPM	top public management
TrIS	Treasury Information System
TSA	Treasury Single Account
ZELS	Association of Units of Local Self-Government

Introduction

The Principles of Public Administration and the European integration path: Measuring the fundamentals

*The Principles of Public Administration*¹ sets out what good public governance entails in practice and outlines 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 administration. In its 2014 Enlargement Strategy, the European Commission (EC) highlighted public administration reform (PAR) as one of the “fundamentals” of the EU enlargement process. The 2023 EC communication on the EU Enlargement Policy reaffirms this conviction: “The functioning of democratic institutions and public administration reform continue to be among the three fundamentals for the EU accession process.”²

Overall approach: Focus on implementation and results, analysing a variety of primary data sources against precise criteria and benchmarks for an objective and balanced assessment

The updated 2023 edition of *The Principles of Public Administration* reflects the most recent international standards, applicable EU *acquis* and citizen expectations for modern public administration in Europe. Endorsed by the OECD and the European Commission, it covers the same broad scope and thematic areas as the previous edition.

The *Assessment Methodology of the Principles of Public Administration*³ contains a set of standard indicators that SIGMA applies consistently to measure the state of play against the Principles, including the preconditions and enablers for successful reforms (appropriate laws, policies, procedures, institutional structures and human resources); the public administration’s actual implementation practices; and subsequent results (how the administration performs in practice). In the new *Assessment Methodology*, more than half of all criteria focus on implementation practices and results.

While the overall approach recognises that no single measurement method can fully cover the complex issues related to all organisational and behavioural aspects of public administration, SIGMA relies on information from a comprehensive range of sources: administrative data from public registries; national statistics; legislation reviews and government reports; citizen, business, public servant and contracting authority surveys; case reviews of sample government documentation; and over 100 interviews with public

¹ OECD (2023), *The Principles of Public Administration*, OECD, Paris, <https://www.sigmaweb.org/publications/Principles-of-Public-Administration-2023.pdf>.

² European Commission (2023), *2023 Communication on EU Enlargement Policy*, p. 2, https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/COM_2023_690%20Communication%20on%20EU%20Enlargement%20Policy_and_Annex.pdf.

³ OECD (2024), *Assessment Methodology of the Principles of Public Administration*, OECD, Paris, <https://www.sigmaweb.org/publications/Assessment-Methodology-Principles-Public-Administration.pdf>.

servants and civil society. This information is cross-checked and triangulated to arrive at a balanced assessment.

A regional series with long-term perspective

This monitoring report assesses the state of play in public administration and progress in improving its quality. Given the geostrategic importance of the Western Balkans to the European Union and the ongoing EU accession negotiations, SIGMA conducts regular monitoring of the region. While SIGMA's assessments in 2015, 2017 and 2021 covered the full scope of the Principles of Public Administration, this 2024 report also addresses all Principles and provides a comprehensive and detailed picture of the state of public administration in the region.

This report is based on the *Assessment Methodology* developed to accompany the updated Principles of Public Administration (2023). While the narrative sections clearly describe developments since the last assessment and enable comparisons with previous monitoring, the significant methodological differences between this report and previous ones make comparisons of indicator values inapplicable.

Key insights and recommendations for decision makers, and detailed performance data for practitioners

Thirty-two Principles make up the framework for the six thematic areas, and each Principle has one or two indicators. There are 36 indicators in total, with 289 sub-indicators and 1 732 individual criteria. Indicator values for each Principle are presented at the top of every overview table, ranked on a scale of 0 (lowest) to 100 (highest) and based on the total number of points received for the sub-indicators.⁴ The indicator values provide a comparative picture of the state of play as of 30 June 2024.

The structure of the report mirrors that of the Principles. Each Principle contains a dedicated overview of associated indicator(s) and a summary analysis of the main strengths and weaknesses. Analytical findings and the most relevant recommendations are provided to guide reform efforts and inform the policy dialogue and discussions within the government administration and between the European Commission and the Government.

SIGMA provides an executive brief and summaries for each of the six thematic areas to facilitate understanding at different levels of detail and insight. While the monitoring report shows overall indicator values only, a <https://par-portal.sigmaweb.org/> offers a detailed criteria-level analysis.

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 validation process to ensure the factual accuracy of all information used. We also thank the experts who contributed to this report. Finally, EC partnership and support has enabled SIGMA to prepare this comprehensive long-term focus on public administration reform.

⁴ Point conversion tables can be found in the *Assessment Methodology*.

Executive brief

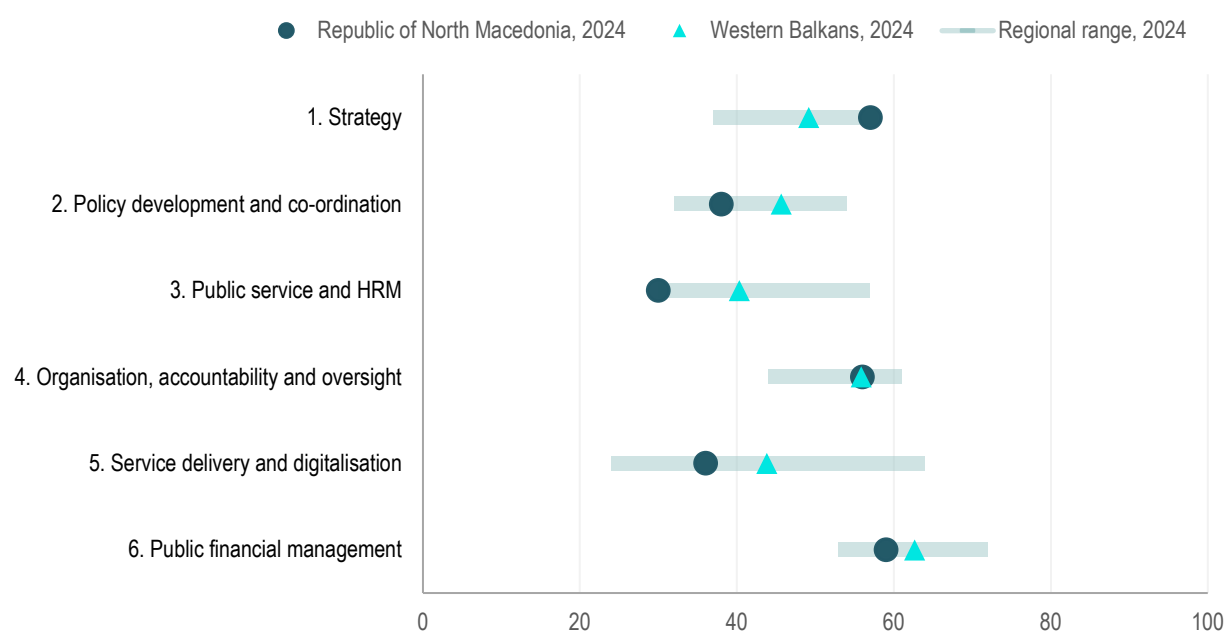
Since 2021, the Republic of North Macedonia (hereafter “North Macedonia”) has made limited progress in implementing public administration reform (PAR). Major challenges persist across most areas covered in the Principles of Public Administration. Public service and human resource management is the weakest area, with major gaps in the legislative and institutional framework for the top management and the salary system. Strategic planning of PAR and public financial management (PFM) have produced the best results, with the principles related to external audit and public procurement showing the highest indicator values for this assessment. These areas have also recorded modest improvements since 2021.

North Macedonia has also performed positively in the administrative procedures and multilevel governance areas, with the average value of indicators exceeding regional averages. Conversely, the country has shown relatively weaker performance in all other areas, with indicator values falling below the regional averages.

Numerous internal and external factors are hindering progress in implementing reforms in various public administration areas. Frequent changes in leadership of the ministry responsible for PAR between 2022 and 2024, with five different ministers presiding in just two years, have arguably weakened central leadership and reform co-ordination, contributing to relatively weak performance during the assessment period.

However, the new Government (formed in June 2024) has committed to reforming public administration. In the new Government’s composition, separate ministries are responsible specifically for public administration, digital transformation, and EU affairs. This may provide impetus for a fresh restart and more vigorous advancement of the PAR agenda in the country.

Figure 1. Overall state of play in the functioning of public administration

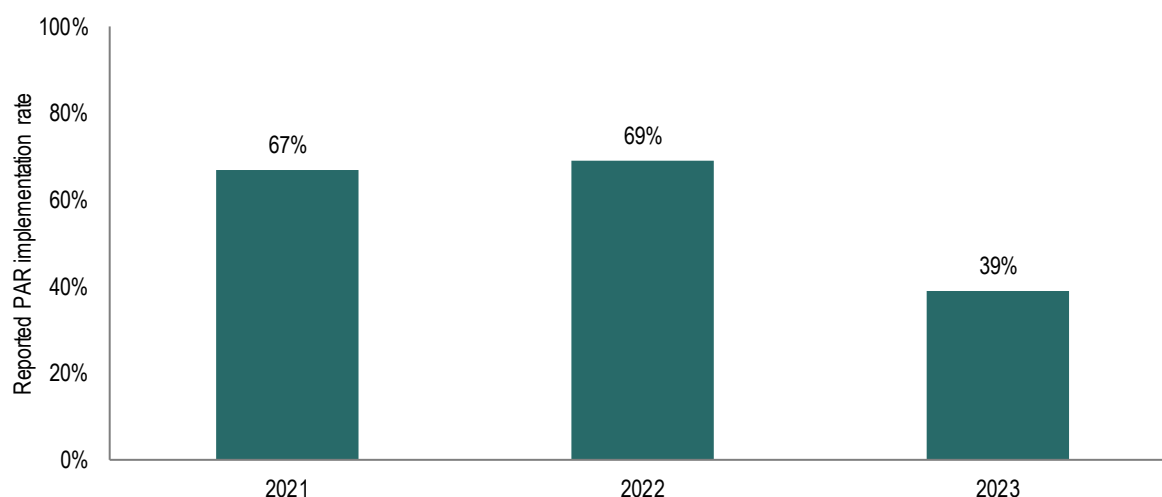


Notes: The area average is a simple average of the Principles within the area. The Western Balkan average is calculated as a simple average of all administrations.

North Macedonia has good reform plans, but implementation and results have been weak

In 2023, the country adopted a new strategy for PAR, which, together with the PFM reform programme, established a comprehensive programme for reforms covering all areas. However, the pace of implementing planned reforms has slowed. In fact, in 2023 it fell to the lowest rate since 2020 (39%). Furthermore, the Government relies heavily on foreign sources of funding to implement reforms, which poses sustainability risks. It is estimated that only one-third of PAR and PFM reforms are to be funded from domestic sources, even though PAR has been prioritised in key government horizontal planning documents. Finally, monitoring reports for both the PAR and PFM strategies are produced too late in the process, making them somewhat redundant and not useful for addressing implementation challenges and resolving operational and monitoring issues. There is no culture of promoting and rewarding innovative approaches across the public administration.

Figure 2. Reported implementation of planned PAR and PFM reform measures



Notes: The bars indicate the combined average of both the PAR and PFM strategies and include only fully implemented measures.
Source: SIGMA calculations based on official data provided by the administration.

Citizen trust in several key state institutions and civil servants is low in North Macedonia

Only about one-quarter of respondents (26%) trust civil servants, much lower than the Western Balkan average (41%). The same phenomenon is observed for Parliament (16% trust in North Macedonia and 25% in the region) and the Courts (15% trust in North Macedonia and 29% in the region).⁵

⁵ Trust is an important indicator of how people view and evaluate their government institutions. The OECD has developed a comprehensive framework to understand what drives trust in public institutions and applies this framework in the biennial OECD Trust Survey (OECD, 2021), which up to now has been implemented in OECD member countries and Brazil. The OECD Trust Survey examines what affects trust by measuring people's perceptions of government competence (reliability and responsiveness) and values (integrity, fairness, and openness), then connecting these factors to trust levels across various institutions. More information can be found here: https://www.oecd.org/en/publications/oecd-survey-on-drivers-of-trust-in-public-institutions-2024-results_9a20554b-en.html Recognising trust as a valuable indicator of public governance performance, the SIGMA Survey of Citizens on public administration—while distinct from the OECD Trust Survey—includes specific questions about trust in public institutions to complement existing indicators from the Assessment Methodology.

Stronger central steering and co-ordination, and more consistent quality control, are needed for better policymaking outcomes

There have been no significant improvements in policy development and co-ordination since 2021. Key procedural and substantive checks – e.g. reviews of policy documentation for completeness and coherence, checks on regulatory impact assessments (RIAs) and public consultations – are inconsistently performed by centre-of-government (CoG) bodies. Although a new regulatory framework for sectoral policy planning was introduced in 2022, the overall quality of government policy planning and monitoring, including for EU integration, remains weak.

The quality of RIAs and public consultations is also weak, and their use and impact on government decision-making on policies remain very limited. The planned transfer of responsibility for RIA oversight from the Ministry of Public Administration (MPA) to the General Secretariat (GS) of the Government has been slow, creating unnecessary confusion and delays in implementation of reforms to strengthen the overall regulatory management system.

North Macedonia's use of non-standard ("shortened") procedures to adopt many laws is among the highest in the region. This practice further introduces significant risks in evidence-based lawmaking, as it limits the time available for preparation, analysis, parliamentary scrutiny and debate. Furthermore, regulations allow EU-related laws to be adopted through shortened procedures, which creates major risks for effective EU law transposition and implementation.

Figure 3. Share of Government-sponsored laws scrutinised and approved through non-standard (shortened) procedures in Parliaments of the Western Balkan administrations in 2023



Source: SIGMA analysis based on official data on approved laws provided by the Western Balkan administrations.

While Government-Parliament co-ordination on legislative activities has been good, a significant portion of Government-sponsored laws submitted to Parliament are not part of the original Government legislative plan. Those that are submitted often lack supporting documents, such as RIA reports, depriving the legislature of important evidence for informed scrutiny and debate. Accessibility to laws is also an issue, as not all primary and secondary legislation in North Macedonia is freely accessible online. Consolidated versions of laws are indeed prepared, but they are unofficial and a fee is required to access them.

Furthermore, policy monitoring and ex-post evaluation tools are not effectively established and used in practice. Many laws introducing new regulatory provisions lack the necessary secondary legislation when they come into force, creating gaps in the regulatory framework and endangering policy implementation.

Key public service management reforms are still pending, including the establishment of a professional and stable top management and a new salary system

There has been no substantive improvement in public service and human resource management since 2021. North Macedonia is still falling behind all its peers in the region, mainly due to very low performance in professional top management and, to some extent, because SIGMA was not provided the necessary data.

Major legislative initiatives that have been under consideration for several years have not yet been approved. The horizontal scope of the public service remains fragmented, allowing certain administrative bodies to remain outside the scope of public service legislation without reasonable justification. There is no merit-based competition for state secretaries, the highest-ranking managers in the ministries.

The selection process for civil servants has been formally established but relies on outdated approaches (knowledge-based exams) and lacks modern tools and techniques for assessing candidate competencies. Selection is not competitive enough because the number of applicants is very low, and no steps have been taken to improve this situation. Salaries are not competitive, especially at senior levels, significantly weakening the chances of attracting and retaining talent. Furthermore, the salary system is distorted by tailor-made solutions to increase wages for employees of certain bodies. The perception of citizen trust in civil servants is the lowest in the region (26%).

While public administration organisation continues to show major weaknesses, administrative procedure results are positive

Major challenges in the organisation of public administration persist, as the Government has not implemented the planned reorganisation. A typology of central government bodies has not been clearly established, and relationships between ministries and subordinated bodies lack clarity and effective accountability mechanisms. The internal organisation of ministries remains strongly centralised, with a very limited role for managers, and results-oriented management is not in place.

While the Law on General Administrative Procedures (LGAP) establishes a sound framework of generally applicable principles in line with good administrative behaviour, some sectoral laws are not aligned with the once-only principle, and the monitoring of implementation of administrative procedures is weak. However, the legal framework for administrative justice has been properly designed and facilitates the contestation of administrative acts and administrative silence. Contrary to other administrations in the region, North Macedonia does not have significant case backlogs.

Legislation comprehensively regulates the integrity system, but there are shortcomings in the protection of whistleblowers and in asset declaration and lobbying registers.

Stronger leadership and central steering are needed to advance digitalisation and service delivery to the next level

North Macedonia has not recorded any major service delivery improvements in recent years. Overall responsibility for centrally steering and co-ordinating service delivery policy is entrusted to the new Ministry of Digital Transformation (MDT), which requires further capacity strengthening. There is no central policy for administrative simplification and burden reduction, and weak and inconsistent RIA implementation during policy preparation prevents the Government from controlling and minimising the creation of new burdens. Although a central portal for administrative services (Uslugi) is functional and the number of users has almost tripled in the last three years, it still captures only a small share of potential users, and the services offered follow different standards.

Access to administrative services remains inadequate, with significant improvements needed, especially for people with special needs. The multichannel accessibility right is granted by law, but in practice most services are provided onsite only in offices around the country.

North Macedonia does not have a strong legislative or strategic policy framework to advance digital government reforms. Use of the interoperability platform is still very modest, and basic enablers are still not in place, such as free universal eID for all citizens; strong co-ordination, common criteria and a business case methodology for adopting digital projects; or a strategic approach to cybersecurity.

Public financial management results are mixed, with good public procurement and external audit performance but lagging budget management and internal control reforms

PFM performance has been stagnant in recent years. Budget preparation and execution ensure fiscal discipline but do not help make the budget consistent with medium-term policy priorities. A new Organic Budget Law has been adopted, but the implementation of most new elements is still pending, including the administrative budget classification system (the structure of budget users) and the design of the new financial management information system.

Internal control systems are slowly advancing but there are still large gaps. The principle of decentralised managerial accountability has not been adopted and applied. There are large gaps in implementing internal control elements across budget users, showing a lack of appreciation of internal controls by the top management. The new draft Public Internal Financial Control (PIFC) Law, which was prepared in 2020, has not yet been adopted. This hinders further improvements in the internal audit system and the ambition to bring it into compliance with new international internal audit standards.

Conversely, North Macedonia performs strongly in its legislative and institutional framework for public procurement. The 2019 Public Procurement Law (PPL) demonstrates a high level of compliance with relevant EU legislation, except for some minor deviations. Nonetheless, implementation weaknesses already observed in 2021 persist. Overall, public procurement system reforms have not yet led to significant improvements in the economy and the efficiency of procurement operations.

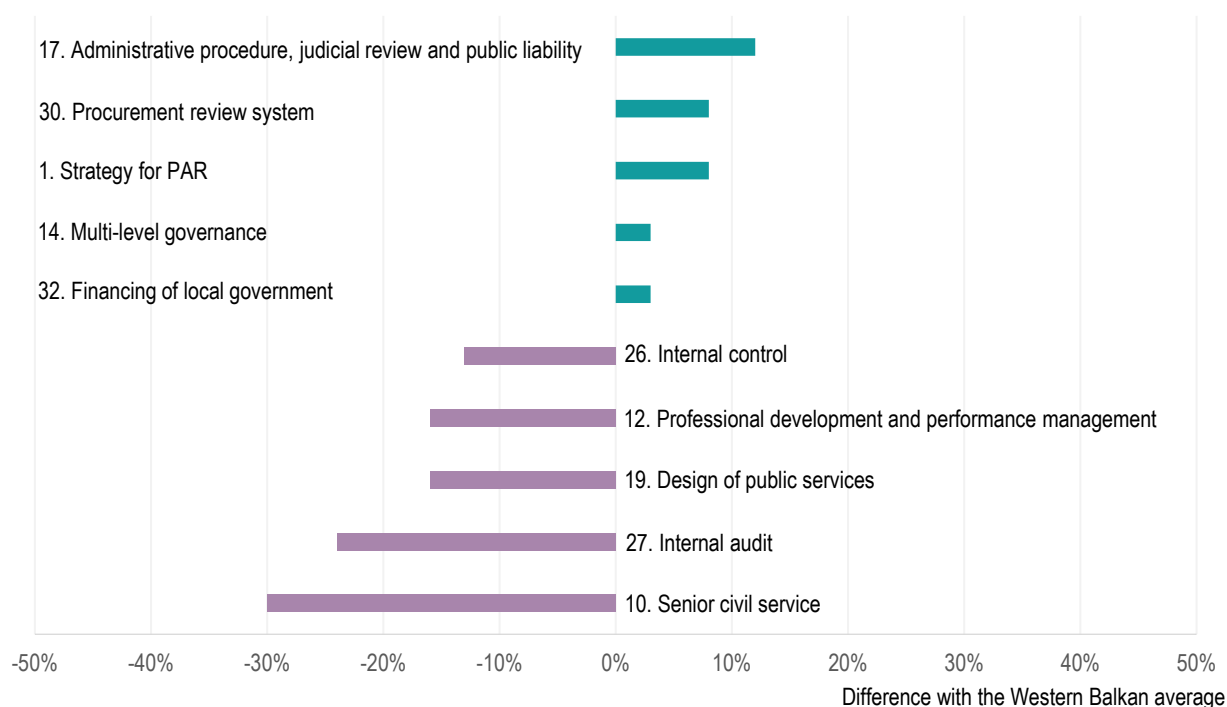
The State Audit Office (SAO), as the country's supreme audit institution, is internally well organised and has a comprehensive governance system aligned with international audit standards and other international good practices. The SAO's communication strategy fosters transparency and stakeholder engagement. However, similar to other areas in North Macedonia, public trust in this institution (21%) is lower than the regional average (31%). Parliamentary engagement with SAO reports has improved, but more efforts could be put in to ensure effective oversight and utilisation of SAO findings.

Multilevel governance has performed relatively strongly, but the country faces challenges in implementation and public finance allocation

The legal framework necessary for the effective organisation and functioning of multilevel governance is in place. However, North Macedonia demonstrates several weaknesses in the implementation of local government finance mechanisms. Decentralisation and territorial reforms implemented in the early 2000s have ensured a relatively high level of local autonomy, and the legal framework allows for various forms of intermunicipal co-operation. Nevertheless, public funding allocations to local authorities remain low. Additionally, their revenues from local sources are limited, restricting their ability to provide adequate public services.

While citizens of North Macedonia appear to trust local governments more than the national government (33% positive responses compared with 17%), the level of trust in local authorities is still below the regional average (33% positive responses in North Macedonia compared to 39% in the region).

Figure 4. Principles with highest and lowest indicator values compared to the Western Balkan average



Notes: Green bars show the five highest indicator values. Purple bars show the five lowest indicator values.

The way forward

Drawing on the comparative weaknesses in the functioning of public administration and the current state of play, and appreciating the significant potential of North Macedonia to implement reforms and advance good public administration, the following directions merit the highest-level attention and support:

- The Government should demonstrate stronger leadership and determination and ensure the full and timely implementation of all planned reforms across priority areas.
- The Government should finalise and adopt new legislative and regulatory frameworks to enable key reforms in public service management, including in top management, the salary system, and PIFC areas.
- The Government should enable and complete reorganisation of the public administration.
- The Government should strengthen efforts to improve the delivery of administrative services and seize upon digitalisation opportunities to keep pace with the region's other governments.
- The Government should enhance communication and engagement with external stakeholders and citizens and encourage their involvement in policy and reform planning, preparation and implementation; increase the transparency and openness of government decision-making; and provide full and free access to legislation.
- The Government should enhance the capacities of key central government institutions and strengthen their mandate for consistent and full implementation of all procedural and substantive checks on policies before they are approved.



Strategy

The government ensures a strategic **vision and leadership** for an agile, innovative and continuously improving public administration responsive to new challenges.

The Principles of Public Administration

- Principle 1** A comprehensive, credible and sustainable public administration reform agenda is established and successfully implemented, fostering innovation and continuous improvement.

Summary and recommendations

With adoption of the new public administration reform (PAR) Strategy 2023-2030 and the related Action Plan for 2023-2026 in July 2023, North Macedonia established a comprehensive strategic framework for reforms across all priority areas covered by the Principles of Public Administration.

The reforms are in line with the political priorities and strategic objectives of the Government. The new Government Programme 2024-2028 of the Republic of North Macedonia confirms the Government's political commitment to modernise and implement priority reforms in public administration in line with the European Union (EU) and the Principles of Public Administration. Public financial management (PFM) reforms are planned and implemented based on the PFM Reform Programme 2022-2025. Both PAR and PFM strategic planning documents are supported by detailed action plans, which have specific measures with clear institutional responsibilities and timelines for implementation established.

Financial sustainability of reforms is not fully ensured, with limited analysis of resource needs and risks related to sources of funding. The Government relies heavily on foreign sources of funding to implement many reforms, which poses implementation and reform sustainability risks. It is estimated that only one-third of PAR and PFM reforms are to be funded from domestic sources, even though PAR has been prioritised in key horizontal planning documents.

The overall reported implementation rate of reform measures in 2023 is estimated to be 39% across all areas, which is weaker than in previous years. Progress in achieving objectives is measured against predetermined targets for both strategies. For the PFM Reform Programme, fulfilment of objectives was reported to be 47% for 2023.

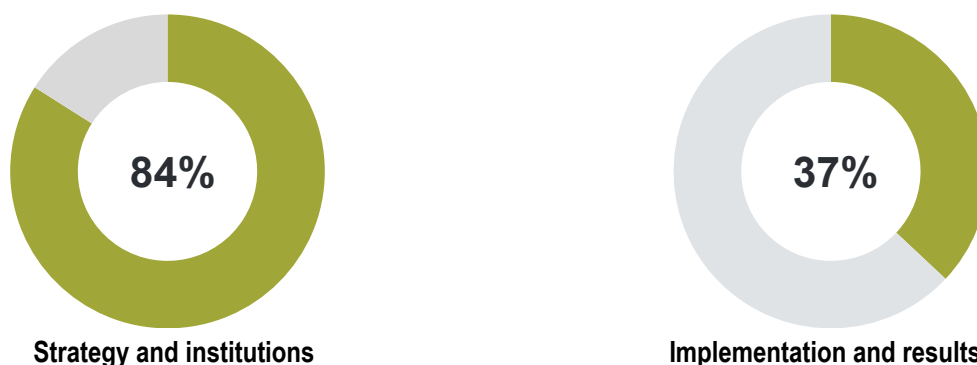
Monitoring reports for both the PAR and PFM strategies are produced too late in the process, making them somewhat redundant and not very useful for addressing implementation challenges and solving operational and monitoring issues. When produced, the reports do not provide information on the achievement of objectives but rather focus mostly on outputs and activities. Both public information provision and communication, as well as the internal promotion of PAR and innovative practices across the administration, need substantial improvement.

The functioning of PAR and PFM reform co-ordination structures was minimal over the reporting period, both at the political and administrative levels. Due to ongoing political processes in 2022-2024, there were frequent changes in the political leadership of the Ministry of Public Administration (MPA), formerly the Ministry of Information Society and Administration (MISA), which destabilised the PAR management and co-ordination structures. These frequent changes in political leadership for reforms create further challenges for effective co-ordination and management, and delays in reform implementation.

Changes in central government organisation were introduced in June 2024, impacting the institutional set-up for PAR co-ordination and monitoring, and key policy areas. PFM and PAR structures do not co-ordinate reform planning and monitoring effectively, especially in cross-cutting areas. Internal and external communication among stakeholders about reforms and their benefits has been weak. Furthermore, the reforms do not focus enough on innovation, particularly for promoting and applying innovative approaches across the public administration.

Overall, the existing strategic plans, institutional set-up and related guidance for reform planning and implementation are largely in line with the Principles of Public Administration. However, day-to-day implementation and results in the area demonstrate major weaknesses and include gaps and inconsistencies that limit the effectiveness and impact of the PAR agenda.

Figure 5. State of play by type of criterion in the area Strategy and continuous improvement of public administration



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should strengthen the internal capacities of relevant institutions to better monitor and improve reform implementation in practice, and it should allocate more funding from domestic sources to reduce financial gap and reliance on foreign-funded projects and ensure smooth and continuous implementation of all planned reforms.
2. The MPA and the Ministry of Finance (MoF), as the lead institutions for co-ordination of PAR and PFM reforms, should ensure that regular monitoring reports on strategy implementation are prepared and published on time, in line with the time frames established in the monitoring systems of both strategies. Monitoring reports should be prepared and published within the first quarter of the year to ensure timely intervention to address implementation challenges.
3. The PAR and PFM Councils and the relevant secretariats and units within the MPA and MoF should meet more regularly to discuss and co-ordinate implementation of cross-cutting reform measures more effectively.
4. The Government should clarify the formal role of the General Secretariat (GS) in PAR co-ordination to avoid unnecessary confusion and strengthen internal institutional accountability for more effective oversight and quality control of PAR. The GS should be consulted during planning and monitoring of PAR and PFM measures to ensure they are aligned with the Government's other policy and work plans.
5. The MPA and MoF should consider strengthening external and internal communication on PAR and PFM reforms to enhance wider understanding and appreciation of the planned changes and their positive impact on stakeholders. As part of this, the administration should consider identifying and promoting innovative approaches and practices.

Analysis

Principle 1: A comprehensive, credible and sustainable public administration reform agenda is established and successfully implemented, fostering innovation and continuous improvement.

In 2023, the Government renewed its PAR Agenda, establishing clear reform objectives and measures for all priority areas of public administration, including in PFM. However, the actual implementation of planned reform measures has worsened in the past year, largely due to political developments and Government changes. The quality of monitoring, reporting and communicating on reform implementation is weak.

Indicator 1. Quality of public administration reform (PAR) agenda		2024 indicator value	57/100
Sub-indicators		Points	
1.	Prioritisation of PAR in key horizontal planning documents	4/8	
2.	Scope and comprehensiveness of PAR agenda	20/23	
3.	Reported implementation rate of PAR agenda	8.3/30	
4.	Management and co-ordination of PAR agenda	10/12	
5.	Monitoring implementation of PAR agenda	6/10	
6.	Stakeholder involvement and communication	6.2/9	
7.	Promotion of innovative practices	2.7/8	

With adoption of the new PAR Strategy 2023-2030 and the related Action Plan for 2023-2026⁶ (PAR Strategy AP) in July 2023, North Macedonia renewed its PAR Agenda, in line with the strategic priorities set in the Government Programme 2022-2024⁷ and other key horizontal planning documents.⁸ The new Government Programme 2024-2028⁹ includes PAR and PFM reforms in its priority areas. It explicitly pledges to create efficient public administration, develop strong public services and reduce bureaucracy, in line with the Principles of Public Administration. Reforms in the PFM area have continued to be planned and monitored through the PFM Reform Programme 2022-2025.¹⁰ Preparation of the new PAR Strategy was delayed by about six months in 2023, creating a gap in reform planning and implementation.

The PAR and PFM planning documents cover all priority areas of public administration, and the individual reform measures of both strategies are tied to specific institutions with clearly set deadlines for completion. Adequate mechanisms are established for monitoring, reporting and evaluation, in line with the requirements outlined in the strategies. The MoF's practice is to regularly (mid-term) review and update the PFM Reform Programme, which allows it to make adjustments to reform implementation plans and

⁶ Public Administration Reform Strategy 2023-2030, adopted 11 July 2023.

⁷ Programme of the Government of the Republic of North Macedonia, 11 January 2022.

⁸ National Development Strategy 2024-2044 (draft); Economic Reform Programme 2024-2026; National Programme for Adoption of the Acquis (NPAA) for 2021-2025; Decision for the Strategic Priorities of the Government for 2023; and Fiscal Strategy of the Republic of North Macedonia 2024-2028.

⁹ Programme of the Government of the Republic of North Macedonia, 22 June 2022.

¹⁰ Public Financial Management Reform Programme 2022-2025 and its Action Plan, adopted by the Government of the Republic of North Macedonia on 21 June 2022.

timelines. However, this approach can make it harder to monitor and assess effectively the implementation and impact of reforms, especially those that involve complex changes spanning several years.¹¹

While the PAR and PFM reform priorities are largely in line with the Government's political priorities and strategic goals,¹² the specific activities of both the PAR Strategy and the PFM Reform Programme were found to be insufficiently aligned with the Government Annual Work Plan (GAWP). Three of the four laws planned for adoption in the PAR Strategy AP were missing from the GAWP for 2024.¹³ Additionally, the PFM Reform Programme AP lacks sufficient detail, making it unclear which laws are expected for preparation and adoption in 2024 (see also Principle 3).

Analysis of funding sources for PAR and PFM reforms reveals significant risks to reform implementation. Although expected costs are outlined, only 33% of total anticipated costs are to be covered by the state budget.¹⁴ Additionally, in cost estimates of the PAR Strategy are not supported by detailed calculations of different types of additional resource needs that explain, for example, breakdowns of one-off and recurrent costs. This absence of reliable costing of planned measures and weak financial monitoring creates risks for the actual implementation of reforms in the medium to long term.

There are major weaknesses in actual implementation, monitoring and reporting. First, preparation and publication of the annual monitoring reports, as required by the relevant strategies, is not carried out regularly and reports are not published on time. For example, the 2023 annual monitoring reports on the PAR and PFM Strategies had still not been formally published as of July 2024. This reflects a wider issue related to the quality and regularity of preparing monitoring reports for sectoral planning documents (see also Principle 3).

For 2023, the reported implementation rate of planned measures was 39%.¹⁵ Overall, 44 activities were planned for full implementation for both strategies in 2023, but only 17 were implemented. While delays of certain reforms could be explained by the pre-election period, it is alarming that implementation has fallen in recent years (Figure 6). Both strategies have indicators to measure progress in achieving objectives. Fulfilment of objectives for the PFM Reform Programme for 2023 was estimated at 47% (14 out of 30 objective targets were achieved).^{16, 17}

¹¹ The MoF has prepared a new draft PFM Reform Programme covering 2024-2027. It was submitted to the Government in spring 2024, but approval was delayed by parliamentary elections and the subsequent change of government. As the new Programme had not been approved as of October 2024, the previous Programme has been analysed.

¹² Government Programme approved by the National Assembly on 22 June 2024.

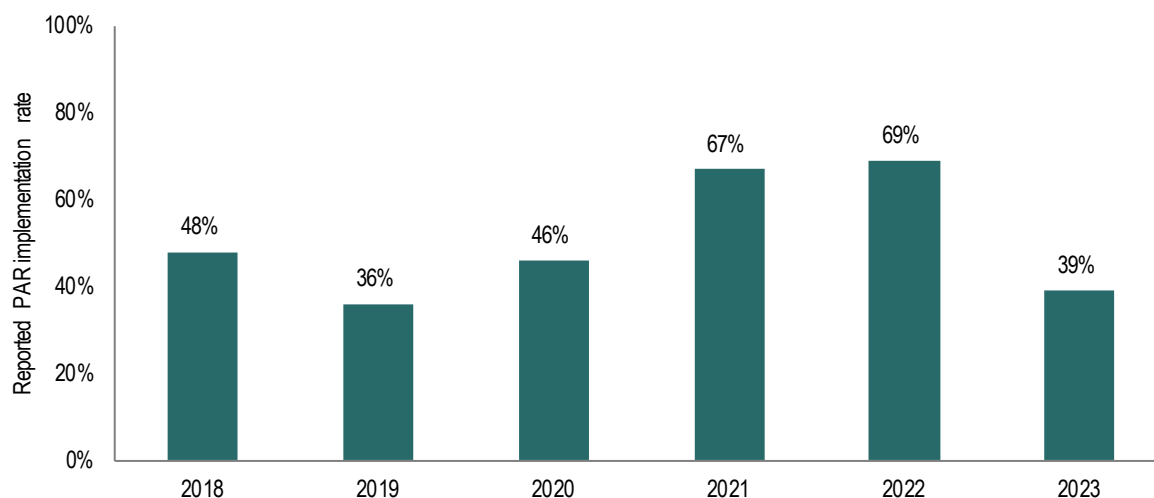
¹³ The following three laws are not included in the PAR AP: 1) Law on Amendment of the Law on the Central Register of Population; 2) Law on Establishment of the ICT Agency; and 3) Law on Amendment of the Law on Archival Activity.

¹⁴ Analysis based on costing information in the PAR Strategy and PFM Reform Programme documents.

¹⁵ Based on official information provided by the administration but not verified and confirmed, as the monitoring reports were not ready and approved at the time of preparation of the report.

¹⁶ Based on official information provided by the administration in the draft monitoring report for 2023. The results were checked and confirmed using the official information provided in the report that was approved in August 2024.

¹⁷ Outcome-level indicators are used to monitor progress in meeting PAR Strategy objectives, but the fulfilment level cannot be assessed until 2024 because the targets are set for the end of 2024.

Figure 6. Reported implementation of planned PAR and PFM reform measures

Notes: 2018-2020 results are from the 2021 SIGMA Monitoring Report. The bars indicate the combined average of both the PAR and PFM strategies and include only fully implemented measures.

Source: SIGMA calculations, based on official data provided by the administration.

Political-level co-ordination of reforms is carried out by the PAR and PFM Councils.^{18, 19} The PFM Council organised two written consultations in 2023, while the PAR Council met once in 2023. At the administrative level, the PFM Sector Working Group met quarterly as planned, but the PAR Secretariat convened just twice during the same reporting year. The actual effectiveness of these bodies in steering, managing and supporting implementation of complex reforms is uncertain, as the minutes of meetings do not indicate substantive discussions and/or decisive actions being taken to advance reform implementation. Co-ordination and collaboration between the MPA (formerly MISA) and the MoF at the administrative level, especially for complex and cross-cutting reforms, have been limited.²⁰

The institutional responsibilities of central ministries were reconfirmed in recent amendments to the Law on the Organisation and Operation of State Administrative Bodies (LOOSAB).²¹ The MPA is confirmed as the lead institution for PAR, with staff transferred from MISA.²² However, the legal framework is not fully harmonised and the GS is also formally assigned to co-ordinate PAR-related activities.²³ Both the MPA and MoF have dedicated units for daily co-ordination and monitoring of reforms.

¹⁸ PAR Council, chaired by the Prime Minister, established 19 September 2023, Official Gazette No. 201/2023.

¹⁹ PFM Council, chaired by the Minister of Finance, established 17 June 2022, Official Gazette No. 139/2022.

²⁰ A co-ordination meeting took place in autumn 2023 through SIGMA facilitation.

²¹ Amendment to the Law on the Organisation and Operation of State Administration Bodies, June 2024.

²² Ibid., Article 28.7.

²³ Law on the Government, Article 40a.2. The relevant provision of the Law on the Government has not been updated at the time when the Amendments to the Law on the Organisation and Operation of State Administration Bodies, which transferred the PAR responsibility to MISA, were adopted in 2010. In practice, however, only the MPA co-ordinates PAR as the lead institution for monitoring the PAR Strategy.

During 2022-2024, five different ministers had leading roles in PAR due to various political developments and changes in the Government. This has introduced additional instability and volatility into overall PAR implementation and co-ordination.

In terms of stakeholder involvement in PAR, civil society organisations (CSOs) were part of the working groups tasked with developing the PAR and PFM strategies, and the two strategic documents were disclosed to the public for formal online consultation. Moreover, selected CSOs are members of the PAR Secretariat and the PFM Sector Working Group, administrative-level structures that monitor and co-ordinate the reforms.

In general, communication on PAR and the provision of public information on PAR and PFM reforms is limited. A major public event was organised in September 2023 to launch the newly adopted PAR Strategy, but it was an ad-hoc communication event used at the beginning of the reform phase. Although all relevant PAR and PFM documents are published online,²⁴ no dedicated, user-friendly information is available for citizens to learn about past, ongoing and planned reforms. Public awareness of North Macedonia's PAR and PFM reforms is therefore low, at only 22.7%, the lowest in the Western Balkan region.²⁵

Neither the PAR nor the PFM Strategies foster innovation within the public administration. When it comes to the quality of reform measures, there is no practice to promote PAR through special events, awards or activities, nor does the administration proactively promote good practices related to innovative approaches in public administration. Consequently, public servant perception of good innovative approaches being encouraged throughout the public administration was at 38%,²⁶ (Figure 7) while their perception about new, innovative practices introduced by other institutions being shared across public administration was gauged to be 35%.²⁷ The latter is the lowest among all Western Balkan administrations.

²⁴ PAR: <https://www.mioa.gov.mk/news/reforma-vo-javna-administracija-2103.nspix>

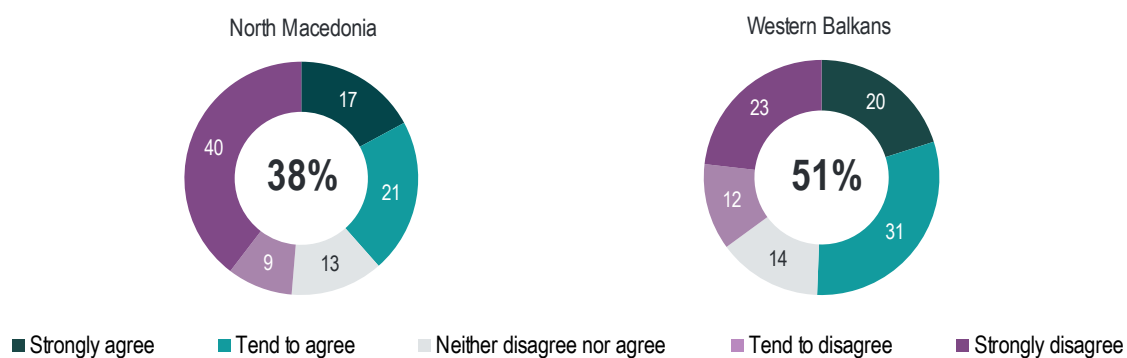
PFM: <https://finance.gov.mk/public-financial-management-reform-programme-2018-2021-5/?lang=en>

²⁵ SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

²⁶ SIGMA Survey of Public Servants on the functioning of public administration 2024.

²⁷ Ibid. The share of respondents who answered “strongly agree” or “tend to agree” to the following survey question: “To what extent would you agree with the following statement: Innovative, new practices introduced by colleagues in other departments and institutions are shared across public administration.”.

Figure 7. Public servant perceptions about them being encouraged to innovate and look for new ways of improving things in the public administration



Note: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statements?" "My organisation continually encourages me to look for new ways of improving the way things work." The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Public Servants on the functioning of public administration in the Western Balkans 2024.



Policy development and co-ordination

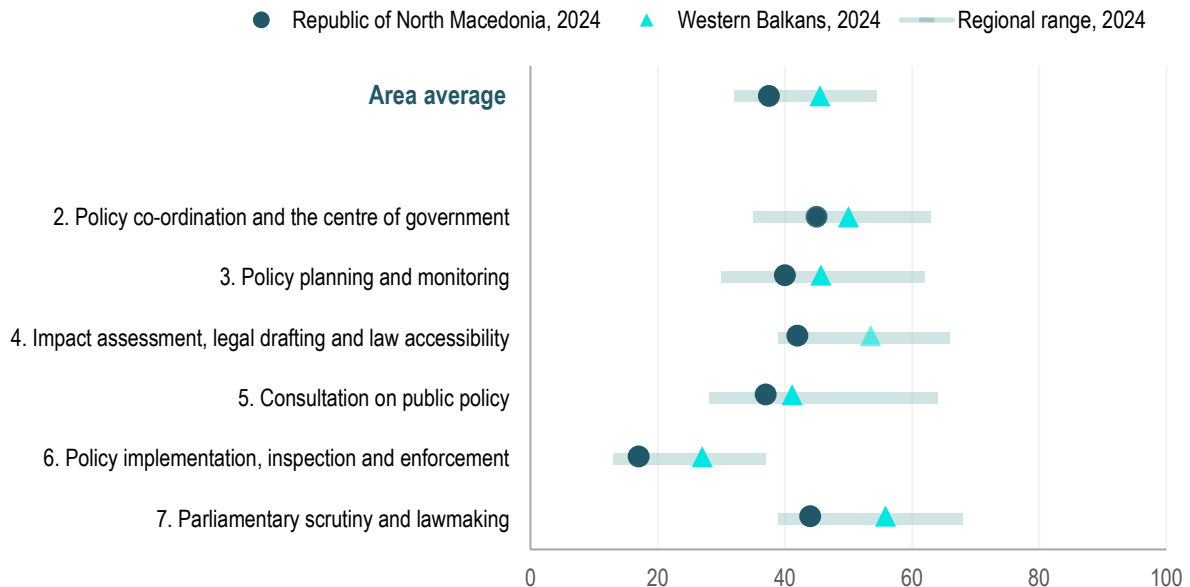
The government ensures that **policies and budgets are harmonised**, effectively planned, co-ordinated across the whole-of-government, implemented, monitored and evaluated against clearly defined policy objectives. Ministries develop coherent public policies through an open and participatory process, informed by sound evidence and analysis.

The Principles of Public Administration

- Principle 2** Public policies are coherent and effectively co-ordinated by the centre of government; decisions are prepared and communicated in a clear and transparent manner.
- Principle 3** The government plans and monitors public policies in an effective and inclusive manner, in line with the government fiscal space.
- Principle 4** Public policies are developed based on evidence and analysis, following clear and consistent rules for law making; laws and regulations are easily accessible.
- Principle 5** All key external and internal stakeholders and the general public are actively consulted during policy development.
- Principle 6** Public policies are effectively implemented and evaluated, enhancing policy outcomes and reducing regulatory costs and burdens.
- Principle 7** The parliament effectively scrutinises the government policymaking and ensures overall policy and legislative coherence.

Summary and recommendations

Figure 8. The overall indicator values in the policy development and co-ordination area



Notes: Area average is a simple average of the Principles within the area. Western Balkan average is calculated as a simple average of all administrations.

While important regulatory procedures and rules for effective functioning of the centre of government (CoG) are established, in practice the implementation of these functions and central policy co-ordination are inconsistent and weak. Important procedural and substantive policy checks, such as reviews of the completeness and quality of documentation included in the final policy packages, are not being consistently and fully carried out by CoG bodies. There is a persistent practice of tabling many items for government approval on or just before the day of the government session to bypass all procedural and substantive checks on these items, which seriously threatens policy quality and coherence.

Openness and transparency of government decision making is limited. The agendas of Government sessions are published only after the meetings take place. Furthermore, while records and decisions are centrally managed and communicated to those affected, the minutes of government sessions are not consistently published after each meeting.

Improvements have been made to the regulatory framework for national and sectoral policy planning, but the overall quality of government planning remains low. The Government approved a new regulatory and methodological framework for sector and cross-sector strategy development, monitoring and reporting in 2022. This has already positively impacted the quality of sectoral strategies. Additionally, a new Law on National Development Strategy was adopted in 2024, laying the foundation for developing and monitoring a long-term strategic vision for the country.

Formal EU co-ordination and planning functions under the institutional responsibility of the Ministry of EU Affairs (formerly Secretariat for European Affairs [SEA]) are established, but there are gaps in the regulatory framework and practices related to European integration (EI) planning. The National Programme for Adoption of the Acquis (NPAA) 2021-2025, the official EI planning document, covers specific activities for a five-year implementation timeline. However, short-term (annual) monitoring and reporting on EI activities is effectively carried out under the GAWP, and links with the NPAA are not

clearly established. There is no practice of preparing and publishing annual implementation reports on the NPAA.

The PAR Strategy 2023-2030 includes selected reforms to strengthen evidence-based policymaking, mainly through regulatory impact assessments (RIAs) and public consultations, but there is no strong whole-of-government policy on better regulation. Institutional responsibility for managing and overseeing regulatory management tools, RIA and public consultations, is not clearly established and operationalised in practice, and planned reforms to transfer RIA oversight from the MPA to the GS is not completed, creating unnecessary confusion and further worsening RIA quality control. Institutional responsibility for public consultations has also not been established, which may explain the weak implementation results in this area as well. Public consultation covers laws and strategies only, not secondary legislation. ENER is the main central platform used for consultation, but documents published on ENER (such as RIAs) are not the final versions that were presented to and approved by the Government. Monitoring and reporting on the outcome of public consultations on individual policies is very weak. Overall, it is not possible to assess the quality of public consultations or their impact on final policy design.

While RIAs have been institutionalised in the policymaking system for more than a decade, their implementation and impacts remain inconsistent and limited. RIAs cover only primary legislation and, in practice, are carried out for just about half of all legislation approved by the Government. RIA quality is not fully and consistently checked, including for the application of exclusion and exception rules. In fact, the quality of the actual RIA reports analysed is very weak, making them practically irrelevant and not useful for evidence-based policymaking. Major sections of the RIA forms are often incomplete, and RIAs are initiated very late in the process and are not updated and published regularly, especially at key policymaking stages (e.g. during public consultations).

Legislation and regulation accessibility and availability remain limited. Not all laws and secondary legislation are available online for free. Consolidated versions of laws are prepared, but they are not official and can be accessed only after paying a fee.

Existing regulations and practices related to EU law transposition have weaknesses that create significant risks for evidence-based and effective transposition of the EU *acquis*. EU law transposition cases are adopted through shortened procedures, reducing the amount of time taken to prepare and scrutinise many important laws. The quality of RIAs on EU transposition laws is low, lacking adequate references and connections to the underlying EU laws and related EU Impact Assessment reports. Tables of Concordance and SEA opinions are not prepared consistently.

Policy implementation and ex-post evaluation show significant deficiencies. Many laws introducing new regulatory provisions do not have the necessary secondary legislation adopted. The Government does not have a central policy for administrative simplification and burden reduction. Although the regulatory and institutional framework is sound, inspection services are not well co-ordinated and there is a risk of overlaps. Furthermore, international regulatory co-operation is lacking.

Parliament reviews and adopts a significant number of laws through non-standard procedures, the highest in the region. This practice creates significant risks for evidence-based lawmaking, as it limits the amount of time allowed for parliamentary scrutiny and debates. The Parliament and Government do co-ordinate their legislative work and the Government informs Parliament regularly about its legislative priorities and plans. However, since a large share of government-sponsored laws submitted to the Parliament are not included in the original legislative plan, Parliament cannot rely on the submitted information to plan its work effectively. Important regulatory management tools, such as RIAs and public consultations, are not systematically used to inform lawmaking in the Parliament. RIA reports prepared by ministries are not shared with the Parliament. The Parliament adopted new Rules of Procedure (RoP) that entered into force with convocation of the new Parliament in May 2024. The new regulations envisage

improvements in certain procedures, including the possibility to require impact assessments for laws. However, it is too early to assess the effectiveness of this change in practice.

Overall, the existing legal framework, institutional set-up and related strategies and guidance are to a larger extent in line with the Principles of Public Administration, while implementation practice and results include significant weaknesses, gaps and inconsistencies that limit effectiveness and impact of the government policymaking system.

Figure 9. State of play in policy development and co-ordination by type of criterion



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should strengthen its internal procedures, improve discipline and refrain from the practice of allowing ministers to table regular policy proposals during or just before government sessions.
2. The GS of the Government should implement its formal “gatekeeping” and quality-control functions more consistently and purposefully, including carrying out procedural and substantive checks on the content of all final policy proposals to ensure policy coherence and alignment with the strategic priorities. It should be empowered to return items to the lead ministry in case of major flaws in the package, including when major deficiencies are identified in supporting documents, such as RIA reports.
3. The Government should improve the transparency and openness of its work and government decision making. In particular, it should ensure that agendas of government sessions are published in advance, and all minutes taken at the meeting are consistently published and available to the public.
4. The Government should ensure that reports on the implementation of policy planning documents, including on the GAWP, the NPAA and cross-sectoral and sectoral strategies, are prepared and published regularly, preferably during the first quarter after the end of the reporting year. The Government should evaluate and strengthen current procedures and practices for planning and monitoring EU integration-related measures using the multiannual NPAA, and it should consider preparing and approving regular (annual) revisions to the multi-annual plans.
5. The Government should strengthen institutional responsibility, capacity and mandates for overseeing and managing RIAs and public consultation, and enhance capacities of line ministries for conducting good quality analysis.
6. The Government should strengthen the quality of public consultation monitoring and ensure that other (diverse) forms of stakeholder engagement are used to engage and consult with key stakeholders and citizens more effectively.
7. The Government, in consultation with the Parliament, should review and change the existing practices and procedures (if needed) for scrutinising and approving draft laws through shortened proceedings, including the draft laws related to EU law harmonisation (“EU-flagged” laws), with an objective to reduce the number of laws processed through such non-standard procedures. Adequate time and resources should be allocated for preparing, debating and scrutinising all draft legislation.
8. The Government should submit RIA reports and other supporting documents prepared for government-initiated laws to the Parliament to facilitate evidence-based scrutiny of legislation in the National Assembly. Similarly, the National Assembly should systematically consult and seek Government opinions on draft laws initiated by members of parliament (MPs) to ensure overall policy and legislative coherence.
9. The Government should initiate necessary changes to provide businesses and citizens full and free access to all official laws and sublegal acts, including in a consolidated form.
10. Both the Government and the Parliament should strengthen their procedures and practices for ex-post monitoring and evaluation of policies to assess their effectiveness and impact, address implementation challenges and achieve better policy outcomes.
11. The Government should review the existing legislative and institutional framework to better co-ordinate inspection activities to avoid duplications and unnecessary inspections. The Government should develop inspectorates’ internal capacities, including for using administrative and IT systems, to ensure all planned inspections are risk-based.

Analysis

Principle 2: Public policies are coherent and effectively co-ordinated by the centre of government; decisions are prepared and communicated in a clear and transparent manner.

While a regulatory framework for effective central government co-ordination and decision making is in place, the implementation of many important functions related to central quality control and co-ordination is weak and inconsistent. Checks on procedural and policy compliance, including on EU integration planning, are not done consistently. These problems have persisted for several years without major improvements recorded.

Indicator 2. Effectiveness of the centre of government (CoG), policy co-ordination and government decision-making		2024 indicator value	45/100
Sub-indicators		Points	
1.	Assignment of critical functions to CoG institutions by legislation	8/9	
2.	Internal co-ordination between CoG institutions	3/6	
3.	Preparation of government sessions and openness of decision making	15/28	
4.	Central quality check on procedural compliance	3/30	
5.	Co-ordination of government communications	5/6	
6.	Co-ordination of risk and crisis management	3/5	
7.	Assignment of EI-functions to CoG institutions by legislation	4/4	
8.	Availability of guidelines on EI processes	4/4	
9.	Effectiveness of EI co-ordination in practice	0/8	

Most CoG functions and the institutional responsibilities for their implementation are formally established, primarily through the Law on Government,²⁸ the LOOSAB²⁹ and the RoP of the Government.³⁰ The regulatory framework is further completed by the relevant institutions' systematisation and rulebooks of internal organisation,³¹ which allocate specific functions to the various internal units of CoG institutions. The GS is formally assigned most of the CoG functions, such as preparing and co-ordinating government sessions, preparing and monitoring strategic government priorities and the GAWP, and checking the content of policy proposals submitted to ensure they are consistent and based on good analysis.³² The

²⁸ Law on the Government, Official Gazette No. 59/2000, with subsequent amendments.

²⁹ Law on the Organisation and Operation of State Administrative Bodies, with amendments adopted June 2024.

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

³¹ Rulebook on Internal Organisation of the General Secretariat; Rulebook on Internal Organisation of the Office of the President of the Government; Rulebook on Internal Organisation of the Centre for Crisis Management.

³² Law on the Government, Article 40, and RoP of the Government, Article 67. According to Article 18 of the Rulebook on Internal Organisation of the General Secretariat, the task of "ensuring that the materials and acts submitted to the Government and its working bodies are consistent and based on elaborate and high-quality analyses" is assigned to the sector responsible for preparing the formal sessions of the Government and its working bodies.

latter is also supported by the RIA system, which has been led by the MPA, with plans to transfer responsibility to the GS.³³

The GS, through the Department for Public Relations and Protocol, is responsible for regularly informing the public on government performance. The Legislative Secretariat (LS) is tasked with ensuring the legality of policy proposals, the consistency of legal drafting and the alignment of proposals with the *acquis*. The MoF has to check the financial affordability of policy proposals and overall management of public financial resources³⁴, while the SEA³⁵ oversees the EI process. Meanwhile, the Crisis Management Centre (CMC) ensures continuous government decision making in crisis situations and manages external risks (specific legislation is in place for crisis management).³⁶

The quality and effectiveness of implementation of several CoG functions were found to be inconsistent and incomplete in practice. The GS does not conduct substantive checks on the contents of proposals to ensure their consistency with Government priorities, while procedural checks on the completeness and accuracy of supporting documents considered during Government sessions (e.g. on the completeness of required documentation and opinions) are not fully and consistently performed.³⁷ This happens partly because a large number of items discussed and approved by the Government are prepared and submitted very late in the process, and some are tabled even on the day of the actual meeting, bypassing key central quality-control and procedural checks.³⁸

More than half of the 113 draft laws adopted by the Government in 2023 had not received formal written LS opinions, while 30 did not have an MoF opinion, suggesting that important central checks on the coherence and consistency of legal drafting and financial viability are not being undertaken consistently for all approved draft legislation.³⁹ While it is possible that the relevant institutions that did not provide formal written opinions expressed their positions during Government sessions, this practice is a serious risk for coherent, consultative and co-ordinated policymaking. Similar gaps exist for checks on the completeness of documentation related to evidence-based policymaking, such as RIAs and public consultations. The GS is mandated to return improperly prepared or incomplete materials submitted for Government sessions,⁴⁰ but unfortunately this authority is rarely exercised.

CoG bodies such as the GS and LS co-ordinate their work among themselves during GAWP preparation.⁴¹ However, communication and co-ordination is limited and sporadic among the different GS units on substantive policy issues that inform the preparation of final policy packages, before inclusion of an item in a Government session agenda.

³³ MISA was transformed into the MPA as part of the organisational changes in government made after the May 2024 parliamentary elections. According to the PAR Strategy 2023-2030, the Government planned to transfer responsibility for RIA oversight and management from MISA/MPA to the GS in 2024, but this had not yet happened as of completion of this report.

³⁴ RoP of the Government, Article 68.

³⁵ SEA's institutional responsibility was transferred to the newly established Ministry of EU Integration in June 2024.

³⁶ Law on Crisis Management, Official Gazette No. 29/05, with subsequent amendments.

³⁷ Analysis based on a review of all draft laws and supporting documentation approved by the Government in 2023.

³⁸ According to official statistics shared by the administration, 959 items (23% of all items discussed in 2023) were added to the agenda of the Government session on the day of the meeting.

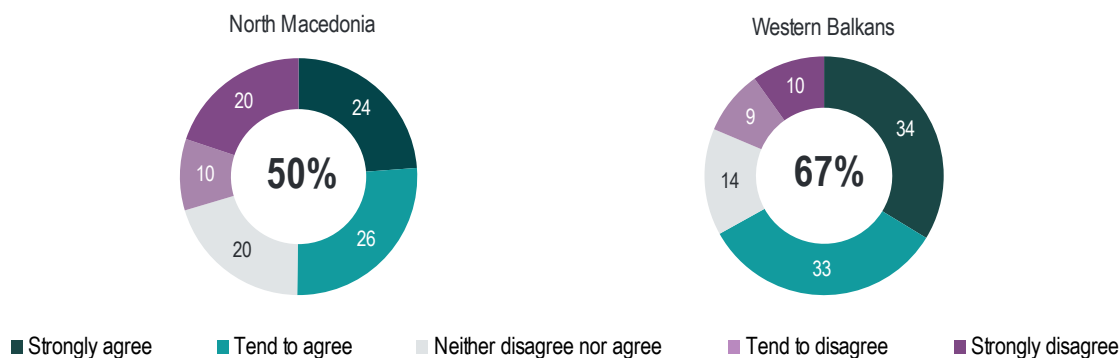
³⁹ Analysis based on information provided by the administration on all draft laws approved by the Government in 2023.

⁴⁰ RoP of the Government, Article 75c.

⁴¹ Based on a review of their practices during preparation of the 2024 GAWP.

Public servants in ministries perceive the CoG's effectiveness in policy co-ordination as relatively low compared with other administrations in the region. In fact, only 50% agree that the CoG carries out effective co-ordination of decision making at the government level to ensure high quality and coherence. (Figure 10)

Figure 10. Public servant perceptions about quality of policy co-ordination by CoG



Notes: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statements?" "The CoG institution adequately co-ordinates decision making at the government level to ensure its quality and coherence". The question was directed to relevant officials in line ministries who have responsibilities involving drafting policies, strategies, plans or legal acts or monitoring their implementation. The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Public Servants on the functioning of the public administration in the Western Balkans 2024.

The agendas of Government sessions are publicly available, but only after a session is over, preventing the public from being informed in advance about key policy issues the Government is considering. This practice also allows for significant changes to be made to Government agendas immediately before or even during the sessions.

In recent years, the Government has developed a strong approach to central co-ordination of government communication based on a dedicated strategic planning document on key policy priorities.⁴² The Office of the Prime Minister (OPM) manages a central policy communication grid/calendar, but it was not possible to verify implementation of the grid in practice. Furthermore, Government work is to be communicated after each session, but session minutes presenting the decisions are not consistently published after each session.⁴³ Additionally, communication through social media is not co-ordinated to ensure that policy messages are clear and consistent across all the various digital media channels owned by different ministries and institutions.

The CoG in North Macedonia does not co-ordinate transitions of Government before and after elections, for instance by issuing guidance on how to prepare policy briefing notes for incoming ministers. In practice, transition smoothness depends on incoming ministers requesting information about priority policies and ongoing projects. This can weaken policy continuity and institutional memory, especially considering the changes in key staff that often take place after elections.

Overall co-ordination of EU integration is the responsibility of the SEA, which was transformed into a ministry as part of government restructuring in June 2024. In 2022, the Government introduced a new

⁴² Government Communications Strategy 2023-2024, <https://vlada.mk/komunikaciska-strategija-2023-2024?ln=mk>.

Foreign partners, particularly the UK government, supported reforms in government communication.

⁴³ Based on a review and checks of the Government website, which provided information about several Government sessions in 2024.

negotiation structure for EU accession,⁴⁴ under which a new political-level Committee for Negotiations was formed. However, the Committee did not meet in 2023 and discussions at the political level were limited.

It is not possible to confirm that the SEA consistently reviews and provides opinions on all EU integration-related laws. Of 113 draft laws approved by the Government in 2023, with 39 related to EU integration, SEA opinions were reportedly provided for just 14.⁴⁵ Further checks were carried out on a sample of three EU-related legislative proposals, two of which lacked an SEA opinion.⁴⁶ Guidelines⁴⁷ are available to ministries to help them implement key EI functions, including how to transpose EU law and how to organise translation of the *acquis*.

Principle 3: The government plans and monitors public policies in an effective and inclusive manner, in line with the government fiscal space.

While sectoral policy planning has improved, the overall quality, alignment and consistency of government work and policy planning documents remain weak. A new Law on the National Development Strategy has been introduced, but the strategy has not yet been approved and its links with other policy plans have not been established. Monitoring and reporting on government performance based on various policy planning documents, including the NPAA, are limited.

Indicator 3. Quality of policy planning and reporting		2024 indicator value	40/100
Sub-indicators		Points	
1.	Adequacy of the legislative and institutional framework for policy planning and reporting	7/7	
2.	Availability of guidance to line ministries during the policy planning and reporting process	6/7	
3.	Alignment between central policy planning documents	0/10	
4.	Quality and transparency of policy planning documents	11.5/21	
5.	Financial sustainability of policy planning documents	0/7	
6.	Implementation of government commitments	8.7/15	
7.	Quality and transparency of policy reporting and monitoring	3/17	
8.	Quality and transparency of European integration (EI) policy planning	2/6	
9.	Implementation of European integration (EI) commitments	1.5/6	
10.	Quality and transparency of EI monitoring and reporting	0/4	

⁴⁴ Decision on Establishing a Structure for Accession of the Republic of North Macedonia to the European Union, 13 September 2022, and Decision to Supplement the Decision on Establishing a Structure for Accession of the Republic of North Macedonia to the European Union, 20 October 2022. In October, 2024, SIGMA was informed that the decision had been amended to reflect the new structure of the Government. As a result, the Minister for EU Affairs has become the Chief Negotiator, and the Deputy Minister is the Deputy Chief Negotiator.

⁴⁵ Based on official information provided by the administration.

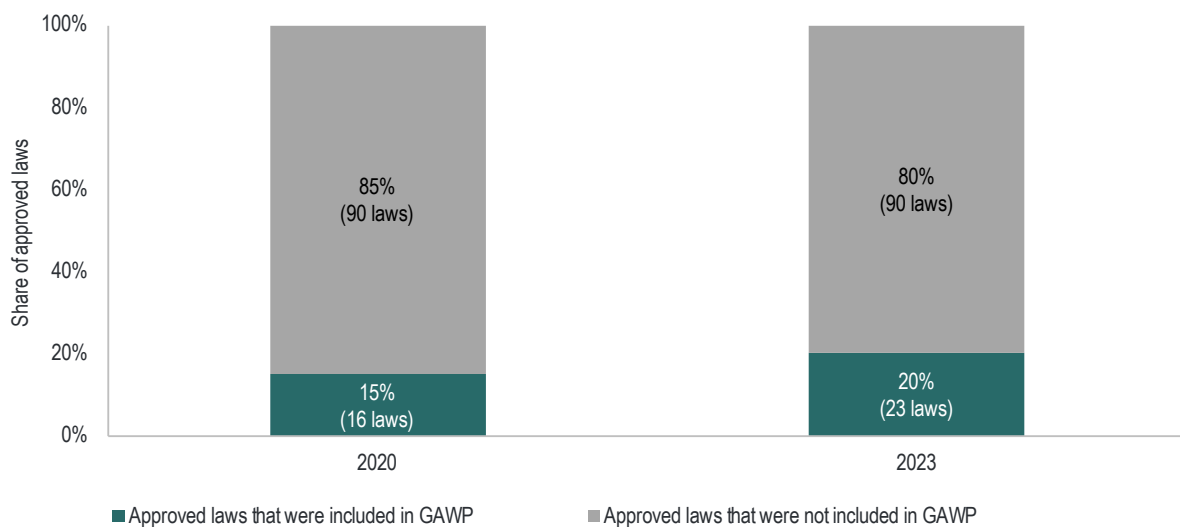
⁴⁶ Draft Law on a Register for Mandatory Social Insurance, and draft Law on Safety of the Network and Information Systems and Digital Transformation.

⁴⁷ Procedural Manual for Harmonisation (2002); Manual for the Translation of EU Legal Acts, third amended edition (2021); Technical Guidelines for Editing Documents during the Translation of EU Law (Acquis) (2021); Technical Guidelines for Co-ordination, Monitoring and Reporting on Implementation of the NPAA; and Technical Guidelines for Using the NPAA portal.

The Government Programme⁴⁸ and the GAWP lay out the Government's strategic policy priorities. Regulations require that all other planning documents, including ministries' institutional plans, be aligned with the strategic priorities and the GAWP. Regulations⁴⁹ also require that sectoral strategies' goals and activities be considered during GAWP development. Additionally, ministries' institutional plans include activities that can help achieve Government priorities.

GAWP quality and implementation are weak: in 2023, the reported implementation rate of GAWP activities was 39%.⁵⁰ Furthermore, only 20% of the laws approved by the Government in 2023 were originally planned in the GAWP for that period.⁵¹ While this is better than the 2021 evaluation for this indicator (15%), it still suggests that a significant share of government-approved draft laws are not included in the GAWP (Figure 11). Additionally, 28% of the 97 draft laws planned for adoption in 2023 were carried forward to the 2024 GAWP.⁵² None of the strategies planned in 2023 were carried forward to the next GAWP, but only five out of nine planned strategies were actually adopted by the end of the year, with the rest being effectively dropped.

Figure 11. Share of laws approved by the Government originally included in the GAWP



Source: SIGMA analysis based on official data for government planned and approved laws in 2020 and 2023.

In 2022, the Government approved new guidelines and a methodology for sector and cross-sector strategy development and monitoring.⁵³ These guidelines describe the process of preparing and monitoring a

⁴⁸ Government Programme 2024-2028, approved in June 2024.

⁴⁹ Guidelines for Ministries on the Development and Monitoring of Implementation of the Annual Work Programme of the Government (2019), and the Methodology for Strategic Planning and Preparation of the Annual Work Programme of the Government (2008).

⁵⁰ Based on information provided by the administration in its report on GAWP implementation in 2023.

⁵¹ Of the 113 laws approved, only 23 were included in the 2023 GAWP.

⁵² Only 22% of the planned laws were approved, and 49 legislative commitments were dropped entirely.

⁵³ Guidelines on the Structure, Content and Method of Preparation, Implementation, Monitoring, Reporting and Evaluation of Sectoral and Multisectoral Strategies; and the Methodology for Preparation, Implementation, Monitoring, Reporting and Evaluation of Sectoral Strategies.

sectoral strategy, covering the whole preparatory cycle from launching an initiative to situation analysis, data analysis, formulating conclusions and proposals, and monitoring and reporting. An annex includes a model of a strategy with all relevant steps. Adoption of these documents was an important milestone in improving sectoral policy planning and monitoring.

A central quality-control function has also been established within the GS to monitor and ensure the quality of the process, but implementation by the GS was inconsistent in 2023. Of the 14 strategies approved by the Government in 2023, six were not reviewed by the GS. This further highlights the weak mandate the GS, as the main CoG institution, has in performing important gatekeeping functions for government decision making.

While there have been some improvements in the quality of sectoral strategies adopted in 2023, particularly in terms of using a standardised template covering key topics, analysis of some sample plans revealed weaknesses.⁵⁴ For instance, the use of indicators to measure outputs and outcomes was found to be incomplete across the sample strategies. While output-level indicators are often formulated, outcome indicators are rarely used and often lack measurable target values, making it difficult to monitor progress. Activity costing and funding sources were also incomplete, undermining the credibility of these documents. State budget preparation circulars and guidance documents do not require ministries to take into account the anticipated costs detailed in sectoral strategies, thus creating inconsistencies and gaps between financial and policy planning.

Furthermore, policies proposed in the sectoral strategies are not always consistent with the GAWP. For instance, only 3 of the 20 draft laws planned for adoption in 2024 in the sample sectoral strategies were also included in the GAWP for 2024,⁵⁵ highlighting weak co-ordination and planning across the different government policy plans.

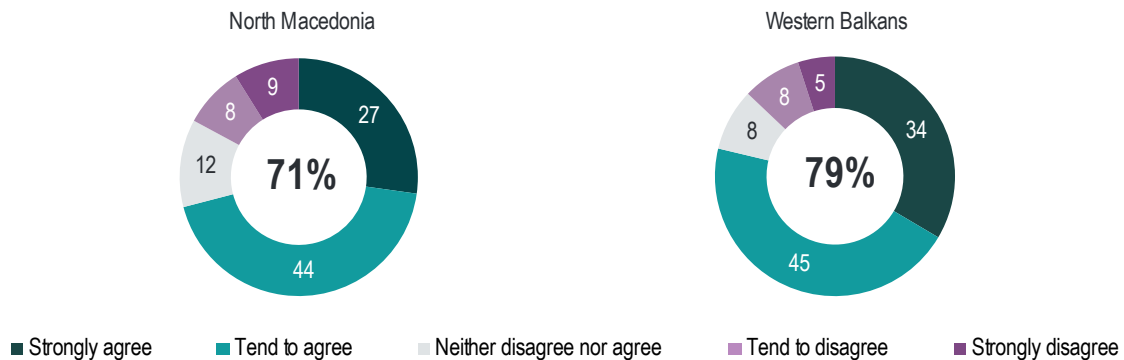
All valid strategies are required to have a monitoring and reporting system established, with annual monitoring reports to be submitted to the Government by the end of March. However, out of 47 valid strategies, only 15 implementation reports were prepared and submitted to the Government for approval during 2023. Furthermore, only four of them were publicly available.

A SIGMA survey of public servants revealed that 71% agree that guidance, advice and support are available for preparing strategies, programmes and plans; 67% agree that support is available for preparing implementation reports; and 59% agree that support is available for preparing inputs for the Medium-Term Budgetary Framework (MTBF). All these results are lower than the regional average.

⁵⁴ Sample strategies analysed: 1. Strategy for Transparency of the Government (with Action Plan 2023-2026), Office of the Deputy Prime Minister responsible for Good Governance, approved 12 June 2023; 2. Development Sector Strategy for Judiciary (with Action Plan 2024-2028), Ministry of Justice, approved 26 December 2023; 3. Strategy for Formalising of the Informal Economy in the Republic of North Macedonia 2023-2027 (with Action Plan 2023-2025), MoF, adopted 9 December 2023; 4. Smart Specialisation Strategy of the Republic of North Macedonia 2023-2027 (with Action Plan 2024-2025), Ministry of Education and Science, adopted 12 December 2023; and 5. National Strategy for Youth (with Action Plan 2023-2025), Agency for Youth and Sports, adopted 26 September 2023.

⁵⁵ Based on a review of the legislative measures planned for implementation in 2024 in the relevant action plans of the sample sectoral strategies.

Figure 12. Public servant perception of support for preparing policy planning documents



Note: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statements?" "Guidance, advice and support are available for preparing strategies, programmes and plans". The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Public Servants on the functioning of the public administration in the Western Balkans 2024.

EI planning is based on the NPAA, led by the SEA.⁵⁶ The NPAA, a multiyear planning document, covers 2021-2025 and has not been updated since 2021.

It is worth noting that the NPAA has not been clearly established or confirmed as the Government's official medium-term planning document in the regulatory framework. Likewise, the requirements for preparing, regularly updating, monitoring and reporting on the EI plan – and its relationship with other policy planning documents – have not been clearly established. Short-term (annual) planning of EI activities is effectively carried out using the GAWP.⁵⁷ Nevertheless, analysis of the 2023 GAWP reveals that only 25% of planned EI measures were implemented.⁵⁸ Additionally, the SEA claims that internal planning tools are available to plan activities in the short term, but it is not clear what their formal status is or how they are linked with the Government's formal planning instruments, including the GAWP and the NPAA.⁵⁹ Since 2021 there has been no regular monitoring or reporting on NPAA 2021-2025 implementation, as it is evaluated only when the new programme documents for the next period are being prepared.⁶⁰ It is therefore not possible to assess the NPAA's effectiveness as the official medium-term planning document for EU integration.

⁵⁶ The SEA was transformed into a ministry as part of government organisational changes in June 2024 through the Law on Making Amendments to the LOOSAB, June 2024.

⁵⁷ Confirmed during interviews and follow-up email discussions with SEA officials.

⁵⁸ 14 of 55.

⁵⁹ Based on information provided during interviews and email exchanges.

⁶⁰ The NPAA 2021-2025 contains a section that discusses implementation of the previous NPAA.

Principle 4: Public policies are developed based on evidence and analysis, following clear and consistent rules for law making; laws and regulations are easily accessible.

There continue to be major weaknesses in the process and quality of policymaking in North Macedonia, as well as in the availability and accessibility of rules and regulations for businesses and citizens. The quality of both the process of conducting RIAs and their use as a tool for evidence-based policymaking has not improved. Furthermore, the quality of central oversight for RIA has worsened because of uncertainty regarding institutional responsibility for this important function within CoG institutions.

Indicator 4. Use of evidence and impact assessment during policy making, and quality and accessibility of laws		2024 indicator value	42/100
Sub-indicators		Points	
1.	Strength of the national policy framework for better regulation	2/3	
2.	Effectiveness of internal co-ordination and procedures for evidence-based policymaking in ministries	2.3/5	
3.	Comprehensiveness of the regulatory impact assessment (RIA) system, and consistency and quality of implementation	11.6/33	
4.	Effectiveness of regulatory oversight, central guidance and support for RIA	2.2/9	
5.	Predictability, coherence and consistency of legislation	12.2/17	
6.	Accessibility and availability of laws	2.9/17	
7.	Effectiveness of the regulatory framework and special procedures and tools for evidence-based EU law transposition	9/16	

Although the PAR Strategy 2023-2030 contains certain priorities and reforms to promote evidence-based decision making and better regulation principles, there is no strong whole-of-government policy in this area. The MPA (formerly MISA) is still formally responsible for managing and overseeing RIAs, as plans to transfer these functions to the GS in early 2024 have not yet been enacted. Thus, ongoing uncertainty in 2023 created further confusion in implementation of the RIA management and oversight functions, especially given the MPA's capacity limitations.⁶¹

At the ministerial level, there are no clear, consistent internal rules that would specify when and under what conditions key steps such as internal co-ordination among various ministry units should be initiated. Furthermore, line ministries' accountability and ownership for policymaking is complicated by the fact that subordinate bodies can initiate and lead major policy developments and legislative drafting processes with minimal involvement of the parent/lead ministry. This creates risks for policy coherence, accountability and implementation of results. About 60% of public servants agree that the "quality of internal ministerial co-ordination during policymaking by ministry officials" is good.⁶² However, the absence of formal internal rules and standards for strong internal co-ordination yields suboptimal results in practice.

Basic analytical tools and techniques to analyse draft laws and regulations are consistently used in the explanatory memorandums prepared for each proposal. These memorandums also provide basic information on interministerial consultations, but they often lack clear data about the proposal's content and the preparatory work. For budgetary impacts, draft laws are consistently accompanied by a mandatory Financial Impact Assessment (FIA) form, but the quality of FIAs in practice is weak.

⁶¹ Only one staff member was tasked with covering RIAs and public consultations, in addition to many other tasks. There is no structural unit within the MPA for regulatory oversight and management.

⁶² SIGMA Survey of Public Servants on public administration in the Western Balkans 2024.

RIAs are obligatory for laws but not for secondary legislation.⁶³ The MPA (formerly MISA) is responsible for RIA management and quality control,⁶⁴ but it lacks sufficient resources, skills, and internal processes to conduct substantive in-depth reviews of the packages. Additionally, its opinions are non-binding even when serious shortcomings are identified. Furthermore, given that the GS's 'gatekeeping' function is applied inconsistently at the final decision-making stage, legislative proposals with very poor and/or even incomplete RIAs are not intercepted and can be processed in the Government.

While 58% of public servants view the quality and availability of RIA guidance positively,⁶⁵ current RIA guidelines and manuals were prepared a decade ago and require updating.

In 2023, RIAs were conducted for 44 draft laws approved by the Government (51% of all laws, excluding those related to ratifications and state budget⁶⁶), which is more than in 2022. Ministries are expected to perform limited RIA analysis at early stages,⁶⁷ but this rarely happens in practice.⁶⁸ Furthermore, RIA exclusion and exception criteria are not systematically checked and enforced.⁶⁹ The share of laws bypassing RIAs increased during 2022-2023 (Figure 13).

Importantly, the MPA's annual reports on RIA implementation and public consultation regulations provide transparency in regulatory policy monitoring. Nevertheless, these statistics do not spur any substantive discussions to address shortcomings.

⁶³ RoP of the Government, particularly Article 8, with further references in Articles 20, 66 and 67-c.

⁶⁴ Ibid., Article 68.

⁶⁵ SIGMA Survey of Public Servants on public administration in the Western Balkans 2024, conducted in 2024. 37.8% (n = 115) answered "Tend to agree" and 19.7% (n = 60) answered "Strongly agree".

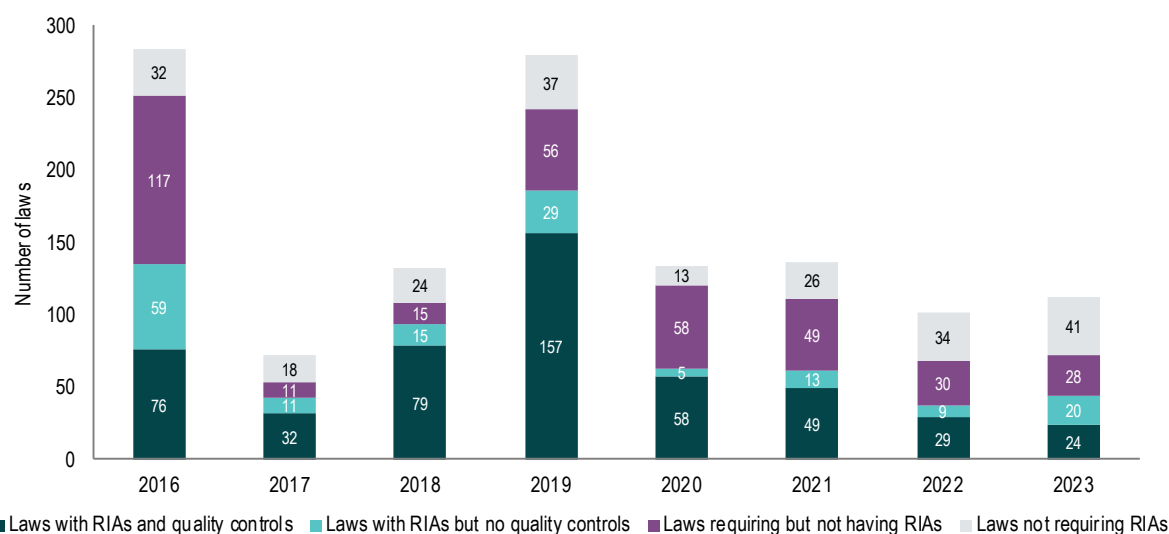
⁶⁶ According to official information provided by the administration for laws approved by the Government in 2023. The indicator covers all draft laws approved by the Government, excluding laws on the state budget and those ratifying international agreements. The calculation does not consider formal exclusion of laws from RIA regulations. According to the information from MISA, only 44 draft laws submitted to the Government for approval had RIA prepared, and only 24 were submitted to them for formal review.

⁶⁷ Guidelines for Ministries and State Administration Bodies in the Process of Development and Monitoring of the Government Annual Work Programme, Article 3; and RIA Methodology and Guidelines for Ministries on the RIA Process, Articles 3 and 4.

⁶⁸ Confirmed during interviews.

⁶⁹ RoP of the Government, Article 66.3, defines several RIA exceptions: laws adopted through an urgent procedure; laws ratifying international agreements; laws on terminology harmonisation with other laws; the law on the budget and budget execution; the Law on Borrowing; and the Law on Guarantees.

Figure 13. RIA implementation and quality control consistency for primary legislation approved by the Government, 2016-2023



Note: Includes all draft laws approved by the Government during the calendar year.
Source: SIGMA calculations based on official data provided by MPA (formerly MISA).

The quality of analysis in actual RIAs is low overall.⁷⁰ While RIA reports include situational analysis, they do not comprehensively examine policy problems, objectives or justifications for government intervention. Options are not effectively considered, as reports typically present only the status quo/do-nothing option and the preferred option. The RIAs also fail to clearly identify affected groups and how they will be impacted. There is no qualitative assessment of all relevant impacts arising from the laws, and the impacts of the preferred options are neither quantified nor monetised. Additionally, the RIAs lack information on policy implementation, enforcement mechanisms and risks.

RIA reports are not shared with the Parliament. Although the new RoP of the Parliament can require impact assessments of draft laws to be prepared, it is not clear how this tool will be operationalised in practice and whether the same RIA reports will be required and used.⁷¹

Legal drafting is governed by nomotechnical rules adopted by the Parliament,⁷² but the Government also follows a manual for legislative drafting. The LS is responsible for ensuring the consistency and quality of legal drafting but, as discussed in the previous section, its formal written opinion was missing for half of the laws adopted by the Government in 2023⁷³ (the initial check required for legal drafts can be bypassed when a minister adds a proposal to the government agenda on the day of the session). Over 60% of public servants find central guidance and support on legal drafting available and accessible.

⁷⁰ Based on a review of five sample draft laws and RIA reports prepared for the most significant regulatory proposals (samples selected by SIGMA experts). Sample laws analysed for this criterion: 1. draft Law for Amendment of the Law on Food Safety; 2. draft Law on the Register for Mandatory Social Insurance; 3. draft Law on Safety of the Network and Information Systems and Digital Transformation; 4. draft Law for Amendment of the Law on Industrial and Green Zones; and 5. draft Law on Prospects and Liabilities for the Transparency of Issuers of Securities.

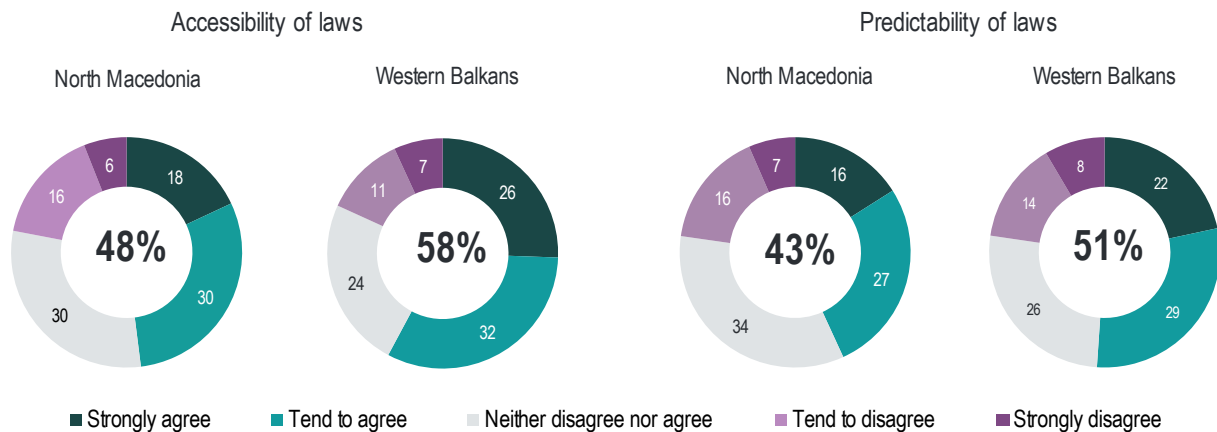
⁷¹ RoP of the Parliament, Articles 142.4 and 142.5.

⁷² Official Gazette of Republic of North Macedonia No.153/23, 18.7.2023.

⁷³ RoP of the Parliament, Article 68.

Only 43% of businesses perceived government policymaking as clear and stable⁷⁴ even though none of the laws adopted in 2022 had been amended within a year of their approval.⁷⁵ Similarly, less than half (48%) of businesses found laws and regulations affecting them easy to access.

Figure 14. Business perceptions about accessibility and predictability of laws



Note: Percentage of valid responses to the questions: "Laws and regulations affecting your company are clearly written, not contradictory and do not change too frequently" and "Laws and regulations affecting your firm are easy to identify and obtain". The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Businesses on public administration in the Western Balkans 2024.

Legislation⁷⁶ sets out publication requirements for laws and regulations but lacks a full publication procedure and deadlines. It does not mandate the consolidation of legal texts, but the RoP of the Parliament lists consolidation of laws as an option.⁷⁷

Not all laws and acts of secondary legislation are available to the public online and free of charge. The online database of primary and secondary legislation of the Official Gazette of the Republic of North Macedonia for the running year is accessible to registered users only and is not free of charge, limiting public access to the most recently adopted legal acts. As a result, citizens and businesses are forced to use the Ministry of Justice's database of laws, which is not official, however, and its completeness has not been legally determined.⁷⁸

The regulatory framework and special procedures for evidence-based EU law transposition are in place, with EU transposition cases subject to the same impact analyses and interministerial and public consultations as domestic laws. Responsibilities for EU law alignment are established, and guidelines for planning and carrying out EU law transposition are issued.⁷⁹ The use of tables of concordances is

⁷⁴ SIGMA Survey of Businesses on public administration 2024.

⁷⁵ Based on a review of all new laws approved in 2022 and amendments to existing laws introduced in 2023.

⁷⁶ Law on the Publishing of Laws, Other Regulations and Enactments, Official Gazette Nos. 56/99 and 43/02.

⁷⁷ RoP of the Parliament, Article 187.

⁷⁸ <https://ldbis.pravda.gov.mk/>

⁷⁹ The LS and SEA have developed a Procedural Manual for Harmonisation (SEA, 2002), Guidelines for Harmonisation (LS, last updated in 2016), and a Methodology for Harmonisation (SEA, 2010).

obligatory for *acquis* alignment, but they were not prepared for all cases in 2023.⁸⁰ Meanwhile, review of translations of EI cases included in the 2024 GAWP shows that the translation of EU law to support EU transposition is ensured. RIAs for EU-related files do not utilise the European Commission's Impact Assessments as an important source of evidence. The practice of excessive use of shortened procedures, including for EU-transposition cases ("EU-flagged laws") allows lawmakers to bypass many internal procedures and tools, including RIAs⁸¹ and public consultations, creating major risks for evidence-based policymaking and EU law transposition.

Principle 5: All key external and internal stakeholders and the general public are actively consulted during policy development.

There have been no significant changes in procedures or practices in the public consultation and interministerial consultation areas since 2021. While the regulatory framework, main tools and procedures have been established, actual implementation is weak and inconsistent. The outcomes of consultation processes are not regularly reviewed and reported to inform final policy decisions.

Indicator 5. Functioning of consultations during policy development		2024 indicator value	37/100
Sub-indicators		Points	
1.	Effectiveness of procedures for public consultation and stakeholder engagement during policy development	14.7/35	
2.	Quality and effectiveness of public consultation practices in selected cases	5.5/25	
3.	Procedures for an effective interministerial consultation process	13/15	
4.	Quality and effectiveness of interministerial consultation practices in selected cases	4/25	

Regulations and guidelines mandate public consultations for draft laws,⁸² secondary legislation⁸³ and sectoral planning documents.⁸⁴ However, the legally defined consultation period of 20 days applies to draft laws only, with no legal provision to extend the deadline for complex proposals.

The obligation to report on public consultation outcomes is indirectly covered by the RIA process, which also requires that supporting documents be published along with proposals.⁸⁵ However, as discussed in the previous section, only about half of the draft laws approved by the Government undergo RIAs. Hence, there is no formal instrument to ensure adequate monitoring, analysis and reporting on the outcomes of public consultation processes for many draft laws. Furthermore, no government institution is formally tasked with reviewing compliance with consultation requirements. While the MPA (formerly MISA) assesses adherence to the consultation process using the ENER platform, it is not mandated to evaluate

⁸⁰ RoP of the Government, Articles 8.7 and 66.3.

⁸¹ This was the case for 24 EI-related laws adopted by the Government in 2023, according to an overview of all draft laws adopted in 2023 (data provided by the administration).

⁸² RoP of the Government, Article 68-a; Law on the Organisation and Operation of State Administrative Bodies, Article 10.

⁸³ Law on the Organisation and Operation of State Administrative Bodies, Article 10.

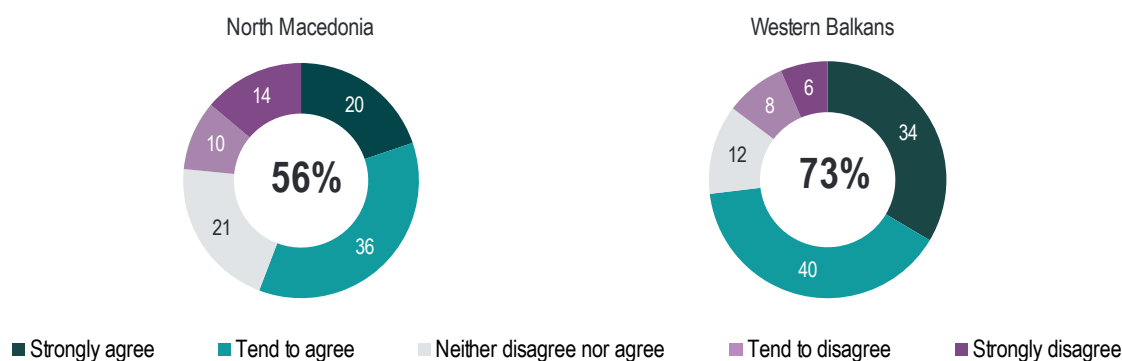
⁸⁴ Guidelines on the Structure, Content and Manner of Preparation, Implementation, Monitoring, Reporting and Evaluation of Sector and Cross-Sector Strategies, Article 25.

⁸⁵ RoP of the Government, Article 68-a.

the quality of the entire consultation process, including checking the reporting and use of consultation outcomes in final policy proposal packages. It should be noted that the GS prepares an annual report on consultation and co-operation with non-government organisations. However, this report does not provide overall statistics and analysis of all formal public consultations conducted on policies.

Guidelines for conducting public consultations are available online, but they are fragmented across six different documents.⁸⁶ This may partly explain why only 56% of public servants feel positive about the central guidance available for conducting public consultations.

Figure 15. Public servant perceptions about central guidance and support for public consultations



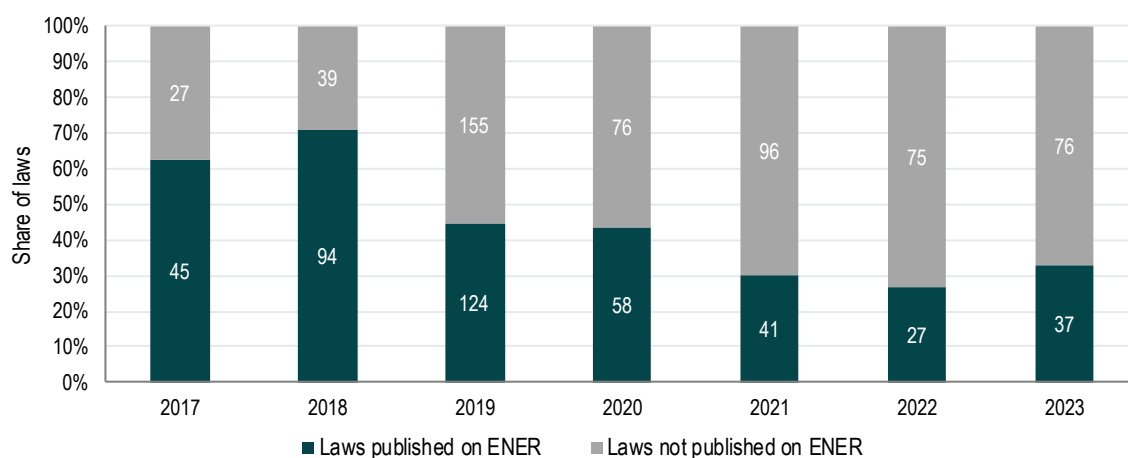
Note: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statements?" "Guidance, advice and support are available for conducting public consultations". The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

In 2023, formal written public consultations were held for 40% of laws and sector planning documents (42% of laws and 29% of strategies), which is a major weakness in transparent and inclusive policymaking.

⁸⁶ 1) Methodology for Regulatory Impact Assessments; 2) Methodology for Amending the Methodology for Regulatory Impact Assessments; 3) Guidelines on the Way of Proceeding in the Work of Ministries in the Process of Regulatory Impact Assessments; 4) Guidelines for Amending the Guidelines on the Way of Proceeding in the Work of Ministries in the Process of Regulatory Impact Assessments; 5) Manual for Stakeholder Consultations in the Policymaking Process of the Government of the Republic of Macedonia; 6) Code of Good Practice for Civil Society Participation in the Policy Development Process.

Figure 16. Consistency of publishing draft laws and supporting documents for public consultation on the central portal (ENER), 2017-2023



Note: Includes all draft laws approved by the Government.

Source: SIGMA calculations based on official information provided by the MPA (formerly MISA).

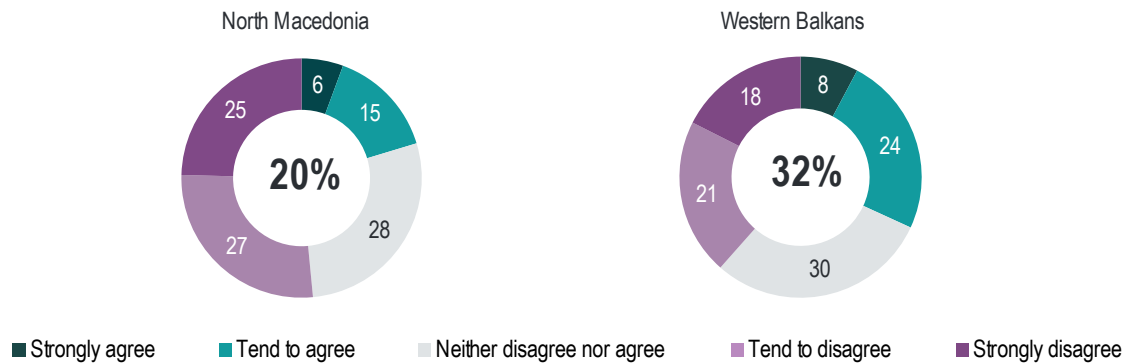
The actual practice of formal public consultations exhibits significant shortcomings. An analysis of five laws and five sector strategies⁸⁷ revealed that all draft laws were consulted through the central government portal, ENER. RIAs and advance notifications were also published five days prior to formal online consultations on draft laws. In contrast, three out of five sectoral strategies were not published on ENER, and additional consultation activities beyond online publication were unclear. There was no proper reporting on consultation outcomes, and they are not published.

Only 20% of surveyed citizens agreed that the government consults and involves stakeholders from the private sector and civil society when developing new legislation or other policy documents, which is one of the lowest rates in the region. (Figure 17).

⁸⁷ Laws: 1. draft Law for Amendment of the Law on Food Safety; 2. draft Law on the Register for Mandatory Social Insurance; 3. draft law on Safety of the Network and Information Systems and Digital Transformation; 4. draft Law for Amendment of the Law on Industrial and Green Zones; 5. draft Law on Prospects and Liabilities for the Transparency of Issuers of Securities.

Strategies: 1. Strategy for Transparency of the Government 2023-2026; 2. Development Sector Strategy for the Judiciary 2024-2028; 3. Strategy for Formalising the Informal Economy in the Republic of North Macedonia 2023-2027; 4. Smart Specialisation Strategy of the Republic of North Macedonia 2023-2027; 5. National Strategy for Youth 2023-2027.

Figure 17. Citizen perception about government consultation practices



Note: Percentage of valid responses to the question: “To what extent do you agree or disagree with the following statements?” “The government consults and involves stakeholders from the private sector and civil society when developing new legislation or other policy documents.” The percentage in the middle is the share of the respondents who answered “strongly agree” or “tend to agree”.

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

The RoP of the Government regulates **interministerial consultations** on draft laws and secondary legislation adopted by the Government.⁸⁸ These regulations require formal internal consultation with relevant government bodies and reporting on outcomes. The RoP establishes a deadline of seven days (five days for urgent cases) for the responding ministries to provide their opinions. While the regulation does not provide any specific provisions for extensions based on proposal complexity, an analysis of sample draft laws shows that opinions submitted after the seven-day deadline were still considered and included in the final package. The Collegium of State Secretaries is responsible for conflict resolution at the administrative level.⁸⁹

Analysis of actual interministerial consultation practices reveals serious shortcomings. The RoP requirements are frequently ignored or bypassed, particularly when items are added to the Government session agenda at the last minute, which occurred often in 2023.⁹⁰ This means that key government institutions and CoG bodies were regularly not consulted prior to the adoption of draft laws.

Furthermore, the consultation of affected government bodies is not systematically guaranteed. It is unclear whether supporting documents such as RIA reports are included in draft law packages during interministerial consultations. Neither it is clear how consistently the comments and responses received during interministerial consultations are recorded and reported in the final package that goes to the government session for final approval.

Interministerial consultations for regulations adopted by ministers are not regulated in the legal framework, so are not required.

⁸⁸ Article 68.

⁸⁹ RoP of the Government, Article 70.

⁹⁰ Based on a review of information provided by the administration on procedural compliance in the preparation of draft laws approved by the Government in 2023, as well as interviews.

Principle 6: Public policies are effectively implemented and evaluated, enhancing policy outcomes and reducing regulatory costs and burdens.

Major weaknesses were found in the implementation of sectoral policy documents and reporting on their results, particularly for assessing progress in achieving policy objectives. Many draft laws enter into force without the support of the necessary sublegal acts, creating huge risks for policy implementation. Limited efforts are being made for ex-post policy evaluation and the reduction of administrative burdens.

Indicator 6. Effectiveness of policy implementation, evaluation and simplification		2024 indicator value	17/100
Sub-indicators		Points	
1.	Effectiveness of policy implementation	0/30	
2.	Timeliness of adoption of mandatory by-laws	0/10	
3.	Monitoring and evaluation of policy implementation	1/20	
4.	Application of administrative simplification measures	4/20	
5.	Preconditions for conducting inspections in a proportional manner	4/5	
6.	Perceived availability of tools promoting regulatory compliance by businesses	2/5	
7.	Application of international regulatory co-operation	6/10	

Policy monitoring and implementation demonstrate significant deficiencies. An analysis of five sector and cross-sector strategy implementation reports⁹¹ revealed that only 13% of the activities planned for 2023 were fully implemented. Additionally, no verifiable progress in achieving these strategies' objectives has been monitored and reported. This problem is compounded by ministries' weak monitoring of the policy areas under their responsibility.

The rate for the timely adoption of mandatory by-laws is alarmingly low. Only 42% of required by-laws were enacted within the legally required timeframe before the new regulatory regime introduced by primary legislation entered into force.⁹² This suggests that more than half of all laws that enter into force do not have the necessary regulatory framework in place to enable successful policy implementation.

Furthermore, no ex-post policy evaluation practices are in place. An Ex-post Impact Assessment Methodology was adopted in 2013,⁹³ but it has not been applied in practice. There is also no authority responsible for ensuring that evaluations are being conducted and reported. The administration does not prepare and publish policy evaluation reports.

Line ministries prepare institutional plans aligned with the strategic priorities of the Government and the GAWP. However, these institutional plans do not contain indicators to report on progress in meeting policy objectives.⁹⁴

⁹¹ 1. Strategy of the Government of the Republic of North Macedonia for Co-operation with and the Development of Civil Society 2022-2024, with its action plan; 2. National Strategy for the Prevention of Corruption and Conflict of Interest 2021-2025, with action plan; 3. Strategy for the Development of Women's Entrepreneurship in the Republic of North Macedonia 2019-2023, with action plan; 4. Mid-term Strategy for Social Accountability in the Republic of North Macedonia 2019-2023, with action plan; and 5. National Strategy for Development of the Penitentiary System in the Republic of North Macedonia 2021-2025.

⁹² Based on a review of all new laws adopted by the Parliament in 2022.

⁹³ <https://www.mioa.gov.mk/5246432.nspix>

⁹⁴ Institutional plans and reports of the MoF, the Ministry of Economy and the Ministry of Social Affairs are checked.

There is no central government policy for administrative simplification and burden reduction, and the most recent central government initiative to simplify administrative procedures dates to 2006-2008.⁹⁵ No central government institution is tasked with overseeing this policy. Although the RIA methodology includes the Standard Cost Model, its inconsistent application and low analytical quality hamper simplification efforts. In particular, the current *ex-ante* RIA system does not have adequate provisions, methodologies and tools to allow monitoring and controlling the flow of new administrative burdens. Only a small number of adopted simplification proposals were submitted for this assessment, and only two were from 2023 and could be confirmed as being fully implemented.⁹⁶

Meanwhile, the regulatory framework for inspection and enforcement is based on the Law on Inspections.⁹⁷ It establishes the Inspection Council as the central government body for co-ordinating the inspection activities of 28 central inspectorates.

Inspection organisations develop annual inspection plans that are submitted to the Council and then split into monthly work plans that show the inspection activity of each organisation. Actual results are reported every six months, with all reports submitted to the Inspection Council. However, in terms of actual performance, the inspection system is generally presented as understaffed and under-resourced, lacking adequate digital tools to implement its functions in a risk-based and proportionate manner.

Although the Inspection Council has a formal role in co-ordinating inspections, current procedures and tools do not exclude duplications and overlaps in inspection practices.⁹⁸ There is no statutory limit on the number of times a business can be inspected annually. Although inspection organisations have developed risk-based inspection methodologies, their practical application is often hindered by an absence of appropriate software and digital tools. The new Government plans to reform the system to further enhance co-ordination among inspection bodies.⁹⁹ Inspectorates are not allowed to retain the fines they issue.

The Inspection Council's website provides information on inspections for businesses and public bodies. However, only 43% of businesses consider guidance on application of regulatory requirements affecting them easy to obtain.¹⁰⁰

⁹⁵ In 2006, the Government adopted the Decision to Introduce a Regulatory Guillotine (Official Gazette No.129/2006) and established a Co-ordination Committee for Implementation of the Regulatory Guillotine Project. With adoption of a Decree on the Termination of Validity, application of the Regulatory Guillotine Project regulations (Official Gazette No.34/2008), and the end of the Regulatory Guillotine Project, the co-ordinative institutional mechanism for reviewing regulatory solutions for their simplification ceased to exist.

⁹⁶ Additionally, there were two unsuccessful simplification submissions related to simplifying procedures for ID cards, one removing the renewal requirement for individuals 65+ and the other shortening deadlines for ID card preparation. However, further checks with the relevant institutions indicated that the simplified procedures had not yet been implemented as of September 2024, so these two examples could not be considered.

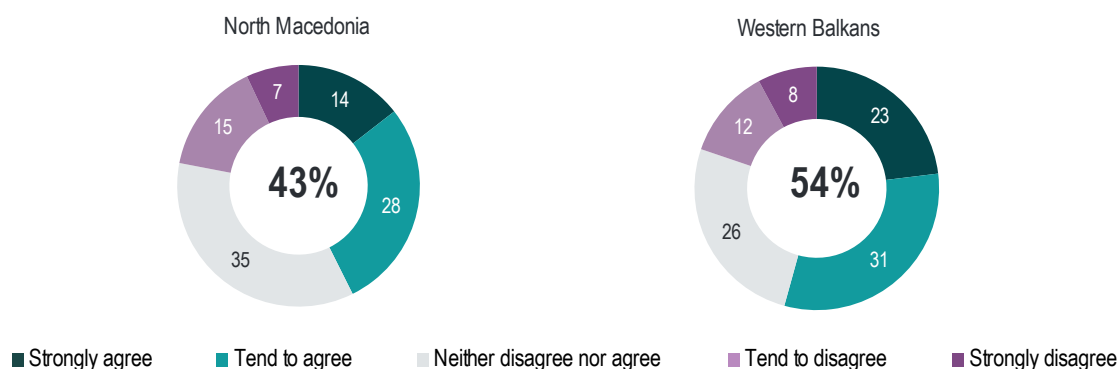
⁹⁷ Law on Inspection Supervision, Official Gazette No. 102/2019.

⁹⁸ Confirmed in interviews with three inspectorates: the State Market Inspectorate, the Food and Veterinary Agency and the State Labour Inspectorate.

⁹⁹ According to the 2024-2028 Government Programme approved by the National Assembly in June 2024, "In order to improve the work and co-ordination of inspection supervision, we envisage transformation of the Inspection Council into a co-ordinating body of the directors of the inspection services. The number of inspection bodies will correspond to the number of ministerial systems".

¹⁰⁰ SIGMA Survey of Businesses on public administration 2024.

Figure 18. Business perception on the availability of guidance to comply with regulations



Note: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statement?" "Guidance on the application of regulatory requirements affecting my company are easy to obtain from the authorities." The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Businesses on public administration in the Western Balkans 2024.

International regulatory co-operation takes place through formal agreements signed with other countries. Of the ratification laws approved in 2023, 11 relate to some form of regulatory co-operation with other countries, mostly in the Western Balkans region. However, it is not possible to assess the practical application of these agreements. There is limited evidence that international and regional best practices are being analysed and used to inform regulatory policymaking. The RIA samples reviewed¹⁰¹ did not include analysis or evidence that would confirm the relevant regulatory policies were prepared considering also the experiences of other countries and international regulatory frameworks. This further underlines the weaknesses in the quality of RIA reports (see Principle 4 for more details).

¹⁰¹ The same samples analysed for Principle 4.

Principle 7: The parliament effectively scrutinises the government policymaking and ensures overall policy and legislative coherence.

The most significant development since 2021 is adoption of the new RoP of the Assembly,¹⁰² but the impact of this change cannot yet be assessed. In 2023, an excessively high number of laws were scrutinised and approved by the Parliament using non-standard procedures, creating risks for evidence-based parliamentary scrutiny and lawmaking. Not all supporting documents for laws are shared with the Parliament, and the Government is not being consistently consulted on MP-initiated laws. Limited efforts are being made for post-legislative scrutiny and the evaluation of law implementation by the Parliament.

Indicator 7. Effectiveness of parliamentary scrutiny of policymaking		2024 indicator value	44/100
Sub-indicators		Points	
1.	Regulatory framework for parliamentary scrutiny of policymaking	10/10	
2.	Government participation in parliamentary discussions	8/8	
3.	Openness and transparency of the legislative work of the parliament	10.9/14	
4.	Planning and co-ordination of legislative activities between government and parliament	8/12	
5.	Timeliness of parliamentary processing of draft laws submitted by the government	3.3/10	
6.	Completeness of supporting documentation for draft laws submitted to the parliament	0/10	
7.	Use of extraordinary or shortened proceedings for the adoption of government-sponsored draft laws	0/12	
8.	Quality of law making by members of parliament (MPs)	4/16	
9.	Parliamentary review and evaluation of the implementation of policies	0/8	

The Parliament (National Assembly) and its deputies are empowered to scrutinise the Government's work in various ways. Parliament and its committees are enabled to debate and amend government-initiated laws, submit parliamentary questions, and require the attendance of government representatives and the proposers of draft laws (if not the Government) at committee meetings. Additionally, parliamentary oversight hearings can be used to scrutinise policymaking, although they are very rarely used in practice. Only one parliamentary oversight hearing was conducted in 2023, and none in 2022.¹⁰³

According to the RoP of the Assembly, the Government must be consulted on all laws proposed by other bodies. In practice, however, out of 30 draft MP-initiated laws approved by the Parliament in 2023, only 11 (37%) were submitted to the Government for formal consultation, and opinions were issued for all these draft laws.

The RoP of the Parliament allows two non-standard procedures for scrutinising and approving laws: the urgent procedure¹⁰⁴ and the shortened procedure.¹⁰⁵ The urgent procedure is used under specific circumstances only, such as to prevent major disturbances in the economy, in the interest of security and defence, or in cases of major natural disasters, epidemics or other extraordinary or urgent needs. When a draft law is examined under the urgent procedure, there is no general debate, and the second and third readings are held at a single session. Meanwhile, the shortened procedure is meant to be used for

¹⁰² Rules of Procedure of the Republic of North Macedonia, 24 November 2023.

¹⁰³ Information received in interviews with officials.

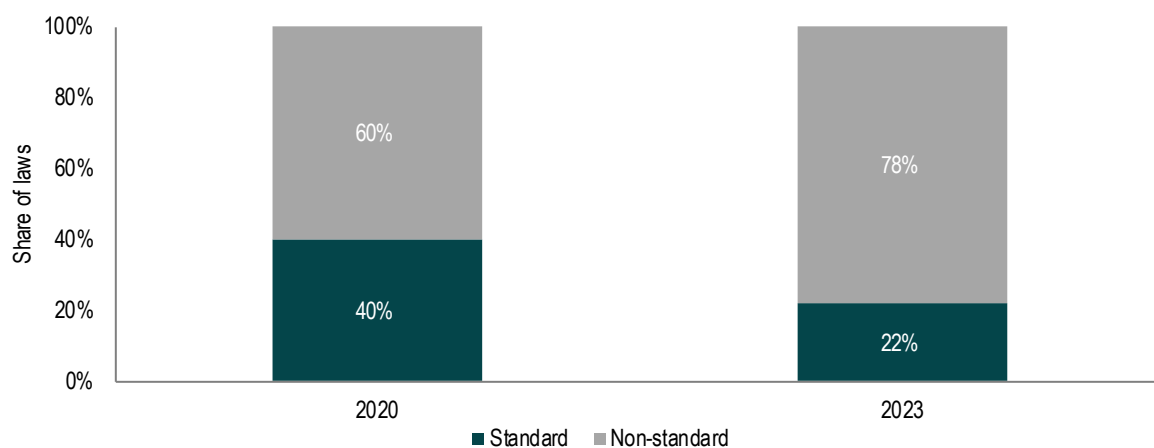
¹⁰⁴ RoP of the Parliament, Articles 167-169.

¹⁰⁵ Ibid., Articles 170-171.

non-complex or non-extensive laws, for terminating the validity of a certain law or particular provisions of a law, or for non-complex or non-extensive harmonisation of a law with the *acquis*. When a draft law is examined under the shortened procedure, the Assembly holds a general debate, and the second and third readings are held in a single session.

In practice, North Macedonia uses these non-standard procedures (shortened) excessively. Out of 93 government-initiated laws adopted by the Assembly in 2023, 73 (78.49%) were approved using non-standard procedures, the highest ratio in the Western Balkans region and more than the number recorded in 2020. Excessive and unjustified use of non-standard procedures during parliamentary scrutiny and approval creates major risks for evidence-based lawmaking, including for effective EU law transposition.

Figure 19. Share of Government-sponsored laws scrutinised and approved through non-standard procedures in the Parliament

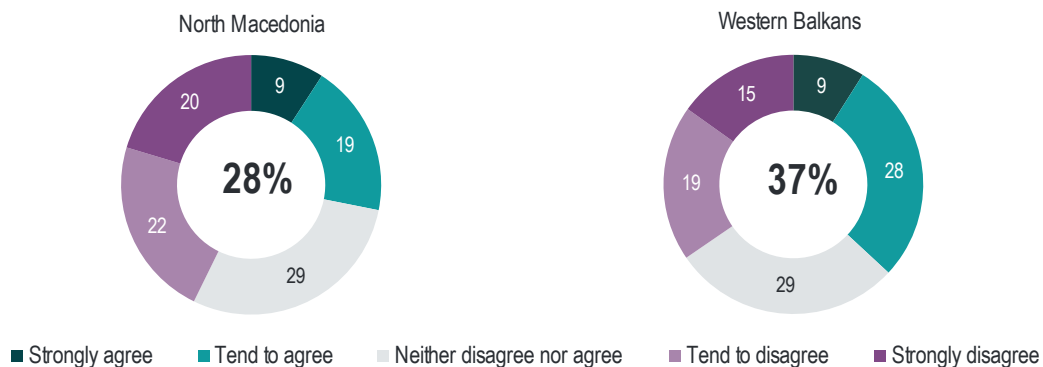


Source: SIGMA analysis based on published reports and official information provided by the administration.

The parliamentary website¹⁰⁶ includes detailed information on legislative calendars, such as dates of plenary sessions, meetings of standing committees and other events. Information on plenary sessions covers the session start date, its status, the agenda, and the status of each item on the agenda. Detailed information on committee meetings, including information about draft laws, amendments and opinions, is also published. However, the perceived openness and transparency of parliamentary scrutiny of law-making is quite low. A survey of a representative sample of the population shows that only 28% of respondents agree that the legislative process in Parliament is open and transparent to the public.

¹⁰⁶ <https://www.sobranie.mk/>

Figure 20. Citizen perception about openness and transparency of the legislative process in the Parliament

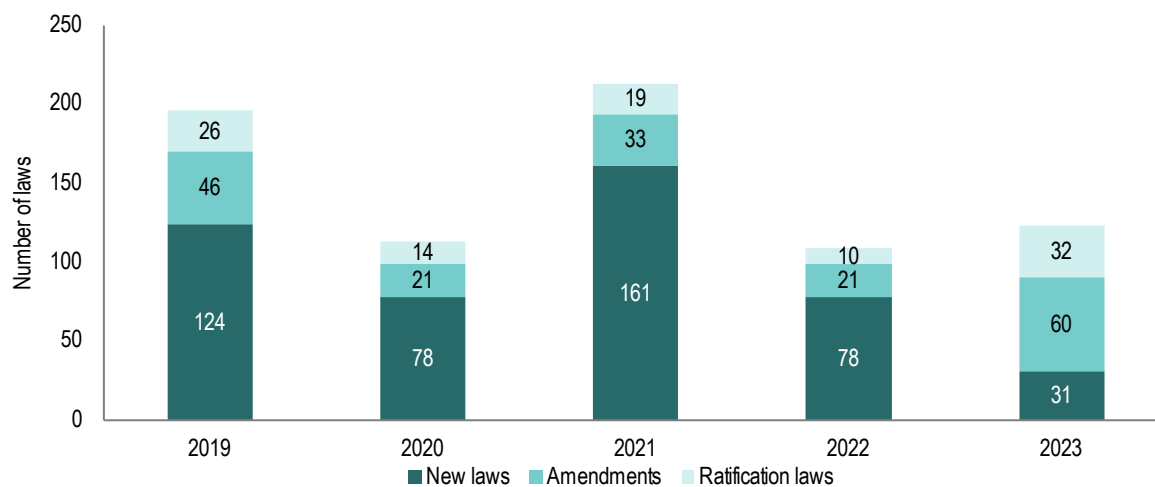


Note: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statement?" "The legislative process, how laws are made in Parliament is open and transparent for the public". The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

The Government adopts an annual work plan and submits biannual legislative plans to the Assembly. As the quality of legislative plans is poor (see Principle 3), information about government legislative intentions does not help parliament plan its own work effectively. In 2023, the Government approved and submitted 113 draft laws to Parliament, of which only 23 (20%) were included in the 2023 GAWP. The remaining draft laws (77%) were not included in the legislative plan. Most of the laws approved in 2023 were amendments to existing ones; in fact, only 25% of all laws approved in 2023 were new Laws. The share of new Laws in total approved Laws in 2023 was three times lower than in 2021 (Figure 21).

Figure 21. Laws approved by the Parliament by category, 2019-2023



Note: "New laws" and "Amendments" do not include laws related to ratifying international or bilateral agreements.

Source: SIGMA analysis based on official information provided by the administration, as well as data collected for SIGMA Paper 68: Parliaments and Evidence-Based Lawmaking in the Western Balkans (2024).¹⁰⁷

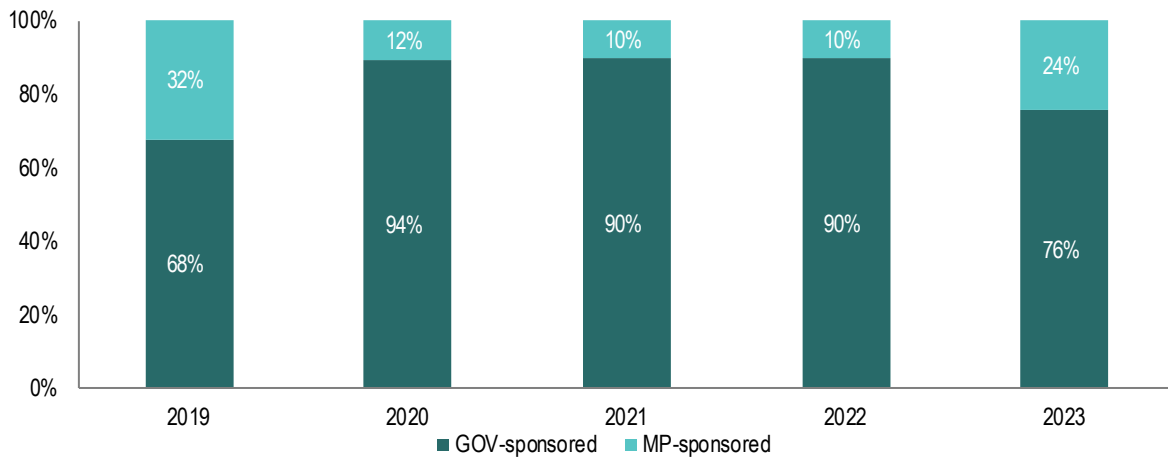
Regulations do not ensure that Parliament receives the full package of supporting documents considered by the Government. None of the RIAs prepared for Government-initiated laws were shared with the Parliament. According to the new RoP of the Parliament, which entered into force in 2024, impact assessments of draft laws can be required as part of supporting documentation.¹⁰⁸

In 2023, about one-quarter (24%) of all laws approved by the Parliament were initiated by MPs, the highest share since 2020 (Figure 22). MPs have access to research and legal drafting services through the Legislative Department and the Parliamentary Institute to help them prepare draft laws.¹⁰⁹

¹⁰⁷ Tunyan, B. and K. Goetz (2024), "Parliaments and evidence-based lawmaking in the Western Balkans: A comparative analysis of parliamentary rules, procedures and practice", *SIGMA Papers*, No. 68, OECD Publishing, Paris, <https://doi.org/10.1787/e95bebb9-en>.

¹⁰⁸ RoP of the Parliament (2023), Article 142 (3/4): "The introduction may contain: [...] 5. impact assessment of the regulation".

¹⁰⁹ The Rulebook on the Internal Organisation of the Service of the Assembly (Article 12) states that the Legislative Department provides expert assistance in preparing texts of draft laws proposed by deputies. It offers professional assistance to deputies for preparing and drafting laws, other acts (declarations, resolutions, decisions and recommendations), and amendments proposed by deputies. Article 26 provides that the Parliamentary Institute, a special organisational unit, conducts research and analyses for MPs.

Figure 22. Shares of Government- and MP-sponsored laws approved by the Parliament, 2019-2023

Source: SIGMA calculations based on published data on approved laws, and information provided by the administration, including during the preparation of SIGMA Paper 68 on Parliaments and Evidence-based lawmaking in the Western Balkans (March, 2024) <https://doi.org/10.1787/e95bebb9-en>.

Parliament is not involved in ex-post legislative scrutiny and policy evaluation activities, nor are parliamentary committees required to conduct regular ex-post reviews of law implementation. Although oversight hearings, as regulated in the Law on the Assembly, could be used for ex-post reviews, they are not regularly conducted. Only one oversight hearing was held in 2023, and none in 2022.



Public service and human resource management

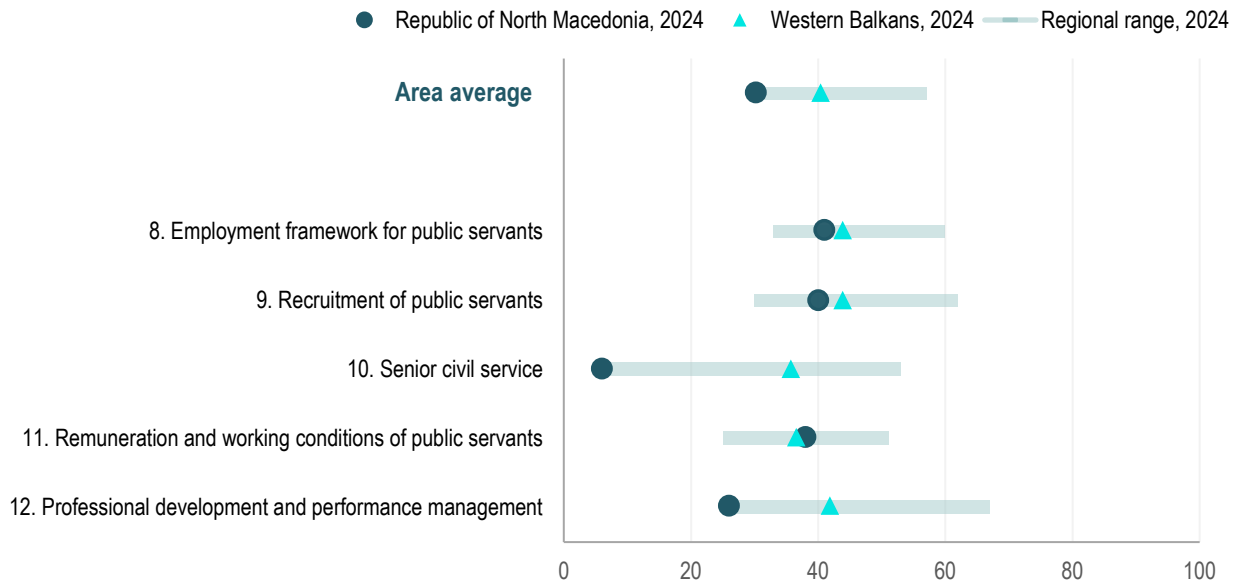
Public servants act with **professionalism, integrity** and **neutrality**. They are recruited and promoted based on merit and equal opportunities and have the right competencies to deliver their tasks effectively.

The Principles of Public Administration

- Principle 8** The employment framework balances stability and flexibility, ensures accountability of public servants and protects them against undue influence and wrongful dismissal.
- Principle 9** Public administration attracts and recruits competent people based on merit and equal opportunities.
- Principle 10** Effective leadership is fostered through competence, stability, professional autonomy and responsiveness of accountable top managers.
- Principle 11** Public servants are motivated, fairly and competitively paid and have good working conditions.
- Principle 12** Professional development, talent and performance management enhance the skills, efficiency and effectiveness of public servants and promote civil service values.

Summary and recommendations

Figure 23. The overall indicator values in the public service and human resource management area



Notes: Area average is a simple average of the Principles within the area. Western Balkan average is calculated as a simple average of all administrations.

Major reform projects, including significant amendments of the main laws regulating public employment (the Law on Public Sector Employees [LPSE] and the Law on Administrative Servants [LAS]), a new Law on Top Management (LTMS) and a framework law on salaries, **have remained blocked**.

The **horizontal scope of the civil service remains fragmented**, as exceptions granted by the LAS for civil servants with “special authorisation” are being used by several administrative bodies to evade the general legal framework. While the selection process for civil servants is formally correct, it doesn't utilise modern tools and techniques for assessing candidates' competencies – it is focused on traditional technical exams instead. **Selection is not competitive, due to the very low number of applicants** for most positions and no action to improve the situation is being taken by any of the bodies involved. No “employer branding” strategy is used by any of the actors involved.

Lack of merit-based competitions and politicisation of the top management remains a critical issue, as all managerial heads of ministries and administrative bodies (secretaries) are discretionally appointed and dismissed by the political authority. Their salaries remain non-competitive, making it difficult to attract competent professionals. No attention is paid to gender balance in top management positions.

Across the public service, **salaries are not competitive**, which dramatically weakens chances of attracting and retaining staff. Some public bodies are therefore endeavouring to move away from the common salary system, seeking higher wages for their employees. The appraisal system is well designed but has limited impact on the performance of public bodies, as it remains mainly formal, and negative appraisal is a rare exception. The internal promotion system is formally based on merit but may allow political interference, and often there is no real competition.

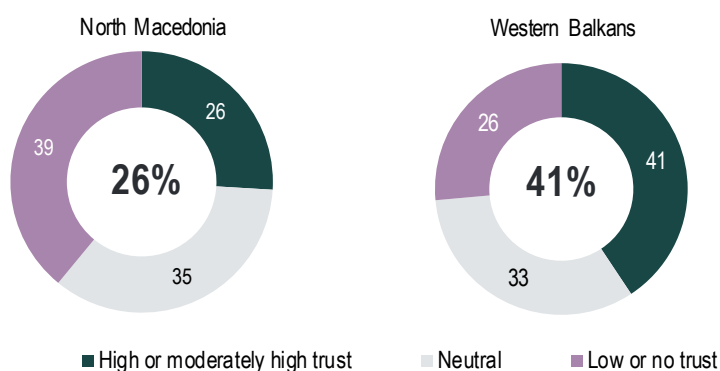
The **training system is rudimentary**, no analyses of training needs are conducted, and very few training courses are centrally organised. The human resource management information system (HRMIS) tool is not being exploited for its reporting capacities, and human resource (HR) units in line ministries are more

focused on HR transactions than on strategy; most of them have not developed specific HR plans or strategies to boost the performance of their public bodies. There are no clear regulations on teleworking or flexible work patterns, and public servant absenteeism and wellbeing are not monitored. No policies or statistics address diversity and inclusion.

Despite some Government efforts to adopt new legislation, the overall public service situation has changed little in recent years. As was the case for the 2021 SIGMA assessment, **North Macedonia's results for this assessment are among the weakest in the region**,¹¹⁰ mainly due to very low evaluations for professional top management because conditions have not allowed planned reforms to happen.

Results of the SIGMA Survey of Citizens on public administration show that citizen trust in civil servants is very low. Indeed, only about a quarter of respondents (26%) trust civil servants, which is much lower than the Western Balkan average (41%).

Figure 24. Citizen trust in civil servants.



Note: Percentage of aggregated responses to survey questions: "How much trust do you have in the civil servants? Using a 5-point scale where 1 means you don't trust it at all and 5 means you completely trust it". 1-2 = Low or no trust, 3 = Neutral, 4-5 = High or moderately high trust. The percentage in the middle is the share of respondents who answered "high or moderately high trust".

Source: North Macedonia and Western Balkans data: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Overall, the existing legal framework, institutional set-up and related strategies and guidance in public service and human resource management are only moderately in line with the Principles of Public Administration. Additionally, there are major weaknesses and gaps in implementation practice and results for this area.

¹¹⁰ The results of this assessment were negatively affected by a significant lack of information, missing either because it was not tracked or was not transmitted to SIGMA. The assessment coincided with pre- and post-election periods, which did not facilitate collection of the missing data, despite the professionalism and efforts of the MISA and other staff involved.

Figure 25. State of play in public service and human resource management by type of criterion



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should provide the new MPA with adequate expertise and sufficient human, financial and IT resources, both inherited from MISA and newly procured, to strategically manage the public administration and public employment system and conduct the necessary reforms.
2. The Government should propose legislative changes to align the scope of the civil service with the Principles, ensuring that all civilian staff from all ministries are considered as civil servants.
3. The Government should establish a sound system of top public management in the State bodies and ensure merit-based recruitment.
4. The Government should review the status of the Administration Agency (AA) and establish its accountability to the MPA.
5. The Government should enhance the attractiveness of public service jobs and the quality of recruitment and selection to increase the number of applicants, and ensure competitive selection processes and professional selection committees, free of undue political interference.
6. The Government should launch a public service salary reform to ensure fair and competitive payment.

Analysis

Principle 8: The employment framework balances stability and flexibility, ensures accountability of public servants and protects them against undue influence and wrongful dismissal.

Political responsibility for the civil service has been well established. However, the AA, in charge of recruitment, is not accountable to the relevant ministry (the MPA). Strategic documents are well in place but poorly implemented and monitored. The LPSE and the LAS cover an adequate scope, but some public bodies endeavour to be excluded from the common system. The capacities of the MPA (formerly MISA) and the HR units remain weak, with no capabilities for strategic HR management.

Indicator 8. Adequacy of the policy, legal framework and institutional set-up for a professional and accountable public service		2024 indicator value	41/100
Sub-indicators		Points	
1.	Existence of political responsibility for the public service	5/5	
2.	Clarity and implementation of public service policy	3.5/10 ⁱ	
3.	Clarity and adequacy of the material, horizontal and vertical scopes of public service legislation	4.1/10	
4.	Protection of neutrality and professionalism of public servants against undue influence	4.5/10	
5.	Quality of the disciplinary system	3/10 ⁱ	
6.	Objectivity and fairness of dismissal and demotion of public servants	2.5/14	
7.	Grounds and limits for temporary employment in the public service	2/5	
8.	Existence of central and capable co-ordination bodies	7.5/12	
9.	Capacities for professional HRM in public administration bodies	2.6/12	
10.	Existence of an effective HRM information system	6.1/12	

Note: i = data not available or not provided.

The institutional and legal frameworks have not changed since the 2021 SIGMA assessment. The LAS¹¹¹ clearly establishes responsibility for managing the civil service: the MPA, formerly MISA,¹¹² is the central body governing the civil service system, led by the minister in charge of public administration. The AA, which manages recruitment procedures for all civil servants, remains accountable to the Assembly and not to the MPA, depriving the responsible minister of a key instrument.

Through the budgetary process and the approval of the annual staffing plans, the MoF, in collaboration with the MPA, allocates financial resources to all public bodies. Finally, the Ministry of Intercommunity Relations¹¹³ monitors recruitment processes to ensure equitable representation of the various communities

¹¹¹ Law No. 27/14 on Administrative Servants, amended by Law No. 99/22.

¹¹² In June 2024, MISA was transformed into the MPA for functions related to public administration and public employment through amendments to the Law on the Organisation and Operation of State Administrative Bodies. Functions related to managing public administration and staff working in this policy area were transferred to the MPA.

¹¹³ Previously the Ministry of the Political System and Intercommunity Relations.

in public functions. The Law on the Organisation and Operation of State Administrative Bodies (LOOSAB)¹¹⁴ details the missions and responsibilities of the MPA and other public bodies.

The Ministry of Internal Affairs remains outside the perimeter of the LAS and the LPSE,¹¹⁵ according to an exception granted by the LPSE¹¹⁶ for civil servants with “special authorisation”. Police forces are therefore excluded from application of the LPSE and the LAS, and the administrative staff of the Ministry of Internal Affairs is under the same exception.¹¹⁷ According to an exception granted by the LAS,¹¹⁸ several other institutions (e.g. the Public Revenue Office, Customs, and the State Audit Office) apply most of the LAS but not the chapter on salaries, for which they have their own regulations.

The LAS’s scope encompasses all civil servants,¹¹⁹ from top managers (category A) to administrative support (category D). Support and ancillary staff are regulated under the LSPE and the Law on Labour Relations. Officials in ministerial cabinets are also under the LPSE and the labour law. Some public institutions, such as the Audiovisual Authority, are completely outside the scope of the LAS and the LPSE, their employees being regulated only by the labour law.

In 2023 the Government adopted a comprehensive strategic planning document for public administration reform (PAR), including public service management. The 2023-2030 PAR Strategy and the related Action Plan 2023-2026 provide a solid framework for planning and implementing reforms in this area (see Chapter 1 for more details). It is also noteworthy that one of the PAR Strategy’s objectives is to meet the standards set by the Principles of Public Administration. Additionally, the new Government Programme 2024-2028¹²⁰ contains a high-level commitment to modernise the public sector and implement reforms in all key areas, in line with EU Principles and the Principles of Public Administration.

Public employees benefit from a series of legal guarantees and protections:¹²¹ they can refuse to carry out illegal orders, and are legally protected when doing so.¹²² Although they work under principles of professional ethics, impartiality, objectivity and service orientation, according to the SIGMA Survey of Public Servants on the functioning of the public administration in the Western Balkans 2024, only 46% of respondents believe they are not subject to interference by politicians or people with political connections in their day-to-day work.

Concerning disciplinary procedures, the regulatory framework is comprehensive and offers key guarantees. The only weakness identified relates to disciplinary suspensions: if disciplinary proceedings are dropped, the regulations do not provide for automatic settlement of unpaid salaries during suspension. Rather, it is up to the civil servant to act to recover the salary not received during the suspension. There is no monitoring of court rulings on appeals against disciplinary decisions, so it is not possible to assess the fairness of disciplinary practices, and the administration cannot learn from repeated mistakes.

¹¹⁴ Law No. 58/00 on the Organisation and Operation of State Administrative Bodies, amended by Law No. 110/19.

¹¹⁵ Law No. 27/14 on Public Sector Employees, amended by Law No. 14/20.

¹¹⁶ LPSE, Article 3, paragraph 3.

¹¹⁷ An HR employee in the Ministry of Internal Affairs is therefore regulated under the Law on Internal Affairs, and not under the LAS or LPSE.

¹¹⁸ LAS, Article 4, paragraph 2.

¹¹⁹ Called “administrative servants” in the LAS.

¹²⁰ Approved in June 2022.

¹²¹ LPSE, Chapter VI.

¹²² LPSE, Article 35, reinforced by the Law on Prevention of Corruption and Conflicts of Interest, Article 60.

About 47% of civil servants responding to the SIGMA survey believe they could be dismissed for political reasons.¹²³ Dismissals due to underperformance are possible and the regulations offer adequate guarantees. Potential dismissals due to restructuring remain problematic, as the LPSE is not fully explicit on the conditions required for a public body to be restructured.¹²⁴ Furthermore, the legislation does not explicitly ensure employees the right to be heard before a dismissal decision is taken, weakening the possibility for civil servants to defend themselves. As court decisions on dismissal appeals are not monitored, it is difficult to assess whether dismissal practices are fair.

The LPSE also regulates the recruitment of temporary staff. Under certain conditions, it is possible to remain under a temporary contract for a period of five years, which exceeds usual standards. Furthermore, the selection procedures for temporary staff do not provide all the guarantees required by the Principles of Public Administration: for instance, the LPSE does not require a professional competency assessment or publication of a job description containing certain minimum information. Finally, temporary employment is not monitored, so it is not possible to assess its extension and its justification.

The MPA's capacities, both in terms of professional staff and financial resources, remain weak. Although it issues guidelines and manuals on various HR topics, its connections with and support for HR units in the public bodies are mainly formal: despite its statutory existence, no real HR network is working as a professional exchange platform. The MPA prepares and publishes an annual Registry of Public Employees report, but it contains only demographic data and a small number of descriptive statistics, with no real analysis useful for evidence-based HR planning. This document is the MPA's official annual report presented to the Government.

Meanwhile, the centrally managed HRMIS tool has links with the payroll software but remains limited in its connections with other platforms and in its reporting functionalities. Furthermore, 40% of the managers surveyed feel that the personnel data made available to them is not easy to understand or use.¹²⁵ Most HR procedures are still paper-based and require users to provide information the administration already possesses.¹²⁶

Most HR units in public bodies are relatively weak, with only a few acting as strategic partners in their respective organisations¹²⁷ and the others limiting themselves to transactional personnel administration. Middle managers perform important HR functions, such as drafting job descriptions or acting as selection commission members or performance appraisal evaluators. However, none of the middle-level managers had undergone personnel management training during the assessment period.

¹²³ SIGMA Survey of Public Servants on the functioning of public administration 2024.

¹²⁴ "An institution which is terminated, transformed or whose competence is reduced, shall be obliged to submit a list of employees whose work posts are terminated, and which are introduced by the Ministry of Information Society and Administration in the list referred to in paragraph (2) of this Article."

¹²⁵ SIGMA Survey of Public Servants on the functioning of public administration 2024.

¹²⁶ For instance, candidates must attach scans of attestations delivered by the employment agency to their online file to be able to participate in a selection process organised by the administration.

¹²⁷ Of the bodies included in the assessment sample, only the HR units of the MoF and the Revenue Agency stand out for drafting strategic documents.

Principle 9: Public administration attracts and recruits competent people based on merit and equal opportunities.

HR planning is weak. Even if public bodies do have recruitment plans, they do not include other HR-related perspectives and do not constitute a unified workforce planning document. The merit recruitment process is robustly regulated but focused on formal requirements and on ineffective technical knowledge tests. Many selection processes are not competitive due to a very low number of applicants. The confidence in the system's fairness is low and an employer branding strategy is lacking. Selection committees' independence can be jeopardised by politically appointed staff.

Indicator 9. Transparency, professionalism, and effectiveness of recruitment of public servants		2024 indicator value	40/100
Sub-indicators		Points	
1.	Quality of human resource (HR) planning	0/10	
2.	Competitive and non-discriminatory recruitment	10/10	
3.	Transparency of recruitment	5.4/8	
4.	Inclusiveness of recruitment	0.8/6	
5.	Attraction of qualified candidates	2.7/8	
6.	Recruitment based on job profiles	3.2/8	
7.	Professionalism of the selection committees	3.4/14	
8.	Adequacy of selection methods	2.3/14	
9.	Efficiency and timeliness of recruitment procedures	5.5/10	
10.	Right to information on results and appeal	3/6	
11.	Quality of onboarding	4.1/6	

Strategic workforce planning remains limited: while public bodies do have recruitment plans, none of them has a genuine, strategic, evidence-based HR plan that exceeds recruitment needs. The only information included in HR plans are the departures foreseen and the recruitments planned. There is no analysis of gaps between the current situation and the medium and long-term HR needs, and no connections to the Government plans, to the evolving tasks of public bodies, or to the civil service strategy. Data in the Registry of Public Employees are not used for evidence-based HR planning, even though the registry contains useful information for assessing future HR needs.

Recruitment is regulated by law, and the recruitment processes provide reasonable formal guarantees. The intermediate and final results of each step of the recruitment process (CV screening, verification of additional documents, automated tests on general administrative knowledge, etc.) are published on the AA website. During the test, a video feed of the room is transmitted live on the AA's website and premises. Unsuccessful candidates can file a complaint in the first instance in front of a separate AA commission and, in the second instance, in front of the competent courts. A user-friendly portal lists all civil servant vacancies and allows applications to be managed electronically.

In 2023, an average of 3.5 eligible candidates applied to each advertised vacancy, similar to previous years (Figure 26). This very low average is insufficient to ensure competitive selection. Many vacancies remain unfilled because of a lack of applicants. In many other cases, selections are non-competitive due to insufficient candidates, and very few processes have an adequate number of eligible candidates to ensure real competition. None of the stakeholders feel responsible for the low number of applicants, resulting in failed or non-competitive recruitments. A failure on the part of the MPA, AA and recruiting bodies to enact

proactive measures (such as an employer branding strategy) does not help either. While job advertisements contain standardised information on the expected profile of candidates and on the salary, they do not include information on the functions and tasks of the position or on the role of the vacant position in the organisational chart.

Figure 26. Number of eligible candidates per vacancy, 2018-2023



Source: North Macedonia Administration Agency.

While the AA centralises recruitment processes for the whole of the civil service, a specific selection committee is created for each recruitment and its composition may offer guarantees of professionalism and neutrality. The committee is composed of an AA representative who chairs the commission, the head of the HR department of the recruiting body, the direct superior of the vacant position and a representative of the Ministry of Intercommunity Relations.¹²⁸ However, the potential presence of politically appointed staff may seriously jeopardise the impartiality of the selection committee. In the sample recruitment files SIGMA analysed, this may be the case when the secretary of the recruiting body is a member of the selection committee and is also the superior of another member.

The recruitment process itself is regulated in detail in the primary and secondary legislation, and the AA offers reasonable formal guarantees that recruitments are organised in a fair manner, even if there have been documented cases of fraud and party influence in recent years.¹²⁹ A 2022 audit by the State Audit Bureau also pointed out security shortcomings in the AA's IT infrastructure, which could allow for fraud in

¹²⁸ LAS, Article 37.

¹²⁹ See the Ministry of Internal Affairs statement of February 2024 quoted by the makfax news agency ([Employees of the Agency for Administration Enabled Candidates to Pass the Administrative Officer Exam](#)) and Who employs, the municipality or the party?, <https://civicamobilitas.mk/wp-content/uploads/2018/03/3.-Who-employs-the-municipality-or-the-party.pdf>.

examinations.¹³⁰ However, based on the regulations and analysis of specific samples, recruitment processes are usually sound and normal. The process consists of three phases: administrative selection, the civil servant examination and evidence authenticity verification, followed by an interview.¹³¹ Administrative selection consists of checking the information provided in the employment application against the conditions set in the vacancy announcement. Points are allocated in the CV-screening phase according to a point system detailed in the regulations.¹³² The civil servant examination is done on AA premises and consists of a vocational part in the form of a computer-assisted test on institutional knowledge¹³³ and a test to establish the candidate's fluency in one of the three most frequently used EU languages (English, French or German).

The third and last phase starts with in-situ evidence reliability verification by the committee members, who check the official documents submitted by the candidate. Then the last phase continues with an oral and/or written interview. The interview may (but does not usually) include vocational questions or practical assignments to assess the general and specific competencies related to the category and the special work competencies included in the job description. The committee is free to organise the interview as it sees fit. Based on the samples SIGMA studied, behavioural skills are not assessed, even for middle-management positions. At the end of the recruitment process, the committee formulates a ranked shortlist of candidates.

The legal obligation to recruit the highest-ranked candidate¹³⁴ was complied with in the cases SIGMA analysed. However, this obligation is not explicitly guaranteed by applicable legislation in two of the analysed bodies: the Ministry of Interior¹³⁵ and the Audiovisual Authority, where the labour law applies fully.

Recruitment process user experiences are mixed: while it is possible to manage applications online, candidates are still required to send documents the administration already has in its possession. Selection processes are conducted smoothly, with an average of 84 days between publication of the job advertisement and a final decision.¹³⁶ There is no explicit policy to ensure inclusiveness or to allow adaptations for candidates with disabilities.

Almost 32% of civil servants who responded to the SIGMA survey felt that the recruitment procedure was not clear. Figure 27 shows most of surveyed civil servants had a positive experience during their onboarding.

Candidates may lodge an appeal with the AA, and subsequently with the competent courts, but this option is not clearly regulated for applicants to civilian positions in the Ministry of Interior. No data are centrally collected on the outcomes of these appeals.

¹³⁰ State Audit Office (2022), Lack of Procedures and Resources in the Administration Agency, https://dzt-mk.translate.goog/mk/220823-nedostatok-na-proceduri-i-resursi-vo-agencijata-za-administracija? x_tr_sl=mk& x_tr_tl=en& x_tr_hl=fr& x_tr_pto=wapp

¹³¹ LAS, Article 38 onwards.

¹³² LAS, Article 38, paragraphs 3-8.

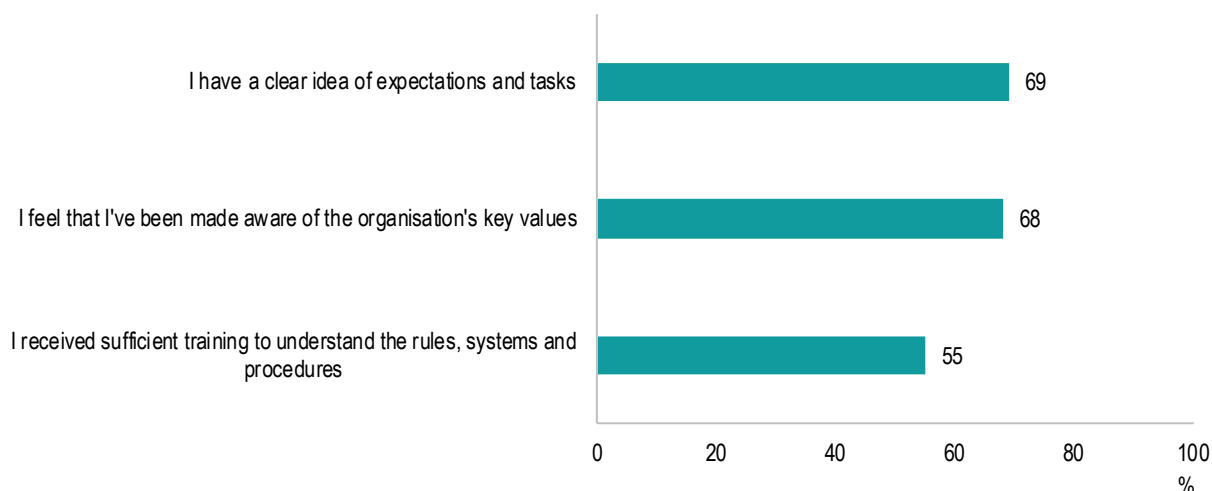
¹³³ LAS, Article 40, paragraph 3. Computer test subjects: constitutional order in the Republic of Macedonia; the local self-government system; the administrative law system; administrative procedures and administrative disputes; positions and other general issues on public sector employees; rights emerging from the labour relations of civil servants; and the civil servant code.

¹³⁴ LAS, Article 45.

¹³⁵ Law No. 42/14 on Internal Affairs, amended by Law No. 89/22.

¹³⁶ SIGMA Survey of Public Servants on the functioning of public administration 2024.

Figure 27. Survey results for the onboarding process



Notes: The graph represents total positive survey responses (i.e. "I strongly agree" and "I agree"). Number of valid responses: first statement N=155, second and last statements=134.

Source: SIGMA Survey of Public Servants on the functioning of public administration in the Western Balkans 2024.

Principle 10: Effective leadership is fostered through competence, stability, professional autonomy and responsiveness of accountable top managers.

Top public managers, such as the secretaries, are appointed and dismissed without competition and competencies assessment, merely upon political discretion. Top managers' salaries are very low, and therefore unattractive to experienced professionals. The gender balance is extremely poor, and no specific data has been collected on the representation of various communities in top management positions. Nevertheless, top managers themselves assessed professional autonomy and the clarity of objectives positively. A draft Law on Top Management has been considered for years but never approved by the Government.

Indicator 10. Professional top managers		2024 indicator value	6/100
Sub-indicators		Points	
1.	A specific category and scope of the Top Public Management (TPM) system	0/11	
2.	Attractiveness of top management positions	0/7	
3.	Merit-based and competitive recruitment of top managers	0/47	
4.	Diversity and gender parity in top management positions	0/5	
5.	Management by objectives and performance evaluation	3.3/4	
6.	Managerial autonomy	1.3/2	
7.	Training and professional development	1.3/4	
8.	Stability of top managers	0/20 ⁱ	

Note: i = data not available or not provided.

Current regulations stipulate that category A positions¹³⁷ in ministries and other bodies be discretionally appointed¹³⁸ by the minister or relevant authority from among civil servants in category B positions,¹³⁹ without job announcements or competitive selection procedures. Depending on the specific regulations, filling top managerial positions in certain agencies may be subject to a public announcement and require fulfilment of certain conditions,¹⁴⁰ but their appointment remains discretionary. The depoliticisation of top public managers, identified as a key issue in previous PAR strategies, remains unresolved. Reforms in this area are also a key priority of the PAR Strategy 2023-2030.

Group A positions are directly under a political authority. Some managerial positions in category B may potentially be considered lower top public management (TPM) positions, such as a head of a sector responsible for (sometimes) a large department within an administrative body. Only category C civil servants can access category B positions through internal promotion. Promotion to group B positions happens through open competition, but interviews are not held in front of an entire committee, just with the state secretary or secretary general in charge of the administrative body.¹⁴¹ A draft legal text creating a merit-based top management system was drafted by MISA several years ago, discussed with various public bodies and even presented to the Assembly, but never adopted due to objections from key stakeholders. In ministries and public bodies, top managers have no tenure in their position and can be freely dismissed at any time by the political authority. However, no appropriate data was shared with SIGMA on TPM turnover. As regulations stipulate¹⁴² that a state secretary's appointment shall expire along with the term of the political authority who appointed the secretary, most top public managers are dismissed whenever a new government takes office. As civil servants, dismissed secretaries may return to positions similar to those they held before.

The administration has not provided any data on the number of acting top managers. While the regulations applicable to ministries and administrative bodies do not address acting TPM positions,¹⁴³ the practice does exist¹⁴⁴ and has indeed been verified in the sample cases. Therefore, the legal framework is unclear and conditions for appointment to acting TPM positions are absent. Acting appointments are often used to circumvent minimum requirements, giving the administration full freedom to appoint any individual.

State secretaries (group A positions, directly under the minister) are not subject to a regulated annual review¹⁴⁵ and are evaluated only at the political authority's discretion.

¹³⁷ LAS, Article 23. A-level positions are: A1, state secretaries (heads of central government ministries and the secretariat for European affairs); A2, secretaries general (heads of various smaller administrative bodies of the central government); A3, Secretary of the City of Skopje (head of the administration of the city of Skopje); A4, municipal secretaries having a seat in a city; and A5, municipal secretaries having a seat in a village.

¹³⁸ LAS, Article 23, paragraph 2.

¹³⁹ LAS, Article 23, paragraphs 6 and 7.

¹⁴⁰ Such as education, experience or language qualifications.

¹⁴¹ LAS, Article 51, paragraph 7.

¹⁴² LAS, Article 23, paragraph 9.

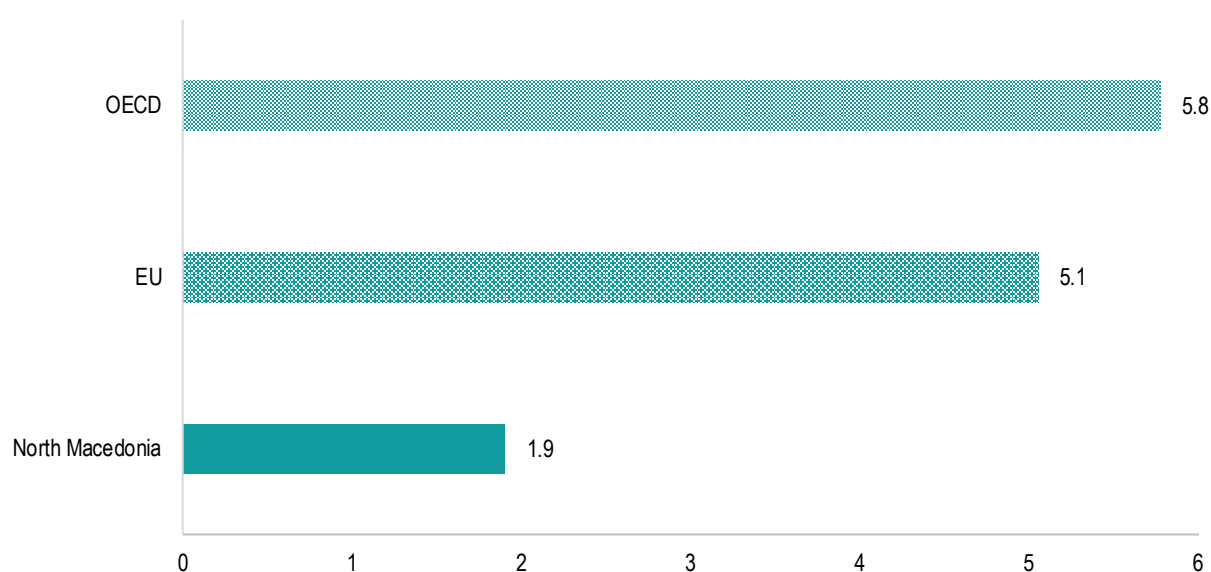
¹⁴³ Acting managers are regulated in the Law on Public Enterprises and the Law on Public Institutions (schools, hospitals and other service delivery institutions) only.

¹⁴⁴ Recent news about acting director appointments: <https://civilmedia.mk/vladata-naznachi-novi-v-d-direktori-vo-poveke-institutsii/>; <https://360stepeni.mk/vladata-imenuvashe-novi-direktori-i-gi-razreshi-natsionalnite-koordinatori/>.

¹⁴⁵ LAS, Article 65, paragraph 1.

Top managers' salaries are low: the annual salary of a state secretary is only 1.9 times the country's GDP per capita, well below the OECD average of 6 times (Figure 28).¹⁴⁶ Along with the instability created by discretionary appointments and dismissals, the relatively unattractive salary makes these positions additionally unappealing for experienced professionals. Furthermore, no formal policy on diversity in top management is in place and the gender balance is extremely poor, with women holding only 8.5% of TPM positions.¹⁴⁷ The representation of different communities in top management positions is not specifically monitored in practice.¹⁴⁸

Figure 28. Top managers' salaries: ratio to GDP per capita, compared with OECD and EU averages



Sources: For North Macedonia, SIGMA calculations are based on the 2024 salary tables; for OECD/EU countries: 2015 data, "Annual average compensation of central government senior officials relative to GDP per capita", in *Government at a Glance 2017*, OECD Publishing, Paris, https://doi.org/10.1787/gov_glance-2017-graph58-en.

In contrast with the deficiencies of the regulatory framework, the perception of people currently occupying top and middle managerial positions regarding objectives and professional autonomy is quite positive. For example, 76% of the managers who responded to the SIGMA survey said they regularly discuss their goals with their superiors and are assessed based on predefined objectives. Middle managers (group B positions) are subject to the same appraisal system as other civil servants, which may explain their positive self-assessment. Regarding their autonomy, 63% of respondents feel sufficiently empowered to take independent managerial decisions.¹⁴⁹

¹⁴⁶ 2015 data, https://www.oecd-ilibrary.org/docserver/gov_glance-2017-30-en.pdf?expires=1720608906&id=id&accname=ocid84004878&checksum=F3BA952BE97E73B3C602AF82B1C0E85C.

¹⁴⁷ At the end of 2023.

¹⁴⁸ Global monitoring of the equitable representation of communities is published in MISA's annual report, but it does not contain details per category or grade.

¹⁴⁹ SIGMA Survey of Public Servants on the functioning of public administration 2024. The survey was sent to secretaries and similar positions, directly reporting to a minister, and to B level civil servants, usually reporting to secretaries and directors of agencies.

Principle 11: Public servants are motivated, fairly and competitively paid and have good working conditions.

There is no data and analysis of the competitiveness of public service salaries. While a planned salary reform is on hold, public bodies are manoeuvring to escape the common system, and a vast majority of public servants are unsatisfied by low and unfair salaries. There are no clear regulations allowing teleworking and flexible working patterns, and absenteeism is not monitored. Trade unions are active but are not being systematically involved through social dialogue.

Indicator 11. Attractiveness of employment and work conditions		2024 indicator value	38/100
Sub-indicators		Points	
1.	Attractiveness of employment in public administration	10.1/20	
2.	Fairness in the allocation of base salaries and allowances	3.3/23	
3.	Predictability of the wage budget of the public service	5.1/6	
4.	Availability and transparency of salary information	2/8	
5.	Salary progression opportunities	2/8	
6.	Performance-related pay and other incentives	6.2/8	
7.	Work conditions and well-being of public servants	2/13	
8.	Availability of flexible work arrangements	3.6/7	
9.	Social dialogue with the public sector employees	4/7	

According to the State Statistical Office, the average public administration salary is only slightly higher than the overall country average salary.¹⁵⁰ Successive increases in the legal minimum wage have helped to raise the lowest public salaries. In any case, there is an extended opinion, gathered during the assessment interviews, that public bodies' difficulties in attracting and retaining experienced staff¹⁵¹ stem at least partially from low civil service salaries. A recent investigation conducted by a civil society organisation¹⁵² shows a detailed analysis of salaries in the public sector, but in-depth comparisons of public service salaries with those of other economic sectors are not available.

¹⁵⁰ State Statistical Office (2024), *Annual Report 2023*, p. 301. In 2022, MKD 32 573 in the public sector compared to an average for the whole economy of MKD 31 859. This is a much lower difference than the positive difference in public salaries identified in IMF and World Bank analysis (see, for instance, <https://www.elibrary.imf.org/view/journals/001/2023/064/article-A001-en.xml>) and much lower than in EU countries, such as Spain, where the difference was recently estimated in a 32%: <https://www.eleconomista.es/economia/noticias/12072466/12/22/El-sueldo-medio-en-el-sector-publico-es-un-32-superior-al-del-privado.html>)

¹⁵¹ According to interviews with HR staff of various administrative bodies.

¹⁵² Centre for Change Management (2023), Report from monitoring of employment allocation and implementation of budgets in public institutions. <https://cup.org.mk/publication/ANG%20%D0%98%D0%B7%D0%B2%D0%B5%D1%88%D1%82%D0%B0%D1%98%203.pdf>

Only 22% of SIGMA survey respondents believe that civil servants are fairly paid across the public administration, which is below the Western Balkan average (30%). Only 34% of civil servants surveyed are satisfied with their pay and just 55% would recommend their organisation as a good place to work.¹⁵³

Moreover, neither the MISA nor the MoF produces detailed data on wages, their competitiveness or their compression rates to guide HR policies. No information on remuneration and/or the wage bill is published in MISA's annual report. Awareness of the gender pay gap is lacking, so no specific monitoring is in place. Salary predictability for candidates is ensured by the legal obligation to include salary information in job offer publications. The MoF operates the payroll system and uses wage bill data for Medium-Term Budget Framework calculations.

The salary system applicable to most of the civil service under the LAS¹⁵⁴ is fairly simple, with just two salary components: general and exceptional. The general component integrates the legal minimum wage with salary supplements according to the degree of education required by the job position, the organisational level of the position and years of service. All four subcomponents are evaluated in points, and a point's value is fixed yearly by a decision of the Government. Exceptional components are calculated as a percentage of the general component and include supplements for special work conditions (work entailing high risk or work in a political cabinet), labour market adjustments, and supplements for night work or shiftwork; there may also be a supplement to compensate for overtime. Civil servants are also entitled to compensation for expenses they incur due to their work, such as traveling, per diem and other expenses for business trips, costs related to using their personal vehicle for work purposes, etc.

Despite the general regime's simplicity, in practice the pay policy is highly decentralised and disparate and is becoming even more so. Public bodies such as the Customs Agency, the Public Revenue Office, the Ministry of Internal Affairs and the Administration of the Parliament have their own salary systems, legally recognised in specific laws. Specific bonuses and allowances are applicable in selected bodies, sometimes under unclear rules.

Although the salary structure details 17 pay grades, theoretically allowing for career progression, the only salary progression possible for an employee who remains in the same position is connected to the seniority supplement. As pay grades encompass various similar positions, promotion to a position in a higher salary grade is the only way to obtain a significant salary increase.

The awarding of performance pay is restricted. First, the LAS limits to 5%¹⁵⁵ the percentage of staff that may receive a performance bonus. In practice, however, 12.8% of civil servants received a performance-related bonus in 2023, which can still be considered a very reasonable percentage. Second, bonuses are limited to the equivalent of one month of additional payment, roughly 8.3% of annual pay, which is an appropriate percentage.

While minimum employee health and safety criteria are adequately regulated,¹⁵⁶ no central staff satisfaction survey on wellbeing has been conducted in the last two years. Some ministries and bodies have developed internal satisfaction/engagement surveys, but these have not been followed up with structured action plans. Additionally, no methodology has been adopted to monitor absenteeism due to illness. Some public bodies collect this data for payroll accuracy, but not to formulate any internal HR policy on the mental and/or physical health of their civil servants. According to the interviews conducted, voluntary staff turnover is significant but is not centrally monitored.

¹⁵³ SIGMA Survey of Public Servants on the functioning of public administration 2024.

¹⁵⁴ LAS, Chapter XIV, Article 85 onwards.

¹⁵⁵ LAS, Article 65, paragraph 4.

¹⁵⁶ Law on Health and Safety at Work, applicable to all sectors including the public sector.

Teleworking was implemented during the COVID-19 pandemic and is still being applied in some public entities based on a crisis protocol¹⁵⁷ that has not been set down in a regular legal text. There are thus no legal grounds for teleworking in the legal framework for the civil service. While 68% of civil servants surveyed said they were satisfied with the flexible work options available to them, only 38% said they were satisfied with the teleworking arrangements.

Public servants are free to organise or join a trade union and have the legal right to strike.¹⁵⁸ Regarding social dialogue, the main trade unions have been involved in recent reform discussions, but only one of the five public bodies analysed (the Public Revenue Office) has held a structured social dialogue in the last 12 months.

Principle 12: Professional development, talent and performance management enhance the skills, efficiency and effectiveness of public servants and promote civil service values.

The performance appraisal system is well designed in legislation but has limited impact on public servant performance, as it remains mainly formal, and 95.6% of staff is rated in the two top ratings. Training possibilities are rudimentary, as only a handful of training courses are centrally organised and no training-needs analyses are conducted. Internal promotion is formally based on merit, but the system may allow political interference. Aside from equitable representation, no other policies or statistics related to diversity or inclusion exist.

Indicator 12. Professional development and performance management of public servants		2024 indicator value	26/100
Sub-indicators		Points	
1.	Professionalism of performance assessment	9.8/21	
2.	Existence of training plans adapted to government priorities	3/8	
3.	Implementation and results of training	2.3/16	
4.	Regulation and use of horizontal mobility	5/16	
5.	Professionalism of vertical promotion	5.9/26	
6.	Support of professional development practices for diversity and inclusion	0/13 ⁱ	

Note: i = data not available or not provided.

The performance appraisal system applicable to civil servants is aligned with the requirements of the Principles of Public Administration: the LAS¹⁵⁹ and secondary regulations are explicit about the appraisal process and provide a proper framework for assessing civil servants' performance. In practice, all civil servants are appraised annually (98.9% in 2023) in one of the five different performance ratings, with 1 being the lowest and 5 the highest.¹⁶⁰ In 2023, of the 8 621 civil servants appraised, 12.8% (1 114) were

¹⁵⁷ Protocol for the Procedures and Work of State Administrative Bodies in Times of Crisis (n.d.), produced as part of the Digitalisation in the Public Sector project financed by the UK Government.

¹⁵⁸ LPSE, Article 32.

¹⁵⁹ LAS, Chapter X, Article 61 onwards.

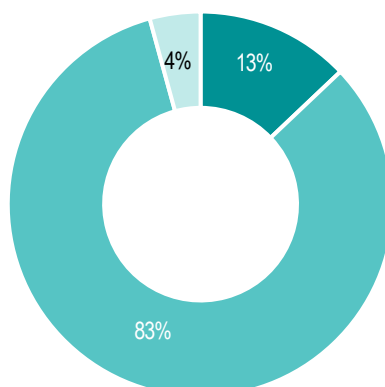
¹⁶⁰ LAS, Article 65: "(3) The evaluator shall evaluate the work of the administrative servant with a mark "1", "2", "3", "4" or "5" in regards to quality, effectiveness and efficiency, compliance with deadlines and level of fulfilling assigned duties

awarded the top rating and were entitled to a performance bonus, and 82.8% (7 140) received the second rating. Only 4% of staff received intermediate or low performance ratings.

While the performance system helps many civil servants define their personal objectives, fewer are actually able to discuss their performance with their superior Overall, most civil servants (53.6%) are sceptical of the appraisal system's capacity to change the behaviour of poor performers (Figure 29 and Figure 30).

Figure 29. Results of performance appraisals in 2023

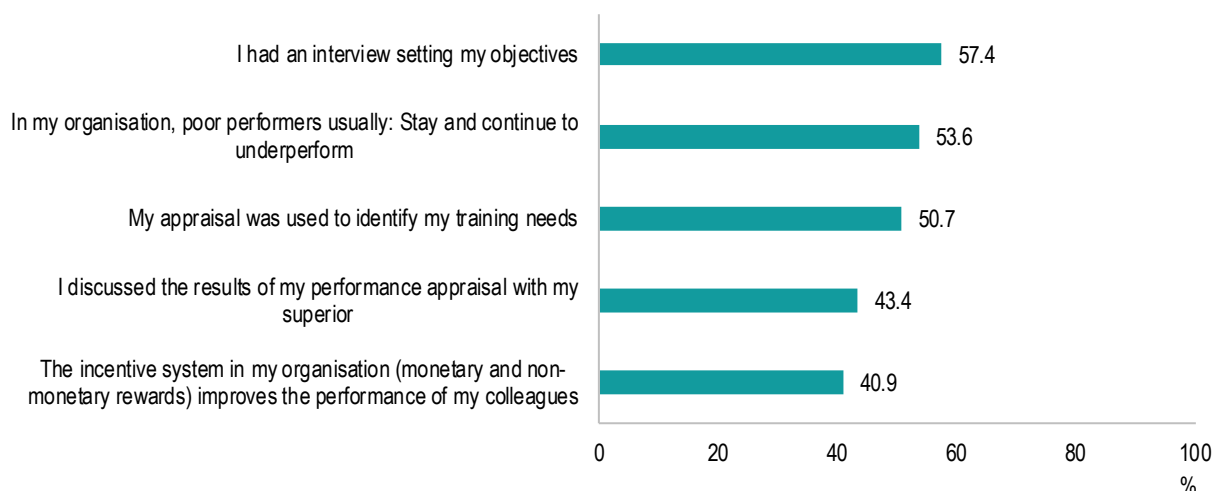
- Top performers receiving bonus (1st level)
- Superior performers (2nd level)
- Average and low performers (3rd, 4th, 5th levels)



Source: SIGMA elaboration based on data provided by MISA.

and tasks, involvement and dedication to their work, contribution to the execution of the institution's strategic plan and the individual vocational improvement plan and the administrative servant's conduct, and shall also take into consideration the report of the semi-annual interview. (4) No more than 5% of administrative servants may be evaluated with a grade of "5"; to this aim, the secretary or the manager of the institution, in which a secretary is not appointed, shall co-ordinate the evaluators."

Figure 30. Survey results on the appraisal system and its consequences



Notes: For the second item, the graph depicts survey responses to the statement “stay and continue to underperform”, chosen from among other alternative statements. Values for the next four items represent total positive responses (i.e. “I strongly agree” and “I agree”).

Source: SIGMA Survey of Public Servants on the functioning of public administration in the Western Balkans 2024.

As already highlighted in previous assessments, the training system remains rudimentary. The MPA has very limited staff¹⁶¹ and no dedicated budget¹⁶² to centrally organise training sessions for the entire administration. A centralised eLearning tool is available to all civil servants, but it contains only a few modules that are not regularly updated. In ministries, the situation is mixed: some have a training plan (with local resources to organise training across their ministry), while others simply do not have any plan even though they are legally obligated to.¹⁶³

Based on SIGMA's analysis of sample institutions, it has been found that even the departments that have invested more in training are doing so without a thorough analysis of its own training and development needs, based on its skill gaps and strategic priorities. Furthermore, the public bodies analysed do not monitor implementation of their own training plans. Nevertheless, the civil servants' own assessment is relatively positive, with 87% of those surveyed declaring that the training they received in the last 12 months helped them improve their performance. Only 56% of managerial civil servants feel this way, however, which could mean that managers are aware of the weakness of the training system.¹⁶⁴

Unvoluntary transfers resulting from restructuring or closure of a public body are not regulated with proper criteria in the primary or secondary horizontal legislation. In cases of restructuring, according to the LPSE,

¹⁶¹ Three to four individuals.

¹⁶² Other than to cover the structural costs of maintaining the eLearning platform accessible to all administrative bodies.

¹⁶³ LAS, Article 56, paragraph 1: “The Ministry shall prepare an annual programme for generic trainings for administrative servants which shall be adopted by the Minister not later than 1st July in the current year for the next one”; paragraph 2: “Based on the programme referred to in paragraph 1 of the Article herein, the secretary, i.e. the head of the institution where a secretary shall not be appointed, shall be obliged to select at least five generic trainings per year for each administrative servant in the institution and to incorporate them in his/her individual plan for vocational improvement.”

¹⁶⁴ SIGMA Survey of Public Servants on the functioning of public administration 2024.

the concerned bodies may identify a list of redundant employees, without any preestablished criteria.¹⁶⁵ This list is then sent to the MPA, which should reassign these staff members, with the eventual possibility of dismissal if the public servant refuses the proposed transfer. However, civil servants benefit from several safeguards¹⁶⁶ in the regulations regarding new assignments and can challenge decisions before the courts.

Concerning vertical promotions, the legislative framework is sound and comprehensive, providing a merit-based procedure conducted by a selection commission.¹⁶⁷ However, for promotion to category B positions, once the selection commission has agreed on a shortlist of five candidates, the interviews are not conducted by the commission, and candidates are interviewed by the Secretary only. This arrangement may allow for political criteria to influence promotion to B positions,¹⁶⁸ which is the basis upon which appointments to A positions are organised. This reinforces suspicions of the politicisation of top management appointments. However, most surveyed civil servants believe that their professional performance plays an important role in their career development.

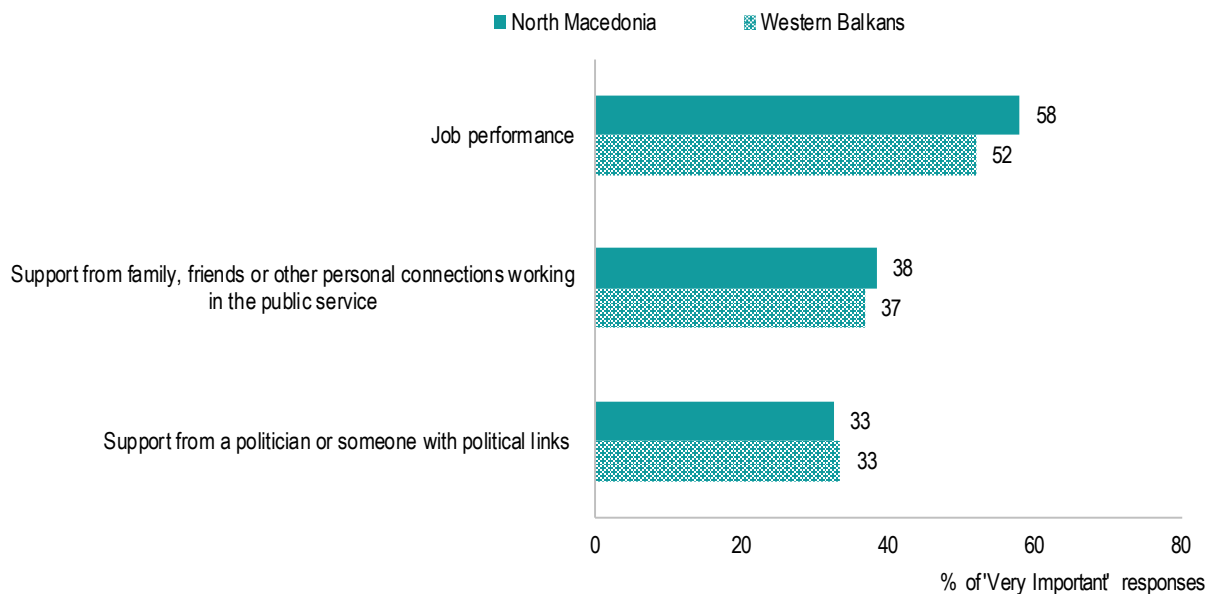
¹⁶⁵ For recent ministry restructuring, LOOSAB amendments include provisions for staff redistribution.

¹⁶⁶ LPSE, Article 44, paragraph 4, stipulates that employees must be transferred to a work post of the same level/category. Paragraph 5 states that the employees cannot be transferred more than 50 km away from the institution in which they were employed before the transfer.

¹⁶⁷ Staff of the Bureau of Public Security (Ministry of Internal Affairs) can be promoted without a published internal advertisement.

¹⁶⁸ It was not possible to assess how promotion procedures have been put into practice, as SIGMA did not receive any usable samples.

Figure 31. Survey results on the perceived importance of different factors in career progression



Note: Analysis of survey results from a sample of public servants in the central government administration to the following question: "Thinking about your career advancement in the public service, how important do you expect the following criteria to be for your advancement to better positions within the public service?: Job performance", "Support from a politician or someone with political links", "Support from family, friends or other personal connections working in the public service." They were asked to use the scale from 1 to 7, where 1 indicates "Not important at all" and 7 indicates "Very important". in relation to these statements.

Source: SIGMA Survey of Public Servants on the functioning of the public administration in the Western Balkans 2024.

Finally, on diversity and inclusion (regarding gender, disabilities and other categories), no internal policy is in place and no statistics are available.



Organisation, accountability and oversight

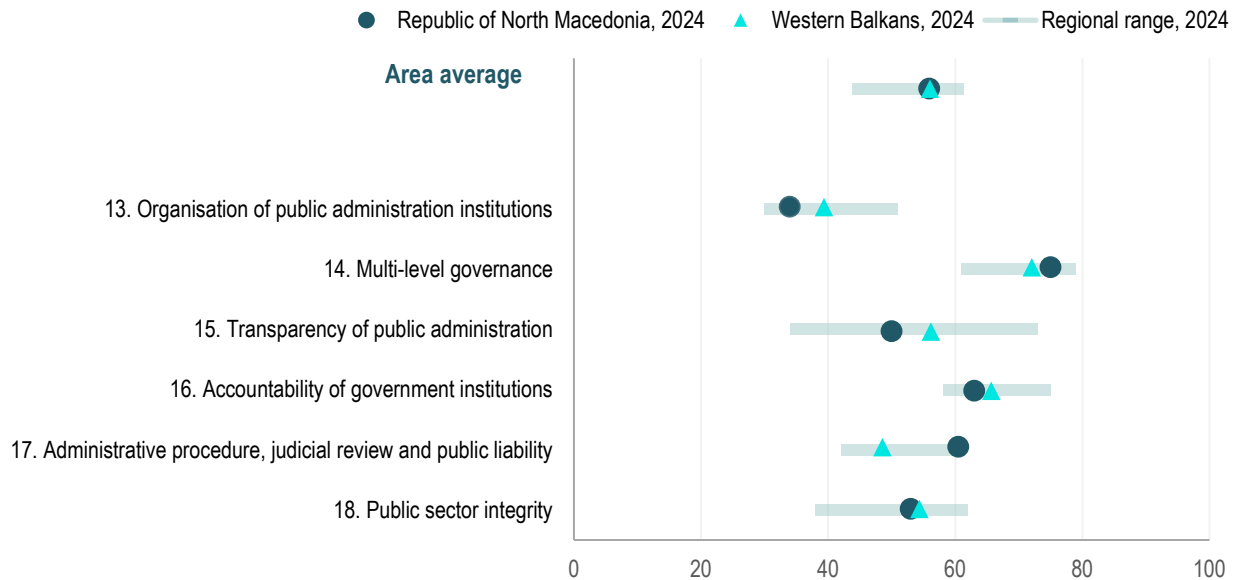
The organisation of the public administration is **efficient** and **effective** across all levels of government. Public administration bodies are **open** and **transparent** and apply clearly defined internal and external accountability mechanisms. Strong oversight bodies protect the rights of citizens and the public interest.

The Principles of Public Administration

- Principle 13** The organisation and management of public administration foster accountability, effectiveness and efficiency.
- Principle 14** Responsibilities are clearly distributed between levels of government, embracing the principle of subsidiarity and local autonomy, and facilitating inter-institutional co-ordination with effective oversight mechanisms.
- Principle 15** Public administration is transparent and open.
- Principle 16** The parliament, ombudsperson and supreme audit institution effectively scrutinise public administration.
- Principle 17** The right to good administration is upheld through administrative procedure, judicial review and public liability.
- Principle 18** A coherent and comprehensive public sector integrity system minimises the risks of corruption.

Summary and recommendations

Figure 32. The overall indicator values in the organisation, accountability and oversight area



Notes: Area average is a simple average of the Principles within the area. Western Balkan average is calculated as a simple average of all administrations.

Major challenges in the organisation of state administration bodies persist. An adequate **typology of central government bodies has not been clearly established, and relationships between ministries and subordinated bodies lack clarity and effective oversight and accountability mechanisms**, even after considering some of the improvements introduced through the amendments to the Law on Organisation of State Administrative Bodies (LOOSAB) in June 2024.

Planned reorganisation measures have not been implemented, so the internal organisation of ministries remains strongly centralised, with a very limited role for managers. There are also shortcomings in managerial planning and results-oriented management, especially in the oversight of subordinated bodies. However, the Work Programme of the new Government may tackle these deficiencies, as it clearly includes public administration reforms that adhere to the Principles of Public Administration.

The legal framework for multilevel governance (MLG) in North Macedonia has been established and meets the required standards. This is, to a large extent, a consequence of the ratification and implementation of the European Charter of Local Self-Government. Following the Ohrid Agreement, rights of local governments are protected not only by the Constitution of the Republic of North Macedonia but also by the “special status” of the Law on Local Self-Government (LLSG), the changing of which requires a double majority (i.e. two-thirds of 80 votes in the Parliament and a majority of votes of the communities other than ethnic Macedonians).¹⁶⁹

Decentralisation and territorial reforms implemented in the early 2000s have ensured a relatively high level of local autonomy. There is also a strong local governments’ association¹⁷⁰ that is regularly consulted by

¹⁶⁹ Law No. 5/2002, 202/2024 on Local Self-Government.

¹⁷⁰ The Association of Units of Local Self-Government (ZELS) is a nonprofit organisation and the only national association that unites on voluntary basis its members, all 80 municipalities and the City of Skopje.

the central government and Parliament. The legal framework allows for various forms of intermunicipal co-operation, and the scope of functions provided by municipalities is relatively wide. However, the low level of citizen trust in local governments might indicate that there are noticeable weaknesses in the practical functioning of the multilevel governance system.

While the legal framework for access to public information is very good, there are many inadequacies in its implementation. The **proactive disclosure of information is very limited**, and sometimes the published information is not updated and not easy to use. Many ministry websites lack minimal information on areas such as organisational structure, budget and activities. There is no database with consolidated versions of legislation, and no regulations for preserving electronic documents and using official e-mail accounts.

Oversight institution capacities are weak. Parliamentary control of government is not effective, often restricted to purely procedural mechanisms that do not assess the quality of policies and performance of the Government. The Ombudsperson position is relatively weak and lacks effectiveness for overseeing and tracking implementation of its recommendations. Although the State Audit Office (SAO) is more effective, it is still not recognised in the Constitution and does not garner a high level of public trust.

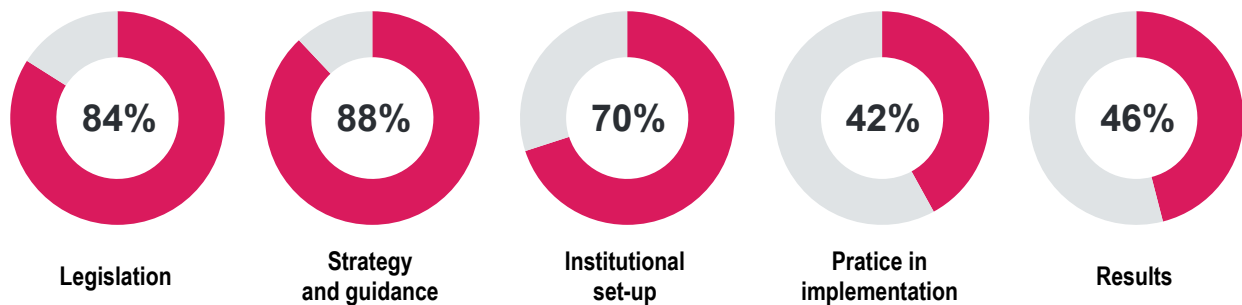
The Law on General Administrative Procedures (LGAP) establishes a sound framework of generally applicable principles in line with good administrative behaviour, although there are gaps in certain areas. For instance, in several cases, regulations on special procedures contradict some of the novel concepts introduced by the LGAP, such as the right to communicate electronically with public authorities and the “once-only” principle. Formally, line ministries are in charge of assessing the performance and efficiency of administrative procedures, but in practice the functioning of administrative procedures is not comprehensively monitored. Citizens’ and businesses’ perceptions of the legality and impartiality of public authorities conducting administrative procedures is very low – below the regional average.

The legal framework for administrative justice is properly designed and facilitates the contestation of administrative acts and administrative silence. Contrary to other administrations in the region, there are no significant case backlogs. Indeed, the disposition time for first-instance proceedings is below that of the European Union (EU). The longer backlogs for second-instance proceedings seem to result from understaffing of the Higher Administrative Court. A challenge that continues to affect the administrative judiciary is the public’s extremely low level of trust in courts and judges.

While the legislation comprehensively describes the integrity system, there are substantial problems in practice. The reported implementation rate for activities envisaged in the National Strategy on Preventing Corruption and Conflicts of Interest is rather low, and so is the level of public perception on this issue. Meanwhile, a scheme for the **protection of whistleblowers is in an initial stage** of implementation and there is little evidence that individuals reporting cases of corruption are being effectively protected. Furthermore, the system for declaring assets is still not fully functional and allows some obligated persons to avoid registering their declarations. The **lobbying register has been set up but remains empty** two years after the law entered into force.

Overall, the existing legal framework, institutional set-up and related strategies and guidance are largely in line with the Principles of Public Administration for most Principles included in this area. Implementation practice and results include gaps and inconsistencies, hindering the development of an effective accountability and oversight system in public administration.

Figure 33. State of play in organisation, accountability and oversight by type of criterion



Notes: The results are grouped into five categories: 1) legislation, 2) strategy and guidance, 3) institutional set-up, 4) practice in implementation, and 5) results. The percentage in the centre shows the ratio of points in relation to the maximum.

Recommendations

1. The Ministry of Public Administration (MPA) should conduct a substantive reorganisation taking into account existing plans and prioritising reforms that may have a strong impact. Reorganisation should be connected to approval of a new LOOSAB defining a clear typology of state bodies, to ensure adequate governance and accountability lines according to their functions.
2. The Ministry of Local Self-Government should identify the factors creating very low trust in local governments and agree on necessary actions to improve the situation.
3. The Government, in consultation with local governments and other partners, should consider developing new mechanisms and/or policies to further strengthen intermunicipal co-operation, particularly in the areas in which most vital functions are performed by local governments (e.g. waste management).
4. The President of the Government should explicitly assign responsibilities on the access to public information policy to a member of government.
5. The Government should extend the proactive disclosure of public information on official websites and ensure full implementation of the 2019 Law on Free Access to Public Information.
6. The Government should propose a legal solution to avoid MoF interference in the Ombudsperson's budget proposal.
7. The Ombudsperson should develop a system to monitor the implementation of its recommendations.
8. The Government should ensure that line ministries effectively monitor the functioning of administrative procedures to become more aware of possible problems, their causes and options for addressing them.
9. The Government should establish a system for monitoring the financial consequences of court cases lost by public authorities, including accountability mechanisms for heads of authorities that incur significant costs or do not learn from past mistakes.
10. The State Commission for Prevention of Corruption (SCPC) should ensure that systems for asset declaration and for registering lobbyists are fully operational.
11. In the event of a constitutional reform, the relevant institutions should use the opportunity to include the SAO as a constitutional body.

Analysis

Principle 13: The organisation and management of public administration foster accountability, effectiveness, and efficiency.

No real reorganisation of state bodies and no significant improvements in public administration organisation and management have happened since the 2021 assessment. While LOOSAB changes in June 2024 removed some obstacles, making reorganisation possible through special laws, a typology of state bodies is still not clearly established. Accountability lines between subordinate bodies and ministries were strengthened with the recent LOOSAB amendments, but they should be further reinforced. Challenges persist in organisational performance management.

Indicator 13. The organisation and management of public administration foster accountability, effectiveness and efficiency		2024 indicator value	34/100
Sub-indicators		Points	
1.	Clarity and coherence of official typology of central government bodies	1/10 ⁱ	
2.	Effective mechanisms for keeping the organisation of public administration rational	3/10	
3.	Strength of basic accountability mechanisms between ministries and subordinated bodies	5/8	
4.	Strength of the accountability framework for promoting performance	1.8/15	
5.	Number of public bodies subordinated to the parliament	0/8	
6.	Autonomy of regulatory bodies according to the legislation	10/10	
7.	Effective internal organisation	3.9/6	
8.	Effective performance of public administration	1.6/6	
9.	Delegation of decision-making authority within ministries	4.3/15	
10.	Horizontal co-ordination in PAR areas	1.7/4	
11.	Use of Total Quality Management (TQM) tools	1.3/4	
12.	Level of focus on reducing the environmental footprint of public administration bodies	0/4 ⁱ	

Note: i = data not available or not provided.

State administration reorganisation has not advanced sufficiently in recent years, and the proposals of the March 2021 Synthesis Report on State Reorganisation¹⁷¹ have not yet been implemented. However, the LOOSAB¹⁷² was amended in June 2024 and its new provisions may facilitate the reorganisation process and strengthen accountability. Nevertheless, a comprehensive, legally defined typology of state bodies has not been established and there are still no clear criteria for creating, merging and abolishing state administration bodies. The overall structure of the state administration is still inefficient and needs to be comprehensively overhauled.

In recent years, new state administration bodies have been established without proper justification or consideration of implications. The Ministry of Information Society and Administration (MISA), responsible

¹⁷¹ Supported by an EU technical assistance project on state reorganisation (EuropeAid/139876/DH/SER/MK), https://www.dgz.mk/sites/default/files/pbl_files/documents/reports/synthesis_report_2022_en.pdf.

¹⁷² Official Gazette of the Republic of North Macedonia Nos. 58 /00, 44/02, 82/08, 167/10, 51/11, 96 /19, 110/19 and 121/24.

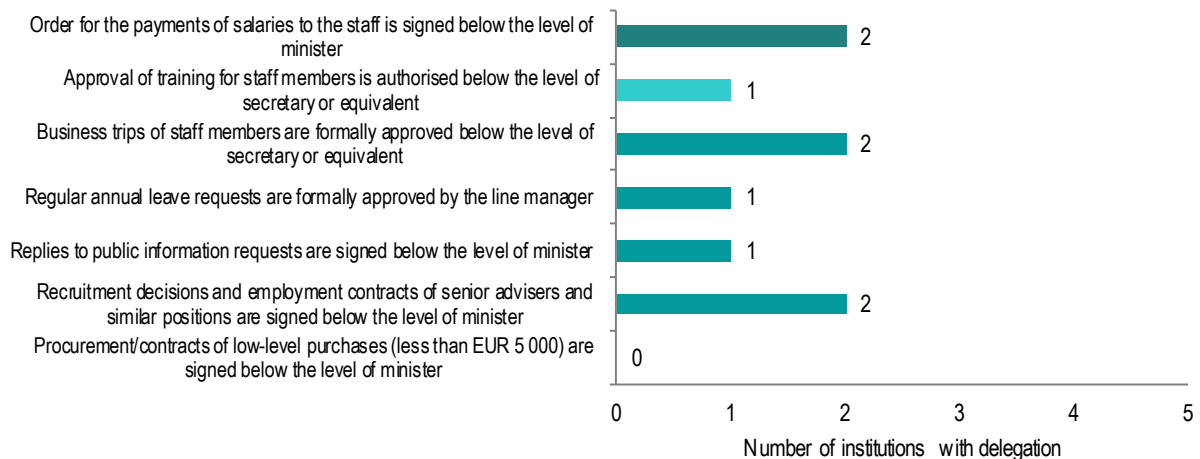
until June 2024,¹⁷³ did not exercise effective control over the creation of state administration bodies, such as the Commission for Prevention and Protection Against Discrimination, the Inspectorate for the Use of Languages, and the Council for Promotion and Supervision over the Accounting Profession. Still, many state administration bodies remain inadequately accountable to the Assembly, instead of reporting to the sector ministry responsible for their specific policy area. This weakens the accountability of state administration bodies to the portfolio ministries and can result in ineffective monitoring of their performance.

Shortcomings in accountability mechanisms between ministries and their subordinated bodies persisted throughout the assessment period, as responsibility for monitoring the subordinated bodies was not clearly assigned to relevant organisational units of the parent ministries. In addition, before June 2024,¹⁷⁴ there was no legal requirement for subordinate bodies to prepare an annual workplan. Similarly, state administration bodies were not required to submit annual reports to their parent ministries.

This SIGMA assessment found deficiencies in ministerial planning, as ministry plans focus on activities to be completed, detailing activities, deadlines and responsible units, and only loosely identify links with the ministry's overall objectives. Their lack of clear targets and indicators makes it difficult to monitor the fulfilment of policy objectives. Furthermore, the analysis of reporting between state bodies and parent ministries confirmed that annual plans and reports were not systematically submitted to parent ministries for approval, and that the subordinated bodies' draft budgets were not always submitted to parent ministries for approval.

Internal management of ministries remains very centralised, with most decisions still needing a minister's signature. The inclusion of senior-level civil servants in policymaking is scarce, as is internal delegation of decision making. The use of quality management tools in public administration is limited, and there is no evidence of how exactly they impact the performance of state administration bodies. Mechanisms for internal co-ordination remain very weak, and the division of competences among different administrative bodies is often unclear.

Figure 34. Delegation of decision-making authority in selected five ministries



Source: SIGMA assessment; data on five sample ministries: Finance, Labour and Social Policy, Justice, Economy, Education.

¹⁷³ The new Government split MISA into two ministries, and the Ministry of Public Administration (MPA) inherited these responsibilities.

¹⁷⁴ When the LOOSAB was amended.

However, it is noteworthy that the Work Programme of the new Government clearly refers to public administration reforms aligned with the Principles of Public Administration and EU standards. It proposes to apply European experience in reorganising the central administration and anticipates cutting 10% of state administration bodies, institutions and public enterprises.

Principle 14: Responsibilities are clearly distributed between levels of government, embracing the principle of subsidiarity and local autonomy, and facilitating inter-institutional co-ordination with effective oversight mechanisms.

The legal and regulatory framework for the effective functioning of local governments and their collaboration and co-ordination is established. Legislation, the institutional set-up and regulations are all aligned with the European Charter of Local Self-Government, helping the administration meet most of the required criteria. There is potential to enhance some local government functions, spurring them to take on new/additional responsibilities for more effective and targeted service delivery.

Indicator 14. Multi-level governance		2024 indicator value	75/100
Sub-indicators		Points	
1.	Legal guarantees for the establishment and functioning of local governments ensuring multi-level governance across the public administration		7/7
2.	Ensuring political autonomy of local governments and the right to organise their administration and establish local entities		13/16
3.	Rules and procedures for the administrative supervision of local government activities and decisions		9/16
4.	Rules and institutional set-up for resolving conflicts of competences among levels of government		6/6
5.	Co-ordination and co-operation are ensured between the local governments and the central government		12/12
6.	Co-operation between local governments		11/13
7.	Functions for which local governments assume responsibility		17.3/30

The key factor guaranteeing basic conditions for good multilevel governance is the ratification of the European Charter of Local Self-Government,¹⁷⁵ which has inspired a large portion of relevant legislation on local governments and central-local relations in the country. Decentralisation reforms implemented after signing of the Ohrid Framework Agreement in 2001 also strengthened local autonomy considerably, as reflected in the Local Autonomy Index in Europe study solicited by the European Commission (Table 1). However, while North Macedonia's index value for local autonomy increased significantly after 2001, it remains slightly below the average for European Union (EU) countries.

¹⁷⁵ Law No. 08-1674/1/1997 on Ratification of the European Charter of Local Self-Government, Law No. 08-3378/1/2015 on Ratification of additional protocol of the European Charter of Local Self-Government.

Table 1. Local Autonomy Index, North Macedonia

	2000	2010	2015	2020
North Macedonia	11.0	20.7	20.3	20.3
EU average	22.2	22.5	22.9	22.8

Note: The maximum LAI score is 38.

Sources: <http://local-autonomy.andreasladner.ch/>; Ladner, A. et al. (2019), *Patterns of Local Autonomy in Europe*, Palgrave, DOI: 10.1007/978-3-319-95642-8; Ladner, A., N. Keuffer and A. Bastianen (2021), *Self-Rule Index for Local Authorities in the EU, Council of Europe and OECD countries (1990-2020)*, Release 2.0, EC, Brussels.

The existing legislative and regulatory frameworks, as well as institutional MLG arrangements, are in line with the European Charter of Local Self-Government. Local governments' basic rights and autonomy are guaranteed by the Constitution¹⁷⁶ (particularly Chapter V, Articles 114-117) and by the LLSG.¹⁷⁷ Following institution of the Ohrid Agreement and Article 131/4 of the Constitution, changes to the Local Self-Government Law require a double majority – i.e. two-thirds of 80 votes in the Parliament and a majority of votes from communities other than ethnic Macedonians. While the special status of the LLSG provides strong protection for the rights of local governments, it also limits flexibility in the management of local self-government systems. Additionally, however, the LLSG secures transparency in local council operations, citizen access to information, and various forms of citizen participation in policymaking (LLSG, Chapter IV, Articles 25-30).

Local authorities are democratically elected by all residents of a community. Elections involve the direct election of council members (elected proportionally) and the direct election of mayors, which can take place in up to two rounds. All elements of electoral law and the political system are regulated at the central level,¹⁷⁸ with no local flexibility accorded to municipalities.

Local governments have significant autonomy in their internal organisation and staff management. Like all public sector organisations, they are obligated to follow a central methodology and plan their staff according to the community's distribution in the local census. Their annual employment plans require approval from the ministry in charge of public administration, which checks for proper use of the methodology. Local governments decide when to fill vacancies and then, like for all administrative servants, the process to recruit them is managed by the Administration Agency. The salary structure of their administrative servants is regulated by the Law on Administrative Servants and is adjusted locally through collective agreements concluded by each municipality.

Supervision of local governments is limited to the principle of legality and is regulated by Chapter IX of the LLSG, the State Audit Law¹⁷⁹ and the Law on the Inspection Supervision.¹⁸⁰ In cases of conflict, local governments have the right to appeal to either the Constitutional Court or administrative courts. In practice, appeals to administrative courts are very rare.

Local governments are represented by ZELS (the Association of Units of Local Self-Government).¹⁸¹ The central government and Parliament regularly consult the Association during policy preparation, and the

¹⁷⁶ Constitution of the Republic of North Macedonia, adopted in 1991 and amended several times during 1992-2019.

¹⁷⁷ Law No. 2/2002 on Local Self-Government.

¹⁷⁸ Rules for local elections are regulated by the LLSG and the Electoral Code No. 40/2006 and amended several times during 2006-2024.

¹⁷⁹ State Audit Law No. 66/2010; 145/2010; 12/2014; 43/2014; 154/2015; 192/2015; 27/2016; 83/2018; 122/2021.

¹⁸⁰ Law No. 102/2019 on the Inspection Supervision.

¹⁸¹ Заедница на единиците на локална самоуправа, <https://zels.org.mk/>.

obligation for these consultations is prescribed by Article 81 of the LLSG. In particular, ZELS representatives are regularly invited to various working groups preparing relevant policies.

The Government acknowledges the role of intermunicipal co-operation (IMC), which led to the adoption of a separate Law on Intermunicipal Co-operation in 2009.¹⁸² Although financial incentives to support intermunicipal co-operation are offered only in the field of municipal waste management, involvement in various forms of IMC is very common in practice also more broadly. However, most IMC institutions usually deal with tasks of relatively minor importance, rarely concentrating on key infrastructure services in which co-operation would be the most beneficial. According to a recent SIGMA study,¹⁸³ the most common cases of IMC in North Macedonia concern culture and economic development. As in other parts of Western Balkans, financing of IMC relies heavily on donor support, which does not provide a sustainable foundation for co-operation. Municipality involvement in cross-border co-operation is very common, and it is stimulated mostly by international donor programmes, including those financed by the EU.

The 2004 territorial reform¹⁸⁴ introduced a territorial organisation system based on relatively large municipalities, none of which has less than 1 000 citizens, and only 5 (out of 80) local government units have less than 3 000 citizens. This type of territorial organisation could allow local public administrations to build sufficient capacity to provide public services more efficiently, but intermunicipal co-operation may be still required for efficient delivery of some local functions, such as solid waste management and wastewater management.

The scope of functions and services delivered by local governments is relatively wide and includes crucial services such as primary and secondary education. Local governments are also responsible for water provision, waste management and other important services.¹⁸⁵ However, in several of these functions their actual discretion in local policymaking and policy implementation is limited. Furthermore, their wide scope of functions does not quite correspond with their actual role in collecting and managing public finances and the fairly moderate equalisation of local governments' financial potential (see Principle 32 for details).

Citizens express a low degree of trust in local governments overall. In a recent SIGMA survey,¹⁸⁶ only one-third of citizens interviewed expressed at least partial trust in local governments, which is lower than the regional average.

¹⁸² Law No. 79/2009 on Intermunicipal Co-operation.

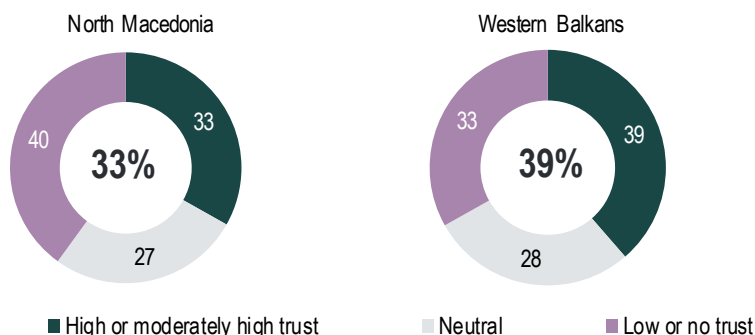
¹⁸³ Kurian, M., P. Swianiewicz and F. Teles (2024), "Inter-municipal co-operation in the Western Balkans", SIGMA Papers, No. 70, OECD Publishing, Paris, <https://doi.org/10.1787/a78a01e6-en>.

¹⁸⁴ Reform implementation was delayed and was completed in 2013 when the merging of four suburb municipalities with the city of Kicevo was completed.

¹⁸⁵ Official population data 2021, <https://www.stat.gov.mk/PrikaziPoslednaPublikacija.aspx?id=87>.

¹⁸⁶ SIGMA Survey of Citizens and Public Servants on public administration in the Western Balkans 2024.

Figure 35. Citizen trust in local governments



Note: Percentage of valid responses to survey question:

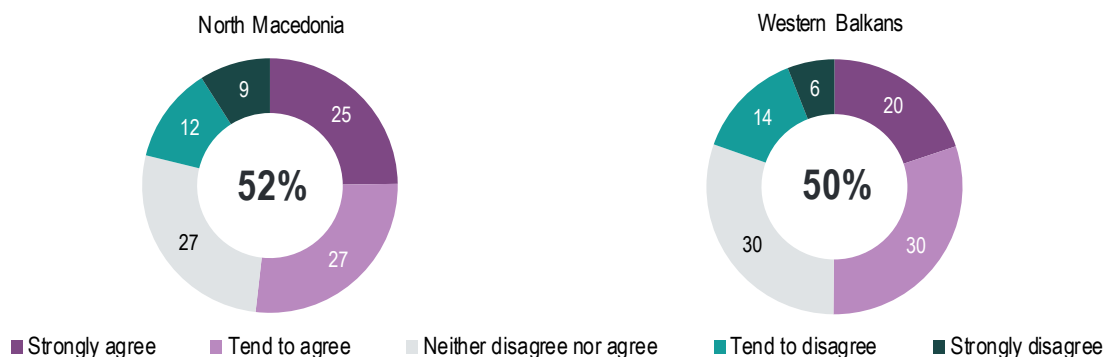
"How much trust do you have in the local government? Using a 5-point scale where 1 means you don't trust it at all and 5 means you completely trust it". 1-2 = Low or no trust, 3 = Neutral, 4-5 = High or moderately high trust.

The percentage in the middle is the share of respondents who answered "high or moderately high trust".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

At the same time, most citizens think the central government limits the autonomy of local governments excessively. In North Macedonia, this opinion was expressed by 52% of citizens who responded this question, while only 21% declared the opposite (Figure 36). This suggests that social approval for further decentralisation is relatively strong. These percentages are similar to the average of the Western Balkans.

Figure 36. Citizen perceptions on excessive central government interference in local issues



Notes: Percentage of valid responses to the question: "To what extent do you agree or disagree with the following statement? The central government is interfering too much on issues that should be left to local governments". The percentage in the middle is the share of the respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Principle 15: Public administration is transparent and open.

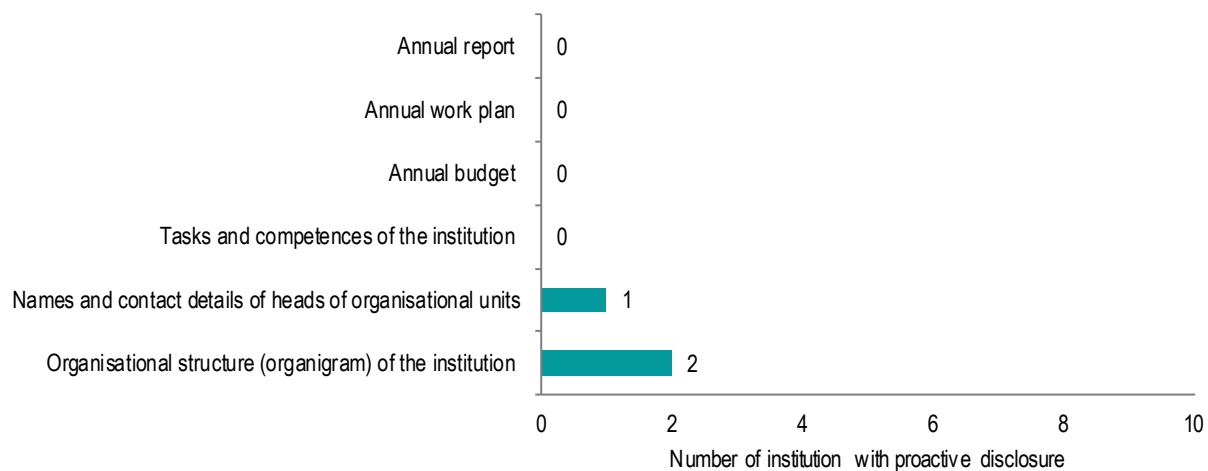
While the legislative framework for accessing public information is adequate, the practice is still patchy, especially in relation to proactive publication of documents in an accessible format.

Indicator 15. The public administration is transparent and open		2024 indicator value	50/100
Sub-indicators		Points	
1.	Strategic and institutional set-up for transparency	6/10	
2.	Individuals and legal persons who have the legal right to access public information	6/6	
3.	Definition of public information	6/6	
4.	Easiness of requesting access to public information	7.7/15	
5.	Effective remedies for denial to access public information	8/15	
6.	Effective supervisory authority of the right to access public information	6/9	
7.	Legislation about preservation and management of documents and data keeping	2/10	
8.	Open Data Portal and re-use of public information	5/15	
9.	Proactivity in disclosure of information and data by state administration bodies	1.9/10	
10.	Perceived government transparency of public information by the population and businesses	1.4/4	

In 2019 a new Law on Free Access to Public Information was adopted.¹⁸⁷ Overall, the regulation of access to public information is satisfactory and addresses all important aspects of free access to public information, and also provides proper legal safeguards. However, challenges still exist in implementation of the law. Proactive information disclosure remains limited on state administration bodies' websites, with the vast majority of ministries failing to provide data on their organisational structure; names and contact details of heads of units; tasks and competences of the institution; annual budgets; annual work plans; and annual reports – and sometimes the information is not available in both official languages. Another problem is that documents are not provided in an open format that ensures machine readability and ease of use.

¹⁸⁷ Official Gazette No. 101 of 22 May 2019.

Figure 37. Proactive disclosure of information on ten selected ministries' websites, 2024



Note: Data based on ten selected ministries: Economy, Education and Science, Environment and Physical planning, Finance, Health, Transport and Communication, Internal Affairs, Justice, Information Society and Administration, Labour and Social Policy.

Source: SIGMA analysis of content of websites of ten ministries.

Statistical data on requests for access to public information demonstrate that the vast majority of requests are answered within the statutory deadline and grant access to the information (95% of requests). About 40% of denials to requests for access to public information were overruled by the Agency for Protection of the Right to Free Access to Public Information, ordering the authority to act on the request and obliging it to provide the information.

Accessibility of legislation is weak. A significant shortcoming is the lack of official publication of consolidated versions of the laws, depriving citizens, businesses and lawyers of easy access to applicable regulations. Even public officials and legal professionals try to use non-official consolidated versions, when available. (The wider problem of accessibility to regulations is also addressed in the Policy Development and Co-ordination section.)

The annual report of the Agency for Protection of the Right to Free Access to Public Information does not contain data on the implementation pace of planned transparency activities. It describes only activities undertaken, and provides some related statistics not linked to the planned activities, so it is impossible to assess the implementation rate.

The country declared its commitment to increasing transparency through participation in the Open Government Partnership, and now the 6th Action Plan 2024-2026 is being implemented.¹⁸⁸ In 2023, the Government appointed a multisector working group to formulate a draft law to comply with the EU Directive on open data and the reuse of information from the public sector. However, the perception of public information accessibility is very low – only 32% of SIGMA survey respondents agree that the Government is proactively publishing information, whereas 60% think it sometimes intentionally withholds important information from the public.¹⁸⁹

The preservation of official documents focuses on paper versions, so no system for archiving e-documents is currently in place. In addition, public employees are not legally obligated to use their official e-mail

¹⁸⁸ <https://www.opengovpartnership.org/documents/north-macedonia-action-plan-2024-2026-june/>.

¹⁸⁹ SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

accounts. The Law on Archive Material¹⁹⁰ does not address digitalisation and electronic documents; however, according to information shared in interviews, a new draft law is being prepared to effectively address electronic documents and digital aspects of Government operations.

Principle 16: The parliament, ombudsperson and supreme audit institution effectively scrutinise public administration.

Parliamentary oversight of government has some weaknesses, especially regarding evaluation and law implementation reviews. Another challenge to the effectiveness of oversight institutions is the lack of monitoring and the low level of implementation of Ombudsperson recommendations. The SAO remains outside of constitutional protection.

Indicator 16. Effectiveness of scrutiny of public authorities by independent oversight institutions		2024 indicator value	63/100
Sub-indicators		Points	
1.	Parliamentary oversight of the government	3.4/9	
2.	Parliamentary support to the ombudsperson and the supreme audit institution (SAI)	10/12	
3.	Independence of the ombudsperson, capacities, and public trust	5.1/13	
4.	Requirements for the person appointed to the ombudsperson position	3/6	
5.	Mandate and powers of the ombudsperson	8/8	
6.	Implementation of ombudsperson recommendations	3/13 ⁱ	
7.	Independence of the state audit institution (SAI)	10.1/12	
8.	Capacities of the supreme audit institution (SAI) and public trust	5.1/9	
9.	Mandate and powers of the supreme audit institution (SAI)	7/7	
10.	Implementation of supreme audit institution (SAI) recommendations	8.5/11	

Note: i = data not available or not provided.

The Assembly has limited oversight capacities over the Government activity. The legal regulations enable the parliament to carry out its oversight function on government policymaking, and the Government representatives are required to be present in committee sessions discussing relevant policy issues. However, no ex-post reviews of laws and policies are carried out. Oversight hearings, as regulated in the Law on the Assembly, may be a tool for ex-post reviews but are not regularly used.¹⁹¹ In the last years, the parliament has not prepared any report on the implementation of major laws and policies. However, the new Rules of Procedure, just entered into force, could facilitate the scrutiny of laws and the parliamentary questions to the Government.¹⁹²

¹⁹⁰ Official Gazette of the Republic of Macedonia Nos. 95/12, 41/14, 72/15, 148/15, 169/15, 53/16 and 11/18.

¹⁹¹ Only one oversight hearing was carried out in 2023, and there were none in 2022.

¹⁹² The new RoP came into force with gathering of the new Assembly in June 2024.

The Ombudsperson is elected by a special double majority that requires not only the absolute majority of the Assembly, but also the majority of votes of MPs belonging to non-majority communities.¹⁹³ The Ombudsperson does not have the capacity to directly propose its budget without potential interference by the MoF.¹⁹⁴ The Global Alliance of National Human Rights Institutions (GANHRI) considers North Macedonia's Ombudsperson only partially compliant with the Paris Principles and assigned it "B" status in its classification (reviewed in 2011). However, legal amendments being prepared during the assessment period may explicitly introduce the promotion of human rights as part of the Ombudsperson's mandate and safeguard its financial independence. The greatest challenge for the Ombudsperson is the lack of a system for following up on implementation of its recommendations. Even though the Law on the Ombudsman obligates public institutions to report on the implementation of Ombudsperson recommendations, they do not in practice. As the office of the Ombudsperson does not collect this data, it is impossible to assess the rate of implementation.

The Assembly demonstrates limited interest in debating Ombudsperson reports and recommendations. In practice, the debate on the Ombudsperson's annual report is often delayed, even by up to one year. The Government is not present during these parliamentary proceedings.¹⁹⁵ However, some parliamentary support for the Ombudsperson has been observed: for instance, the May 2023 report of the Committee on the Political System and Community Relations called on specific government bodies to implement Ombudsperson recommendations.

As the SAO is not recognised in the text of the Constitution, its safeguards are only enshrined in the State Audit Law. However, as opposed to the Ombudsperson, it is protected from interference of the executive power (MoF) in the preparation and execution of its budget. The SAO has recently formulated proposals both regarding the Constitution and the State Audit law¹⁹⁶ The level of acceptance of SAO recommendations for the last three years was 100% (according to annual reports for 2020-2022). During this period, all recommendations were accepted by the auditees, and in 2022 the auditees acted upon audit recommendations in 80% of the cases verified by the SAO. In December 2023, Transparency International-Macedonia published the report: "National Integrity System of North Macedonia", including a very positive opinion about the role of the SAO.¹⁹⁷ A 2023 stakeholders' satisfaction questionnaire sent by the SAO showed that 93% of respondents are satisfied with their co-operation with the State Audit Office.¹⁹⁸

Trust in the Ombudsperson and the SAO is low: only 36% of respondents to SIGMA's Survey of Citizens agree that the Ombudsperson is independent of political influence; only 29% have trust in the Ombudsperson; and only 35% agree that the Ombudsperson effectively scrutinises the Government and makes it accountable to citizens. Perceptions of the SAO are even worse, with scarcely 21% of respondents placing trust in this institution. (Figure 38 and Figure 39)

¹⁹³ Law on the Ombudsman. The Preamble of the Constitution, following Amendment XXXIV, explicitly mentions six non-majority communities (or "people"), namely the Albanian people, the Turkish people, the Vlach people, the Serbian people, the Romany people, the Bosniak people, and also refers to "others".

¹⁹⁴ Law on the Ombudsman, Article 48: The Ombudsperson shall submit a draft calculation for the budget to the MoF, based on which the section in the Budget of the Republic of Macedonia designated for the Ombudsperson is harmonised. If no agreement is reached, the Ombudsperson shall prepare a report and submit it to the Government.

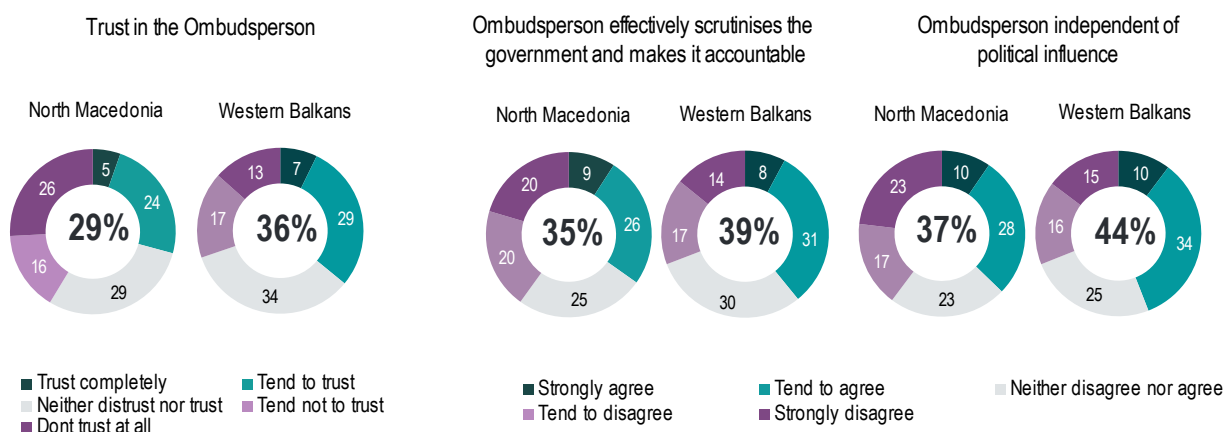
¹⁹⁵ Confirmed during an interview with the deputy Ombudsperson.

¹⁹⁶ Supported by the EU Twinning project "Improvement of external audit and parliamentary oversight", recommendations were made for: amendments to the Constitution for regulating the SAO as a constitutional body and for strengthening SAO financial and operational independence in the new State Audit Law.

¹⁹⁷ <https://transparency.mk/wp-content/uploads/2024/01/national-integrity-system-assessment-2023.pdf>

¹⁹⁸ [Јавна анкета | Државен Завод за Ревизија \(dzr.mk\)](#)

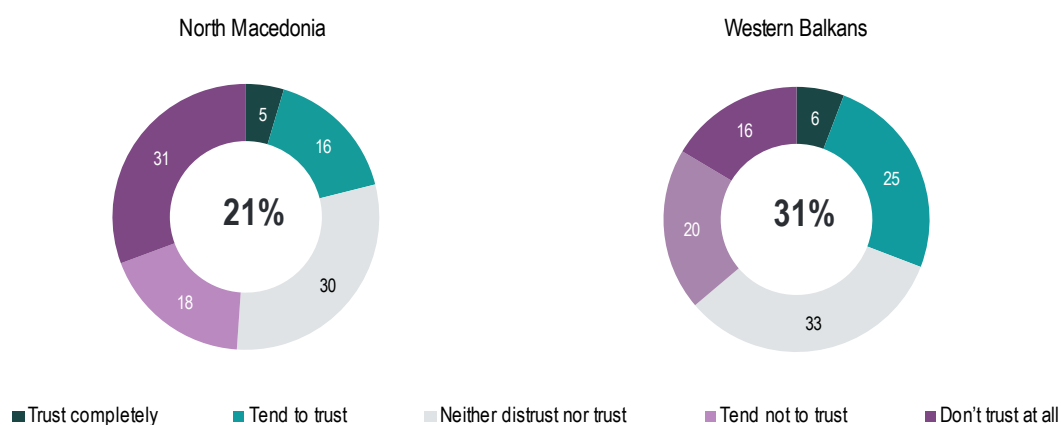
Figure 38. Public perception of the Ombudsperson compared to Western Balkan average



Note: Percentage of valid responses to the questions: 1. "How much trust do you have in the following institutions?" "Ombudsperson"; "To what extent do you agree or disagree with the following statement?" 2. "The Ombudsperson effectively scrutinizes the government and make it accountable to citizens. 3. "The Ombudsperson is independent of political influence". The percentage in the middle is the share of the respondents who answered "trust completely" or "tend to trust" to the [trust] question, and "strongly agree" or "tend to agree" to the [scrutiny] and [independence] questions.

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Figure 39. Public trust in the SAO compared to Western Balkan average



Note: Percentage of valid responses to the questions: 1. "How much trust do you have in the following institutions? Supreme Audit Institution". The percentage in the middle is the share of the respondents who answered "trust completely" or "tend to trust".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Principle 17: The right to good administration is upheld through administrative procedure, judicial review and public liability.

The LGAP's general rules for administrative procedures¹⁹⁹ are aligned with the principles of good administration. The special regulations reviewed by SIGMA largely comply with LGAP principles, with the exceptions of the right to communicate electronically with the public administration and the "once-only" principle. Line ministries are in charge of monitoring the functioning of administrative procedures in their area of responsibility, but they are fulfilling this task inconsistently. Citizens' perception of the lawfulness and impartiality of the public administration is low. Basic preconditions for functioning of a public liability system are in place, but there is no evidence of its operation in practice.

Indicator 17.1. Due process and good administrative behaviour when conducting administrative procedures and applying public authority		2024 indicator value	55/100
Sub-indicators		Points	
1.	Due process in the legal framework regulating administrative procedures	20.8/30	
2.	Timeliness of administrative procedures	8.9/20	
3.	Public perception of the lawfulness and impartiality of administrative procedures	1.2/6	
4.	Business perception of the consistency and impartiality of conducting administrative procedures	1.8/6	
5.	Functioning of administrative appeal	4.2/10	
6.	Monitoring the effectiveness of administrative procedures	14.5/18	
7.	Legal framework and application of the public liability regime	4/10	

The basic guarantees for good administration are well-established in the legal acts regulating administrative procedures. The 2015 LGAP provides the most important guarantees for citizens in relation to public administration. For instance, Chapter II of the LGAP provides a comprehensive set of principles for good administrative behaviour, such as legality, proportionality, economy, efficiency, equity, impartiality, service orientation, active party support, etc. Moreover, the LGAP establishes that special laws cannot contradict the basic LGAP principles and cannot decrease protection of the parties.²⁰⁰

The analysis of four special administrative procedures²⁰¹ as part of this assessment concluded that there are no contradictions in the right of parties to correct errors in their applications, the right to be heard, the right to access files, the right to obtain written decisions with rationale and the right to be informed about available remedies.

However, some more novel ideas introduced by the LGAP, such as the right of parties to communicate electronically with the public administration, and the once-only principle, are contradicted by some special regulations.²⁰² An example of this contradiction is Article 6 of the Rulebook for Disability Pensions, which still requires parties to present certificates from the Ministry of Defence about military service, even though this information is in a public administration registry and can be obtained *ex officio*. Similarly, electronic applications are not available for many services, such as applying for a disability or retirement pension or

¹⁹⁹ Law of 27 July 2015 on General Administrative Procedure, Official Gazette No.124/2015.

²⁰⁰ LGAP, Article 2.

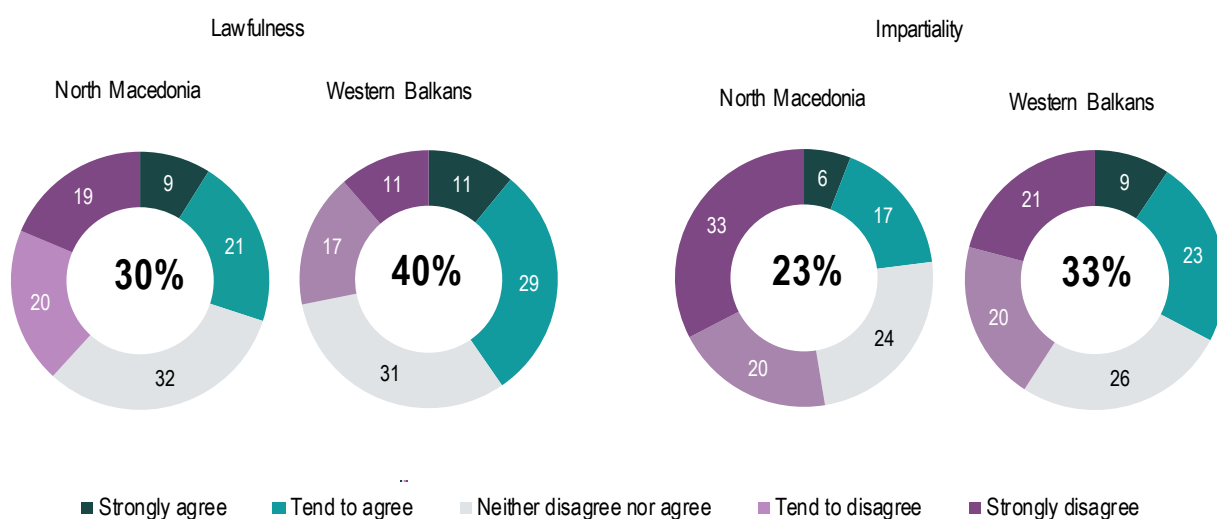
²⁰¹ Application for a work permit for a foreigner; construction permit for an individual house; granting of a disability payment (disability pension); and issuance of a taxi permit.

²⁰² LGAP, Articles 17.2 and 56.

unemployment benefits, or for registering a second-hand vehicle. Indeed, results of the eGovernment benchmark²⁰³ show that only 47% of the 96 analysed services are available online, while in the average of the 27 EU Member States this percentage is 88%.

Citizens' perception about the lawfulness and impartiality of administrative procedures is low. In fact, only a minority of respondents agree that the public administration respects the law when conducting administrative procedures. Moreover, less than one-quarter of respondents agree that the public administration applies the law equally to everyone. For both questions, North Macedonia is 10 points below the regional average (Figure 40).

Figure 40. Citizen perception of the legality and impartiality of administrative procedures



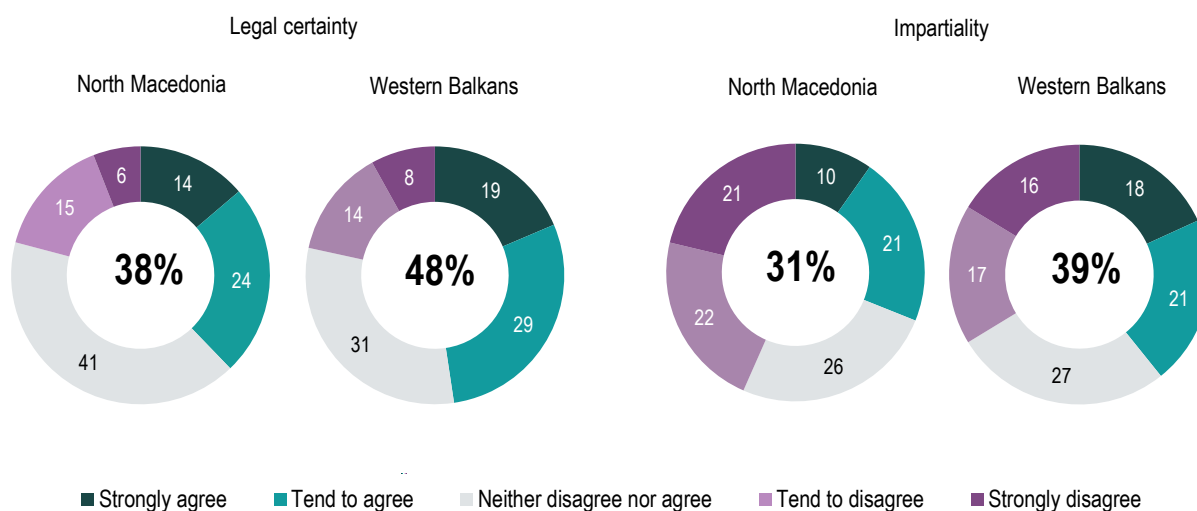
Note: Percentage of valid responses to the questions: "Please, answer to what extent do you agree or disagree with the following statements?: 1. The public administration respects the law, when handling citizens' requests for administrative services (licences and permits, etc.). 2. The public administration is applying the law to everyone equally". The percentage in the middle is the share of respondents who answered "strongly agree" or "tend to agree".

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Business perceptions are also quite negative. Only 38% of respondents agree that the public administration's interpretations of the laws and regulations affecting their company are consistent and predictable, and only about one-third agree that the public administration applies the law equally. In both cases, North Macedonia is about ten percentage points below the regional average. (Figure 41)

²⁰³ Publications Office of the European Union (2024), eGovernment Benchmark 2024 Country Factsheets, Luxembourg, ISBN: 978-92-68-16161-6. doi: 10.2759/809120, p. 69.

Figure 41. Business perception of the legality and impartiality of administrative procedures



Note: Percentage of valid responses to the questions: “Please, answer to what extent do you agree or disagree with the following statements?: 1. The public administration’s interpretations of the laws and regulations affecting your company are consistent and predictable. 2. The public administration is applying the law to everyone equally”. The percentage in the middle is the share of respondents who answered “strongly agree” or “tend to agree”.

Source: SIGMA Survey of Businesses on public administration in the Western Balkans 2024.

According to the World Justice Project Rule of Law Index,²⁰⁴ respect for due process in administrative proceedings in North Macedonia is ranked at just 38% – well below the EU (65%) and global average (47%).

Monitoring of the functioning of administrative procedures is limited in practice. Even though line ministries are legally mandated to monitor administrative procedures, not all perform this function consistently. In fact, of the four special administrative procedures for which SIGMA requested data, for only one was all key data available (construction permits). For the other three, basic data (e.g. percentage of appeals resolved before the legal deadline) were not provided.

Equally, there is no evidence that data about outcomes of administrative appeals and judicial disputes are regularly analysed by public authorities to improve their interpretation of legal norms. Moreover, there is also no evidence of a system for monitoring the financial consequences of lost court cases by public authorities, including accountability mechanisms for heads of authorities that incur significant costs or do not learn from past mistakes.

From available data on the duration of administrative cases, it appears that practices are mixed. Some procedures that have been digitalised and streamlined, such as business registration, are delivered very quickly. However, for other more complex and bureaucratically heavy procedures, the statutory deadline is often exceeded.

The public liability system is founded on the Law on Obligations (LO),²⁰⁵ the LGAP²⁰⁶ and the Law on Administrative Servants (LAS).²⁰⁷ The general provision of the liability system is Article 141 of the LO,

²⁰⁴ <https://worldjusticeproject.org/rule-of-law-index/country/2023/North%20Macedonia/Regulatory%20Enforcement/>.

²⁰⁵ Official Gazette Nos. 18/2001, 04/2002, 05/2003, 84/2008, 81/2009, 161/2009, 123/13, 215/21 and 154/23.

²⁰⁶ Official Gazette No. 124/2015.

²⁰⁷ Official Gazette Nos. 27/14, 199/14, 48/15, 154/15, 5/16, 142/16, 11/18, 275/19, 14/20, 215/21 and 99/22.

which establishes a general rule for damage caused by fault²⁰⁸ but also specifies that in some cases the law can establish objective liability. The definition of damage (Article 142) covers both material and non-material damage.

Specific provisions for public sector liability cover (among other eventualities) liability for undue suspension or irregularities in the provision of utilities and services of public interest; liability for acts of corruption (LO, Article 167); liability for exceptional termination of administrative acts (LGAP, Article 23); and liability of the State for acts of public servants (LAS, Article 81), which again defines liability in general terms.²⁰⁹ On the other hand, there is no general legal provision establishing the liability of the State for damages caused by lawful acts, in line with Principle II of Recommendation No. R (84) 15 of the Council of Europe's Committee of Ministers.

Regarding procedural rules such as time limits for submitting liability claims and rules for determining compensation, the legal provisions are aligned with international standards. Nevertheless, data on judicial or amicable liability compensation procedures and payments are not being systematically monitored. This makes it impossible for the relevant authorities to effectively monitor and assess whether these provisions are being well implemented in practice and to design improvement actions, if needed.

Effective and fair handling of administrative judicial disputes

Regarding effective and fair handling of administrative judicial disputes, basic preconditions for functioning of the administrative judiciary have been well-established in the legal framework, and the calculated disposition time for handling administrative disputes is the lowest in the region. Nevertheless, the public's low perception of the independence of the judiciary as well as lack of trust in courts might have become an obstacle to ensuring effective access to legal remedies.

Indicator 17.2. Effective and fair handling of administrative judicial disputes		2024 indicator value	66/100
Sub-indicators		Points	
1.	Access to independent administrative justice	12/15	
2.	Perceived independence of the judicial system by the population (%)	0.2/10	
3.	Perceived trust in the judiciary by the population (%)	0.7/10	
4.	Functioning of administrative justice	26.7/35	
5.	Clearance rate in administrative courts (%)	10/10	
6.	Calculated disposition time of administrative cases	16.3/20	

The administrative justice system has two levels of instance. The Administrative Court in Skopje handles disputes in the first instance, but its decisions can be appealed to the Higher Administrative Court, which is the court of final instance.

All the legal guarantees necessary for an accessible administrative judiciary are in place. In fact, natural and legal persons can challenge the legality of administrative acts that violate a plaintiff's rights, obligations or legal interests, and an explicit provision allows for judicial disputes against administrative silence, as

²⁰⁸ Article 141.1: A party causing damage to another party shall be obliged to indemnify it, unless it is proven that the damage was caused without fault.

²⁰⁹ Article 81: The institution shall be responsible for compensating third persons for damage caused by administrative servants in the performance of their work and work tasks.

regulated in the Law on Administrative Disputes (LAD).²¹⁰ Regarding factual actions of the public administration (not formal administrative acts), LAD allows judicial disputes against administrative acts to be initiated following objections to actual acts or their omission.²¹¹ Parties should therefore first request an administrative decision on administrative actions or inaction before being able to contest them in court.

The time limit for initiating an administrative dispute is 30 days. The legal system guarantees that people can initiate judicial disputes regardless of their economic situation, as the right to be exempt from court fees (based on the applicant's material situation) is enshrined in law, as is the right to free legal aid. Moreover, the statutory level of fees is low in relation to the average monthly salary (between 0.8% and 3%),²¹² and rules on cost reimbursement favour the plaintiff. Indeed, the public administration bears its own costs if the court rejects or dismisses the lawsuit or the procedure is stopped.

Contrary to other administrations in the region, there are no significant backlogs of cases. The first-instance administrative court's disposition time in 2023 was 257 days, while in the Higher Administrative Court it was 242 days.

Even though the Law on Administrative Disputes (Article 60) establishes the general principle that courts decide in full jurisdiction and resolve the administrative matter (the judgement therefore entirely replaces the annulled administrative act),²¹³ there is no evidence that this provision is consistently implemented in practice. If the court decides to annul the administrative act and return the case to the authority for a new decision,²¹⁴ the public administration does not have the right to appeal to the High Administrative Court. This lack of appeal option may result in the public authority issuing another act with the same material decision (but modifying some formal elements, such as justification), creating a ping-pong effect between the administration and the judiciary.

Training programmes for judges are in place. Data on judges' workloads were provided to SIGMA, meaning that the administration does collect them. All cases submitted to both first- and second-instance administrative courts are registered in the case management information system. This system seems to be appropriately designed with all required functionalities, such as enabling judges to establish overviews of all their active cases and to identify relevant case law from the judgements of other judges. Court rulings are also published online.

In general, citizen perceptions of the judiciary are very low, falling below the regional average: about only 11% of respondents consider the courts and judges to be independent, and roughly just 15% trust the courts and judiciary. (Figure 42)

²¹⁰ Law of Administrative Disputes, Chapter X, Article 3.

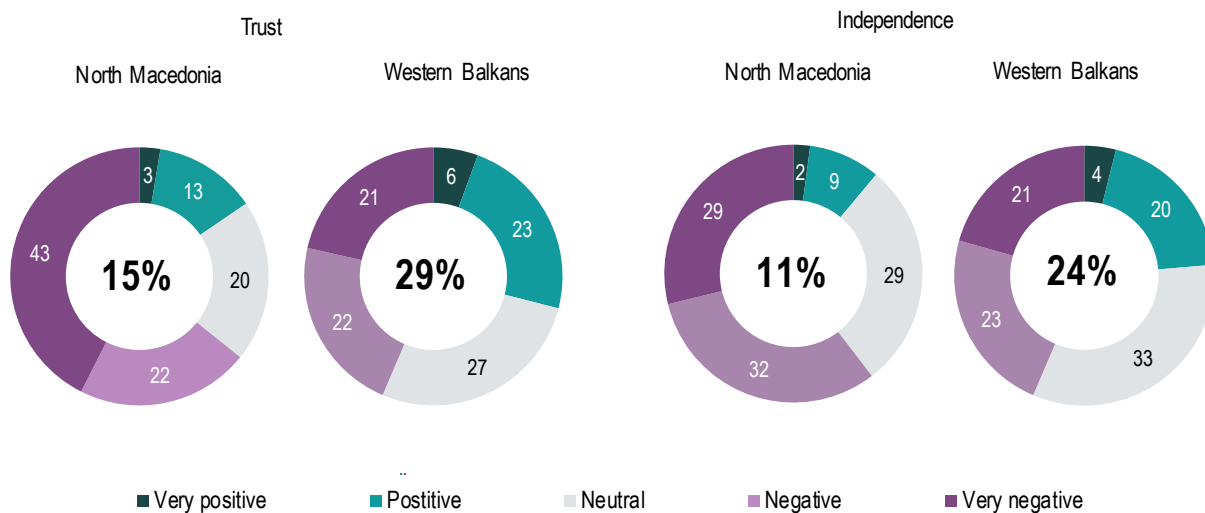
²¹¹ LAD, Article 3.

²¹² Ligi, T., A. Kmecl and V. Lapimaa (2024), The functioning of administrative judiciaries in the Western Balkans, *SIGMA Papers*, No. 73, OECD Publishing, Paris, <https://doi.org/10.1787/6499dad5-en>.

²¹³ Both for administrative acts declared illegal by the court (Article 60.1) and for administrative silence (Article 60.2).

²¹⁴ Based on any of the exceptions to the full jurisdiction principle set in Article 60.3.

Figure 42. Citizen perception of the judiciary



Notes: Percentage of valid responses to the questions: 1. "How much trust do you have in the following institutions? We are using a 5-point scale again: where 1 means that you don't trust it at all and 5 means that you trust completely it?". 2. "how would you rate the justice system in North Macedonia in terms of the independence of courts and judges? Answer options> 1- Very bad, 2- Fairly bad, 3- Neither bad nor good, 4- Fairly good, 5- Very good". The percentage in the middle is the share of respondents who expressed a very positive or positive evaluation. Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Principle 18: A coherent and comprehensive public sector integrity system minimises the risks of corruption.

The legal framework for public sector integrity is properly designed, and the criminal and disciplinary regulations, as well as legal protection for whistleblowers, meet EU and international standards. The main challenges are in implementation, as many shortcomings have been observed in relation to corruption prevention activities and functioning of the systems for declaring assets and registering lobbying activities. Public perceptions on corruption and the integrity of public administration remain far from satisfactory.

Indicator 18. Anti-corruption and public integrity		2024 indicator value	53/100
Sub-indicators		Points	
1.	Strategic framework for public integrity	5/10	
2.	Comprehensiveness of corruption offences and sanctions	10/10	
3.	Communication and enforcement of rules and values for ethical conduct of public officials	8/8	
4.	Protection of whistleblowers and open organisational culture	7.8/10	
5.	Avoidance and management of conflict-of-interest situations and unjustifiable wealth	11/15	
6.	Transparency and integrity of lobbying activities	4/10	
7.	Effectiveness of integrity risk management and control systems	2.3/10	
8.	Fairness and timeliness of handling integrity violations	3/6 ⁱ	
9.	Interagency collaboration and public communication	1/7	
10.	Experience with bribery in the public sector	0/10	
11.	Public trust in the civil service	0.8/4	

Note: i = data not available or not provided.

The integrity and anti-corruption framework has not changed substantially since the 2021 SIGMA assessment. The legislative framework is adequate, as the Criminal Code covers all corruption offences established in the United Nations Convention Against Corruption. Sanctions have also been established for violations of the statutory rules on incompatibilities between public functions and private activities; rules regulating conflicts of interest; and restrictions on post-employment activities of former public officials. The country has a valid National Strategy on preventing corruption and conflicts of interest for 2021-2025, together with an Action Plan adopted by the Assembly.²¹⁵ However, the reported implementation rate for integrity activities is rather low: of 166 activities planned for 2023, only 22 have been fully implemented; 89 not at all; and 55 are ongoing.²¹⁶

Standards of conduct and ethical behaviour are applicable to all civil servants (as per the Code for Administrative Servants) and are publicly available.²¹⁷ More than 90% of surveyed civil servants perceive

²¹⁵ <https://dsk.mk/wp-content/uploads/2021/01/Nacionalna-strategija-DKSK-KONECNA.pdf>.

²¹⁶ Annual report on implementation of the National Strategy for 2023.

²¹⁷ https://mioa.gov.mk/sites/default/files/pbl_files/documents/legislation/kodeks_za_administrativni_sluzbenici_sl183_12122014.pdf.

the ethical guidelines as clear and understandable, but citizen trust in civil servants remains very low (26%).²¹⁸

The establishment of protection for whistleblowers is in the initial stages. The 2020 Law on Whistleblower Protection²¹⁹ provides appropriate guarantees for whistleblowers: procedures for reporting breaches of integrity have been established and include both internal and external channels; whistleblowers are protected against retaliation; and the reporting person's confidentiality is protected. Multiple reporting channels are mandatory and must acknowledge receipt of reports, provide follow-up and feedback on the outcome, and be forwarded to relevant authorities. The Law on Whistleblower Protection identifies the SCPC, the Ombudsperson, the Ministry of Interior and the public prosecutor as the competent authorities for receiving reports and providing protection. However, full implementation of the law remains a challenge and there is no convincing evidence that the legal protection system works effectively in practice.

Another issue requiring attention is the system for declaring assets. Although the 2019 Law on Prevention of Corruption and Conflicts of Interest²²⁰ properly regulates the obligations of politicians and public officials, the system for declaring assets is new and is still not fully functional. The module for registering elected and appointed persons was launched in February 2023, but some institutions, including the Government, are still not completely fulfilling their legal obligations to submit data on elected and appointed individuals, so the SCPC does not have access to precise records. As there is no information on the number of persons obligated to submit asset declarations, it is impossible to assess the effectiveness of the asset declaration system.

Meanwhile, the 2022 Law on Lobbying²²¹ defines lobbying activities and identifies which actors can be considered lobbyists. The SCPC is responsible for overseeing implementation of the Law on Lobbying, specifically for registering lobbying activities. An online registry of lobbies with adequate functionalities is available; however, while the law has been in force for some time, the registry is still completely empty and there have been no investigations into non-compliance with registering obligations.

Disciplinary measures for integrity violations have been correctly established in the law²²² and comply with basic procedural principles. The MPA keeps a registry of disciplinary sanctions imposed, but the information is not publicly available. The Ministry of Justice collects statistical data on corruption cases, and its 2022 report, adopted by the Government in November 2023,²²³ signalled difficulties in collecting and processing data and a lack of standardisation of methodological approaches by law enforcement authorities.²²⁴ The largest number of cases (72%) related to abuse of an official position or authority, while 12.8% of newly established criminal cases for corruption concern money laundering and proceeds from criminal activities (Figure 43).²²⁵

²¹⁸ SIGMA Survey of Citizens on public administration 2024.

²¹⁹ Official Gazette Nos. 196/15, 35/18 and 257/20.

²²⁰ Official Gazette No. 12 of 19 January 2019.

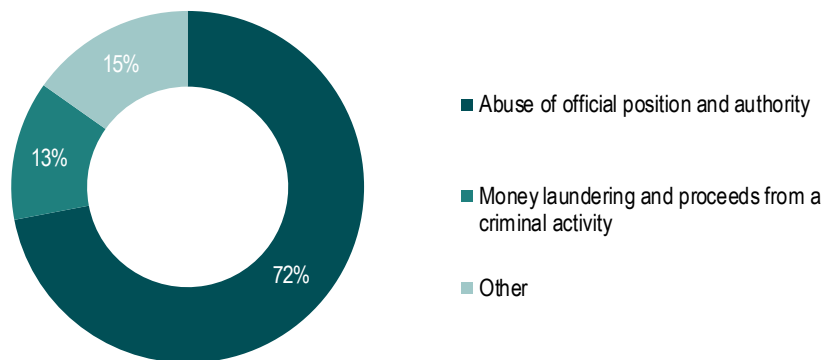
²²¹ Official Gazette No. 08-2647/1 of 1 June 2021.

²²² Code for Administrative Servants, Official Gazette No. 183 of 12 December 2014.

²²³ Statistical data on criminal cases of corruption for 2022.

²²⁴ Ministry of Justice report, p. 4.

²²⁵ *Ibid.*, p. 7.

Figure 43. Criminal corruption cases in 2022

Source: Ministry of Justice statistical data on criminal cases of corruption for 2022.

The perception of corruption remains relatively high. More than 30% of surveyed businesses declared that in their line of business it is common for companies to have to give irregular payments or gifts to public officials to get things done in the public administration, while more than 9% of citizens admitted they had given a gift or money to a public official in return for a service in the previous 12 months.



Service delivery and digitalisation

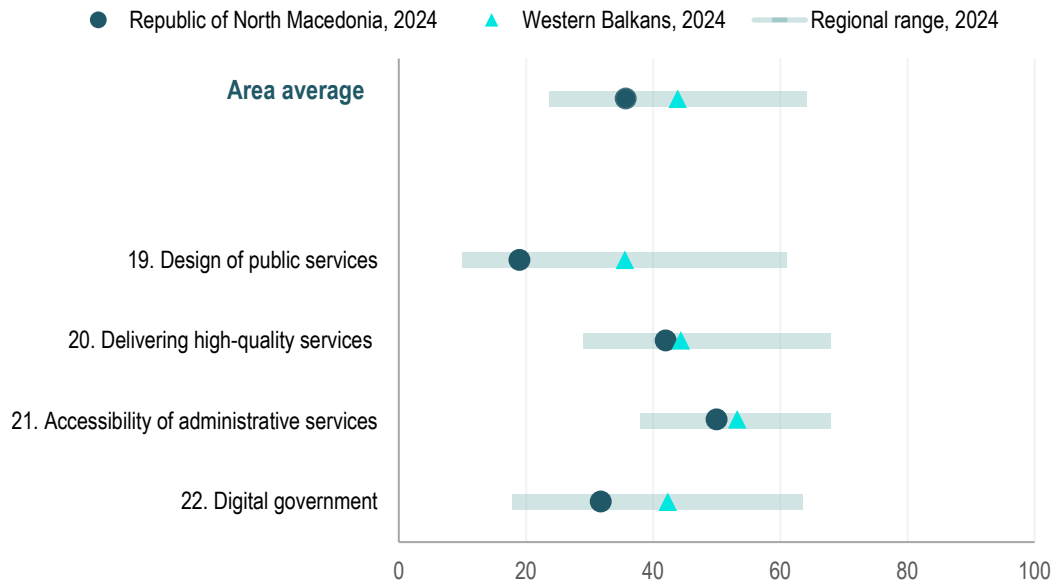
The public administration places **users at the centre** and delivers high-quality and easily **accessible services** online and offline to all people and businesses. Digitalisation enables data-driven decisions, effective and efficient processes.

The Principles of Public Administration

- Principle 19** Users are at the centre in design and delivery of administrative services.
- Principle 20** The public administration delivers streamlined and high-quality services.
- Principle 21** Administrative services are easily accessible online and offline, taking into account different needs, choices and constraints.
- Principle 22** Digitalisation enables data-driven decisions and effective, efficient and responsive policies, services and processes in the whole of government.

Summary and recommendations

Figure 44. The overall indicator values in the service delivery and digitalisation area



Notes: Area average is a simple average of the Principles within the area. Western Balkan average is calculated as a simple average of all administrations. Indicator 22. Digital government is the weighted average of 22.1. Digital government readiness and maturity (75%) and 22.2. Digital government tools (25%).

The **strategic policy framework for effective, high-quality service delivery and digitalisation** improved in 2023 with adoption of the new Public Administration Reform (PAR) Strategy 2023-2030, which prioritises and sets clear short- and medium-term objectives for reforms and improvements in these areas. **However, the implementation of actual reforms has been slow.** The overall responsibility for centrally steering and co-ordinating service delivery policy is entrusted to the new Ministry of Digital Transformation (MDT), which was formed in June 2024 following confirmation of the new Government. The Ministry of Public Administration (MPA) is responsible for administrative procedures. The new Government Programme, approved in June 2024, lists information and communications technology (ICT) and service delivery reforms as one of its priorities.

A central portal for administrative services (Uslugi²²⁶) is functional, and the number of users has almost tripled in the last three years. However, registered users totalled about 130 000 as of July 2024, which is a modest figure for North Macedonia's population. While the Uslugi portal is well structured and provides user-friendly information and access to services, populating it with content information is the responsibility of each public institution. There is not enough centralised standard setting co-ordination and quality control. Consequently, data reliability, clarity and comprehensiveness varies across services. Similarly, the digitalisation level of public services is still low, with just 264 electronic services in the national portal.

There is no evidence of comprehensive collection of performance data and improvement actions based on user insight. **Quality of service delivery remains weak, and only a few services have been streamlined and tailored to integrated life events in a user-friendly manner.** Overall, services for businesses are more advanced than for citizens, which is reflected in higher user satisfaction ratings by

²²⁶ <https://uslugi.gov.mk/>

businesses than by citizens. The once-only principle has been clearly established in legislation, but implementation is uneven and user perceptions on its application remain modest.

Accessibility to administrative services remains inadequate, with significant improvements needed, especially for people with special needs. The multichannel accessibility right is granted by law, but in practice most of the services are provided only on-site in offices around the country. The Uslugi portal makes it easier to find service information, but it is not communicated in a sufficiently clear and comprehensible format.

Although a number of proposals and initiatives are being drafted, no new legislation or strategic framework has been adopted in recent years to enhance and strengthen digital government. Use of the interoperability platform is still very modest, and basic enablers are still not in place, such as free universal eID for all citizens; strong co-ordination, common criteria and a business case methodology for adopting digital projects; or a strategic approach to cybersecurity.

Overall, the existing legal framework, institutional set-up and related strategies and guidance in the public service delivery and digitalisation area are moderately in line with the Principles of Public Administration. Criteria related to implementation practice and results have performed even weaker. (Figure 45)

Figure 45. State of play in service delivery and digitalisation by type of criterion



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should strengthen central steering and co-ordination of service delivery, allocating clear mandates and tasks to the different institutions involved in the process, and should create regular interdepartmental co-ordination structures to ensure regular monitoring and improvement of service delivery, as well as simplification and digitalisation of services.
2. The Government should ensure that administrative burdens are systematically analysed and reduced for both new and existing regulations, including by more systematically implementing regulatory impact assessments (RIAs).
3. The Government should adopt a policy to make it easier for people with special needs to access administrative services and should give the relevant institutions sufficient implementation and oversight tools to ensure that this policy is implemented systematically across the public administration.
4. The Government, at the behest of the MDT, should adopt a digital service roadmap, a national information and communication strategy, and a cyber security strategy. It should also institute relevant governance mechanisms to ensure the co-ordination and implementation of these plans.
5. The Government should follow through with preexisting plans to provide all citizens with electronic identities and signatures free of charge and based on a user-friendly mobile application, as soon as possible.
6. The Government should continue efforts to expand adoption of an interoperability framework and platform, including through a stronger architecture governance system.

Analysis

Principle 19: Users are at the centre in design and delivery of administrative services.

Regarding enablers for user-centric services, a strategic approach for service delivery is in place, setting clear objectives, actions and responsibilities. However, implementation and the institutional setup are not strong enough, as well as mechanisms to control the administrative burden and to monitor service standards.

Indicator 19. Enablers for user-centric services		2024 indicator value	19/100
Sub-indicators		Points	
1.	Existence of a service delivery policy and institutional set-up	8.1/20	
2.	User engagement and participation	3/20 ⁱ	
3.	Procedures and practice to control creation of administrative burdens	0/15	
4.	Analysis of administrative burdens of existing regulations	2/15	
5.	Existence of service delivery standards	6/15	
6.	Monitoring system of service standards	0/15 ⁱ	

Note: i = data not available or not provided.

The recently renewed PAR Strategy 2023-2030²²⁷ is the main strategic document in the service delivery area. The priority area “Service delivery and digital transformation” includes concrete policy objectives, outcome-level indicators, and baseline and target values. The general objective is digitalised public administration, and two specific objectives provide clear direction for development: a digital environment for better functioning of the administration; and increased quality and accessibility of services. Implementation of the strategy is supported by the Action Plan for 2023-2026, which specifies measures and activities with time frames and responsible institutions. The first year for implementing the strategy was 2023, and results were limited (33% activity implementation rate).

There is no evidence in recent years of any institution having a clear mandate to propose and initiate – or to ensure coherent approaches to – service simplification, redesign and digitalisation across the public administration. Rather uneven and fragmented service delivery quality and accessibility across ministries in recent years are also signs of limited central steering. Initiatives for improvement usually come from concrete service-provision institutions, not from central strategic and systematic initiatives, which should have spillover effects across the administration. A good example of how practices vary is user involvement in redesigning public administration services, with only a few of the most advanced service providers (e.g. the Central Business Registry and the Tax Office) having deployed some user engagement tools, such as user consultation and satisfaction surveys.

The new Government, formed following the parliamentary elections of May 2024, has designated ICT and service delivery development as one of its main priorities.²²⁸ Changes to the Government structure were introduced in June 2024, splitting the former Ministry of Information Society and Administration into two

²²⁷ See Chapter 1 for full details and analysis.

²²⁸ The Government Programme approved on 22 June 2024.

separate ministries, the MDT and the MPA.²²⁹ The recently created MDT is leading government policy on digitalisation and service delivery, while the MPA will be responsible for policy on administrative procedures. It is not clear, however, which ministry will have the mandate to direct the simplification of services across the whole government. Effective central co-ordination of policy in this area, with the involvement of all relevant line ministries and agencies in charge of providing different services, seemed to be missing in recent years.

Whereas simplification initiatives and reducing of administrative burden is a common approach in European Union (EU) Member States, this potential is not being widely exploited in North Macedonia. While RIAs are required for primary legislation,²³⁰ there is no such requirement or any other tool for *ex-ante* assessment of impacts, including administrative burdens for secondary legislation, which is the main source of burden creation for citizens and businesses in practice. There is also no guidance on how to calculate administrative burden, so practice in this exercise is weak. In selected RIA reports submitted by the administration²³¹ for SIGMA analysis, administrative burden was either not analysed or only vaguely mentioned, with no numerical data provided. In a few selected examples, evidence was provided for simplification based on regulatory changes, but the actual procedures had not yet been implemented in practice.²³²

The central portal for administrative services, Uslugi, was launched in 2019 and has been further developed since then. It provides information on most administrative services and can be searched in a user-friendly manner following a standardised structure, including title of service; terms and conditions; necessary documents; costs (fees, taxes); statutory time for processing the application; and contact details. However, as the institutions responsible for each service provide the information, its comprehensiveness or clarity can vary between services.

There is no central monitoring and reporting on the availability and performance of various administrative services. Similarly, no quality metrics for administrative services have been established to review and improve performance. Some service providers do collect data and monitor performance for some services, but this is not common. Indeed, none of the nine public services analysed by SIGMA²³³ reported collecting, analysing or publishing information on the amount time needed to complete the administrative service in real practice.

²²⁹ Changes to the Government structure were introduced through June 2024 amendments to the Law on the Organisation and Operation of State Administrative Bodies.

²³⁰ Rules of Procedure of the Government, Articles 8, 20, 66 and 67c.

²³¹ The same five RIA reports as selected for policy development and co-ordination (PDC) Principle 4 were analysed. See Principle 4 for further details.

²³² For example, simplification in regulatory requirements for people over 65 renewing ID have not been implemented in practice despite changes to regulations.

²³³ 1. renewing an ID card; 2. registering in the public healthcare system; 3. applying for unemployment benefits; 4. applying for a disability pension; 5. applying for an income tax return; 6. registering a second-hand car; 7. starting a business; 8. registering a new employee; 9. applying for an environmental subsidy.

Principle 20: The public administration delivers streamlined and high-quality services.

Service delivery quality is weak, with a low percentage of fully mature digitalised services and only few streamlined and proactive services in place. Services for businesses are more advanced than those for citizens, and user satisfaction of businesses is higher than citizens. The once-only principle is established in legislation, but implementation is uneven and user perceptions on its application remain modest.

Indicator 20.1. Delivering high-quality services		2024 indicator value	42/100
Sub-indicators		Points	
1.	Quality of selected administrative services	22.3/40	
2.	Integrated life-event services	4/20	
3.	Pre-filing of forms and proactive services	6.3/20	
4.	Once-only principle	9.6/20	

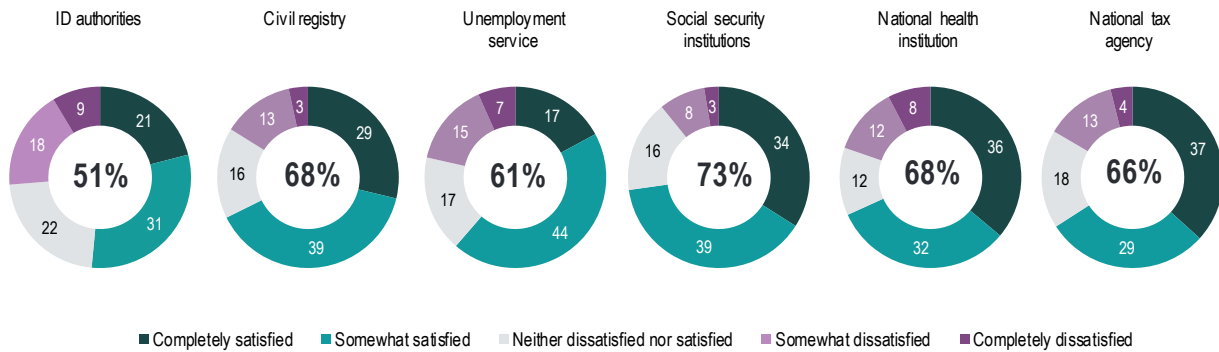
While some services can be obtained quickly and seamlessly, such as citizens registering for public healthcare insurance or companies registering a new employee, which can be completed on the same day, other services continue to be lengthy and cumbersome. In fact, some take even longer than foreseen in legislation because of a lack of capacity and staff, and/or processes that have not been streamlined. For example, applying for disability pension takes more time than the statutory 65 days. Moreover, statistical data on the average time that elapses between a citizen's application and final delivery of the administrative act or payment (if the service is a subsidy or pension) are not collected regularly. Thus, service providers cannot base their decisions on pertinent data.

Integration of life-event services is also in an initial stage. The main barrier to wider integration of back-end services is the low number of institutions consistently using the interoperability platform. However, a good example of life-event service integration is the process of starting a business, for which a one-stop shop was already fully digital in 2013.

SIGMA surveys²³⁴ show that satisfaction with the functioning of public services in the country in general is higher for businesses (63% satisfied) than for citizens (53%), which is consistent with SIGMA findings based on objective indicators, and with results of the EU eGovernment Benchmark.

²³⁴ SIGMA Survey of Citizens and SIGMA Survey of Businesses on public administration in the Western Balkans, conducted in March-April 2024.

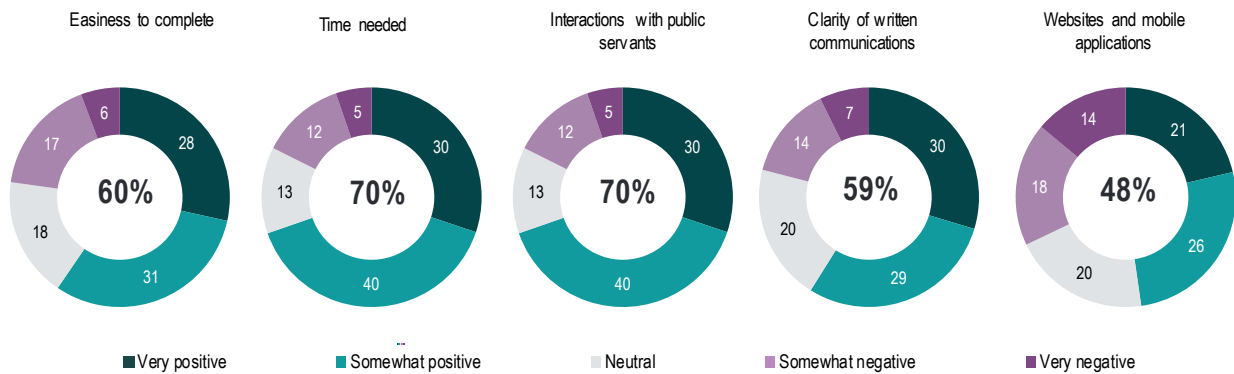
Figure 46. Citizen satisfaction with actual experience using several administrative services



Notes: Percentage of valid responses to the question “How satisfied were you with the overall procedure with the service last time?”. The centres of the circles indicate the shares of respondents who answered “completely satisfied” or “somewhat satisfied”.
 Source: SIGMA Survey of Citizens on public administration in the Western Balkans.

Regarding citizen satisfaction rates about recent experience(s) with actual administrative services, social security institutions received the most positive reactions, with almost three-quarters of respondents being completely or somewhat satisfied. The lowest satisfaction rate is with the process of renewing ID cards, which reflects the service’s current backlogs (Figure 46). Citizens also expressed varying opinions for different aspects of services. While 70% of respondents were satisfied with the time needed to complete application forms and with their interactions with public servants, the percentage is lower (about 60%) regarding the ease of completing application forms and understanding written communications from authorities. Using public authorities’ internet portals or mobile applications obtained the worst results, with slightly less than half of respondents declaring that they were easy or very easy to use.

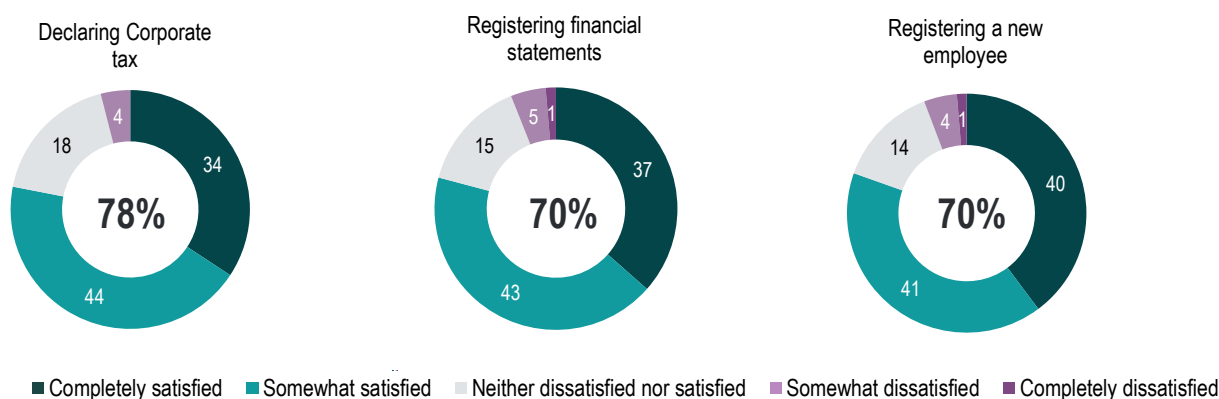
Figure 47. Citizen perception about several elements of the actual experience when applying for administrative services



Notes: Doughnuts show the simple averages for the following institutions: 1. ID authorities; 2. civil registry; 3. unemployment service; 4. social security; 5. national health institution; and 6. national tax agency. The questions asked were: 1. “How easy or difficult was it for you to use the service’s website: for example, to find what you needed or to understand what to do?” and “How easy or difficult was it for you to use the service’s mobile application: for example, to find what you needed or to understand what to do?”; 2. “How easy or difficult was it for you to understand the service’s written communication, such as letters and e-mails received, or information from the website?”; 3. “Overall, how satisfied were you with the public servants you interacted with?”; and 4. How easy or difficult was it to complete the process (e.g. number of visits necessary, going to the wrong institution, etc)?”. The percentage in the middle is the share of the respondents who answered very or somewhat positively.
 Source: SIGMA Survey of Citizens on public administration in the Western Balkans.

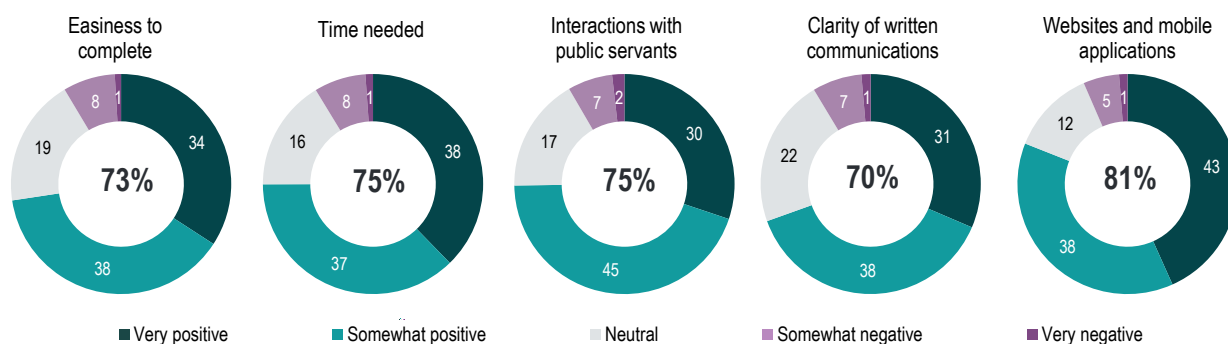
Businesses respond far more positively to the above perception metrics than citizens. Indeed, declaring corporate income tax shows a satisfaction rate of 78% and registering financial statements in the business registry and registering a new employee both have a 70% satisfaction rate. Regarding concrete elements of service provision, positive valuation always exceeds 70%, which shows that services for businesses tend to be simpler and more streamlined than for citizens.

Figure 48. Business satisfaction with actual experience using several administrative services



Notes: Percentage of valid responses to the question “How satisfied were you with the overall procedure with the service last time?”. The percentage in the middle is the share of the respondents who answered “completely satisfied” or “somewhat satisfied”.
Source: SIGMA Survey of Businesses on public administration in the Western Balkans 2024.

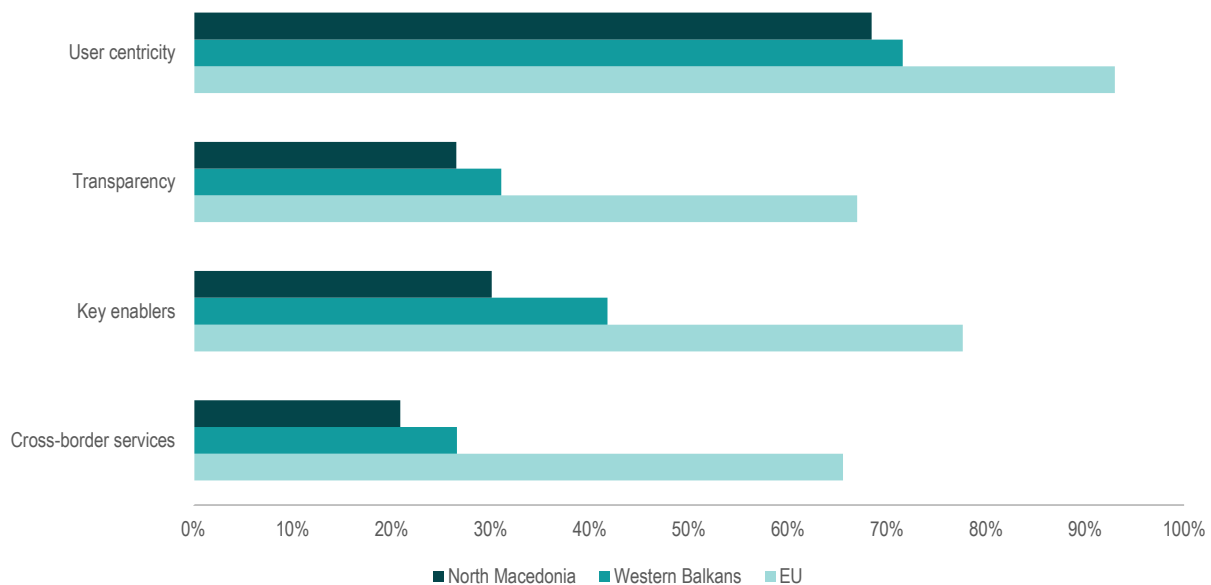
Figure 49. Business perception about several elements of the actual experience when applying for administrative services



Notes: Average percentages of valid responses to the questions: 1. How easy or difficult was it to complete the process (e.g. number of visits necessary, going to the wrong institution, etc)? 2. Were you satisfied or dissatisfied with the overall time that it took to complete your application the last time, including time filling forms and/or visits to the offices? 3. “Overall, how satisfied or dissatisfied were you with the public servants you interacted with?” 4. “How easy or difficult was it for you to understand service written communication, such as letters and e-mails received, or information from the website?” 5. “How easy or difficult was it for you to use service website: for example, to find what you needed or to understand what to do?” and “How easy or difficult was it for you to use service mobile application: for example, to find what you needed or to understand what to do?”
Each doughnut shows the simple average of the responses about the following administrative services: 1. Declaring corporate income tax, 2. Registering financial statements in the business registry. 3. Registering a new employee to the competent authorities. The percentage in the middle is the share of the respondents who answered “very positive” or “positive”.
Source: SIGMA Survey of Businesses on public administration in the Western Balkans 2024.

Regarding electronic services, the latest eGovernment Benchmark study²³⁵ places North Macedonia 37th out of 39 European countries,²³⁶ outperforming only Moldova and Bosnia and Herzegovina. North Macedonia's overall score in 2024 was just 36 out of 100, only a slight improvement from 2021 when it scored 35 points, and very far from the EU27 average of 76. The score of services for businesses was 55, a more positive result than the score for businesses (31).

Figure 50. eGovernment Benchmark 2023 results



Note: The composite indicators of the eGovernment Benchmark range from 0 to 100.

Sources: The EU average and Albania data are drawn from the eGovernment Benchmark 2024.²³⁷ The Western Balkan average is built using results from the eGovernment Benchmark 2024 for Albania, Montenegro, North Macedonia and Serbia and using SIGMA analysis based on the same methodology for Bosnia and Herzegovina and Kosovo*.

The once-only principle is one of the fundamentals for providing user-friendly services. In North Macedonia, this principle is clearly rooted in legislation, with the Law on General Administrative Procedure (LGAP) (Articles 10 and 53) obligating administrative bodies to collect and process data stored in official records *ex officio*. While the once-only principle is well in place for a few streamlined and digitalised services, it is not always implemented in practice for most services, as automatic electronic data exchange has not been universally implemented.

This finding aligns with citizen perceptions collected in the SIGMA survey, with 49% of the citizens and 41% of the businesses declaring that the last time they applied for an administrative service, they had to

²³⁵ European Commission (2023), eGovernment Benchmark 2023, p. 50, <https://digital-strategy.ec.europa.eu/en/library/digital-decade-2024-egovernment-benchmark>.

²³⁶ The study covers all EU27 Member States plus three European Free Trade Association (EFTA) countries (Iceland, Norway and Switzerland) and seven countries that are EU candidates, potential candidates or part of the EU Eastern Partnership (Albania, Moldova, Montenegro, North Macedonia, Serbia, Türkiye and Ukraine). SIGMA performed the study for Bosnia and Herzegovina and Kosovo*.

²³⁷ eGovernment Benchmark 2024, <https://digital-strategy.ec.europa.eu/en/library/digital-decade-2024-egovernment-benchmark>

present documents or information the public administration already had. One positive example of partial prefilling is the automatic preparation of personal income tax declarations, wherein personal data, salaries and dividends are automatically displayed. As proactive services are also still in an initial stage of development, notifications are not yet sent when personal identification documents are expiring, and renewal of social benefits is not yet automatic.

Principle 21: Administrative services are easily accessible online and offline, taking into account different needs, choices and constraints.

Multichannel accessibility rights are granted by law, but in practice most of the services analysed by SIGMA are still provided only physically. The national Uslugi portal makes it easier to find information on services, but it is not communicated in a clear and comprehensible enough manner to citizens. The practical implementation of measures to give people with special needs easy access to administrative services remains a weakness.

Indicator 21. Accessibility of administrative services		2024 indicator value	50/100
Sub-indicators		Points	
1.	Multi-channel service delivery	12/20	
2.	Physical access to public services	11.9/20	
3.	Accessibility of services for users with special needs	3/20	
4.	Findability of public services information	16.7/20	
5.	Clarity of government information and communication	6.8/20	

The basis for multichannel accessibility is clearly established in the legislation, granting citizens and businesses the right to communicate electronically and to receive assistance in accessing services in person.²³⁸ However, most services are available on-site only and cannot be offered seamlessly online.

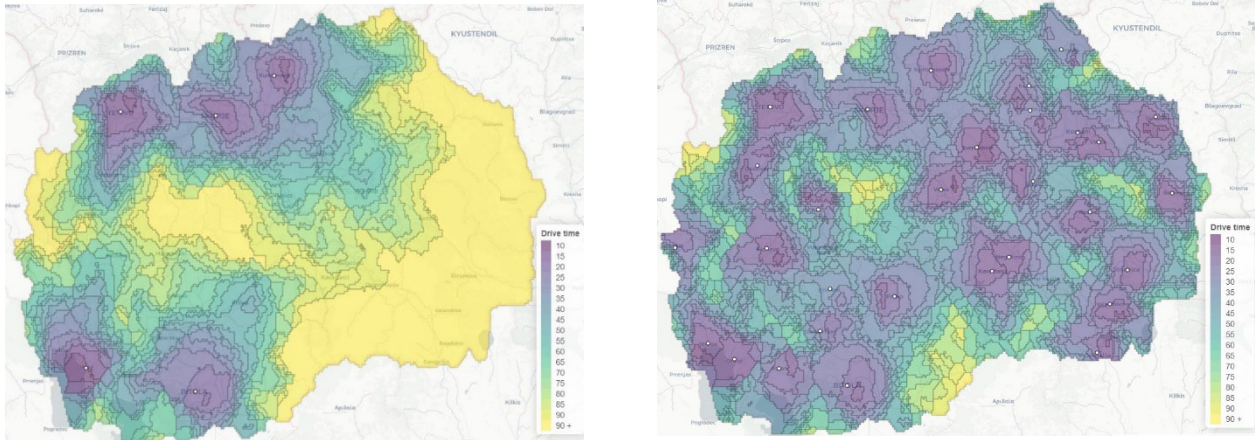
SIGMA analysis of the geospatial distribution of unemployment offices in the country shows that 90% of the population live less than 30 minutes from the nearest office, and less than 1% need to drive 1 hour or more, which is very good territorial coverage. Regarding premises where a citizen can apply for a disability pension, 55% of citizens live less than 30 minutes' driving distance from the nearest office, and less than 1% need to drive 1 hour or more. Territorial coverage is worse for Single Points of Service (public offices where civil servants can perform electronic services for citizens). In fact, while 59% of the population live within 30 minutes' driving distance, almost one-quarter (23%) have to drive one hour or more to reach the nearest single point of service, corresponding with light green or yellow areas in the map below. (Figure 51)

²³⁸ LGAP, Articles 37 and 17.

Figure 51. Driving distance to the nearest administrative office

Single point of service

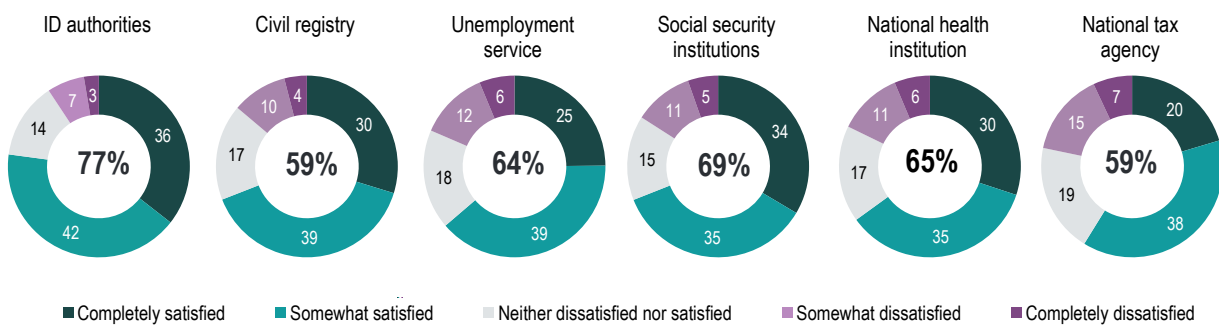
Unemployment office



Note: The maps show areas delimited with coloured isochrones for each interval of five minutes of driving time to reach the destination. Sources: Office locations provided by the public administration; underlying population data from the Global Human Settlement Layer: Schiavina, M. et al. (2023), GHS-POP R2023A - GHS population grid multitemporal (1975-2030), EC JRC, doi:10.2905/2FF68A52-5B5B-4A22-8F40-C41DA8332CFE, <http://data.europa.eu/89h/2ff68a52-5b5b-4a22-8f40-c41da8332cfe>

Perception data gathered in the SIGMA survey confirm that most citizens were satisfied with the time they needed to commute to the nearest public authority premises the last time they applied for an administrative service. The highest satisfaction was expressed regarding premises to renew ID cards (more than three-quarters), and the lowest for the Civil Registry and the National Tax Agency, even though about 60% of respondents were still satisfied with their commuting time.

Figure 52. Citizen satisfaction with time needed to reach administrative services



Notes: The figures illustrate valid responses (i.e. excluding “do not know” and “prefer not to answer”) to the question “How satisfied or dissatisfied were you with access to the in-person services of [SER] when you were in contact last time? By this I mean the time to reach the administrative office from your home.” The percentage in the middle is the share of the respondents who answered “completely satisfied” or “somewhat satisfied”.

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Accessibility to services for users with special needs deserves more attention. There is no policy or strategic document in place to improve access for people with special needs, such as disabled people, people with lower-level digital skills and minority-language speakers. Civil society organisations advocating

for the rights of people with special needs articulated their concerns during SIGMA interviews,²³⁹ with several organisations confirming service access difficulties for vulnerable groups.

While the Law on the Use of Sign Language (Article 4) provides people with hearing difficulties the right to use sign language in communications and procedures with public administration organisations, there is no information on the availability of sign-language interpreters for most administrative services. Furthermore, the right to communicate in braille with public administration bodies, which would improve accessibility to services for blind people, is not enshrined in the law.

Regarding accessibility of public buildings, the Law on Construction requires that buildings be designed and constructed so that people with disabilities have unhindered access. However, the Government does not collect data centrally on how many public buildings are accessible without barriers and comply with the requirements of the Law on Construction, making it difficult to steer and co-ordinate accessibility improvements for people with special needs. Addressing this weakness will therefore require a clear mandate and division of tasks in the administration.

The Government has not introduced written guidelines or toolkits to improve the clarity of government communications or the visual look and feel of government websites. Therefore, every institution is currently providing information in whatever manner they find relevant, with no commonly agreed and implemented approach. Survey data show that businesses are more satisfied with the clarity of public sector written communications than citizens (70% versus 59%).

There is no requirement for public institutions to adapt their websites to Web Content Accessibility Guidelines (WCAG) or any other relevant standard. Thus, for public sector websites analysed by SIGMA,²⁴⁰ the number of average errors or non-compliance with WCAG was 33.3, similar to the 2021 assessment.

²³⁹ SIGMA interview of 20 March 2024.

²⁴⁰ Portals analysed: 1. Central eServices Portal, <https://uslugi.gov.mk>; 2. Tax Office, <http://www.ujp.gov.mk>; 3. Social Security, <https://www.piom.com.mk>; 4. National Health Institution, <https://zdravstvo.gov.mk>; 5. Department of Roads and Transportation, <http://mtc.gov.mk>; 6. National Statistical Office, <https://www.stat.gov.mk>; 7. Government website, <https://vlada.mk>; 8. Official Gazette, <https://www.slvesnik.com.mk>; 9. Ministry of Economy, <https://finance.gov.mk>; and 10. Ministry of Education, <https://mon.gov.mk>.

Principle 22: Digitalisation enables data-driven decisions and effective, efficient and responsive policies, services and processes in the whole of government.

Little progress has been made since 2021, with fragmented public service modernisation and no new digital governance legislation or even strategies passed. Even though the PAR Strategy contains several objectives for digitalisation, the Government did not approve several important sectorial strategies that were drafted, such as the National ICT Strategy and the Cyber Security Strategy. Similarly, other important projects, such as implementation of a universal eID free of charge for all citizens, have been in the pipeline for several years now without being launched. Finally, some established building blocks that are strong and operational (e.g. the interoperability platform, the Uslugi portal and the central population registry) are not being used to their full potential.

Indicator 22.1. Digital government readiness and maturity		2024 indicator value	23/100
Sub-indicators		Points	
1.	Digital government strategy and co-ordination	0.5/10	
2.	Digitalisation of public registries and data governance	4/15	
3.	Interoperability: infrastructure, framework and adoption	5/15	
4.	Digital identity, digital signature and trust services	2/15	
5.	Digital government architecture and infrastructure maturity	0/15	
6.	Uptake of emerging technologies in the public sector	4/10	
7.	Legal framework for privacy and cyber security	4.6/10	
8.	Digital talent management in public administration	2.9/5	
9.	Re-use of digital solutions	0/5	

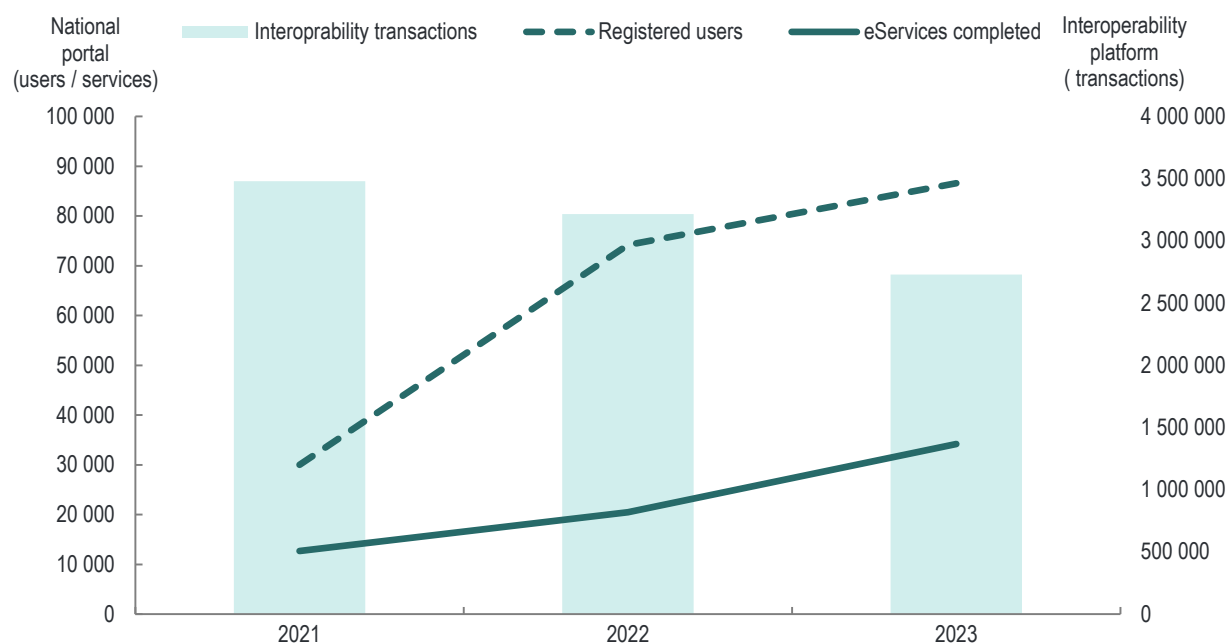
The public administration has been working on several relevant initiatives, including developing a National Information and Communication Strategy and designing a plan to provide all Macedonians with a free eID. However, these actions have not yet been approved by the Government, and co-ordination of eGovernment initiatives among the different line ministries has been weak. The new Government Programme 2024-2028 establishes digitalisation as a priority and expects to advance in this area.

The current draft of the National ICT Strategy foresees creation of an Agency for the Security of Network and Information Systems and Digital Transformation. According to existing plans, this agency should co-ordinate digital transformation of the public sector and will be responsible for constructing, developing and maintaining the Government Cloud. The recently created MDT is the main policymaker and supervisor of information society in general, and of eGovernment in particular.

While an interoperability framework covering all levels of interoperability (harmonised with the EU interoperability framework) was published as early as 2016, reportedly only three public sector information systems currently meet the framework's requirements. According to the Law on Electronic Documents, Electronic Identification and Trust Services, it is mandatory for the entire public sector to adhere to the interoperability framework. The interoperability platform is operational and enables the completely automated exchange of data among state authorities, institutions and businesses, and the delivery of complex electronic services in a short time.

However, there is currently no mechanism to increase the number of institutions connected to the interoperability platform. The soft approach adopted in previous years to encourage public bodies to connect to the interoperability platform by showing the value of data exchange has produced only limited results.

Figure 53. Use of the national e-services portal and interoperability platform



Note: The left axis represents the number of registered users or e-services completed through the national portal, while the right axis represents the number of transactions on the interoperability platform.

Source: Government of North Macedonia data.

Although a Central Population Register exists and contains unified and precise data for citizens without the need for manual updating and maintenance, and the interoperability platform and the national e-services portal are developed and functional, use of these tools is still modest. Deploying the basic registries and the interoperability platform at their full potential would allow more institutions and businesses to access the personal data of citizens.

Lack of a free, universal eID system – preferably based on a mobile phone application and aligned with the recently adopted EU Regulation 2024/1183 (eIDAS2.0) – is also preventing the e-Government system from developing to its full potential.

Furthermore, a lack of formally adopted regulations and standards for cyber security remains a significant obstacle in the digital transformation of the public administration. A National Cyber Security Strategy 2023-2027 has been drafted but not approved.

Finally, one of the underlying challenges to digitalisation in the Republic of North Macedonia is the difficulty of attracting and retaining digital talent in the public sector, due to the significant pay disparity with the private sector. There are currently no comprehensive plans in place to advance digital skills in the public sector, nor to attract and retain talent.

Digital government tools

Indicator 22.2. Digital government tools and services		2024 indicator value	58/100
Sub-indicators		Points	
1.	Digital access to legislation	0/10	
2.	Digital platform for public consultation	10/10	
3.	Human resource management (HRM) information system	7.9/15	
4.	Digital portal for recruitment	10/10	
5.	Open data and re-use of public information	10/20	
6.	Digital tools for internal control	2.5/10	
7.	Digital tools for accounting information	4/10	
8.	Public procurement data system	14/15	

The Government's progress is mixed when using digital tools in other public administration back-end processes, excluding service delivery.

The "Official Gazette of Republic of North Macedonia" has an online database of primary and secondary legislation, but only registered users can access it for a fee (it is not free of charge). Moreover, consolidated versions of the laws are not officially published which is a significant shortcoming. Regarding digital tools for public consultation, there is a functional online platform (ENER) for consulting laws and strategies. Despite of the existence of this online tool, in the SIGMA Survey of Citizens, only 20% of respondents agree that the Government consults and involves stakeholders from the private sector and civil society when developing new legislation or other policy documents, one of the lowest rates in the region.

Regarding digital tools for human resource management, the central portal for recruitment is functional, includes all open competitions, allows users to search and filter vacancies as well as to subscribe to alerts. However, the human resource management information system does not include some categories of relevant information and forms, making it necessary to use paper forms that are later digitalised. For example, regarding promotion or mobility, most forms are paper-based and are digitalised later for archiving.

Regarding digital tools for open data and re-use of public information, North Macedonia participates in the Open Government Partnership. A central open data portal exists providing data in open and machine-readable formats. Data can be extracted in bulk by using an application programming interface (API), however the portal does not provide access to real-time and dynamic data in the four domains specified in the EU Directive 2019/1024 on open data and re-use of public sector information: air quality data, live weather data, transport and traffic information. Similarly, while the legal framework establishes the legal right to re-use of public sector data free of charge, the data portal does not offer access to any of the eight databases mandated by the EU Commission Implementing Regulation 2023/138.

Regarding digital tools for public financial management, the public procurement data system portal (ESPP) offers data on procurement tenders in an open, machine readable format with search and filter functionalities allowing to mine data from the lowest level of aggregation. However, regarding digital tools for accounting and internal control, some weaknesses have been detected, such as there is no evidence of an IT audit in the last three years.



Public financial management

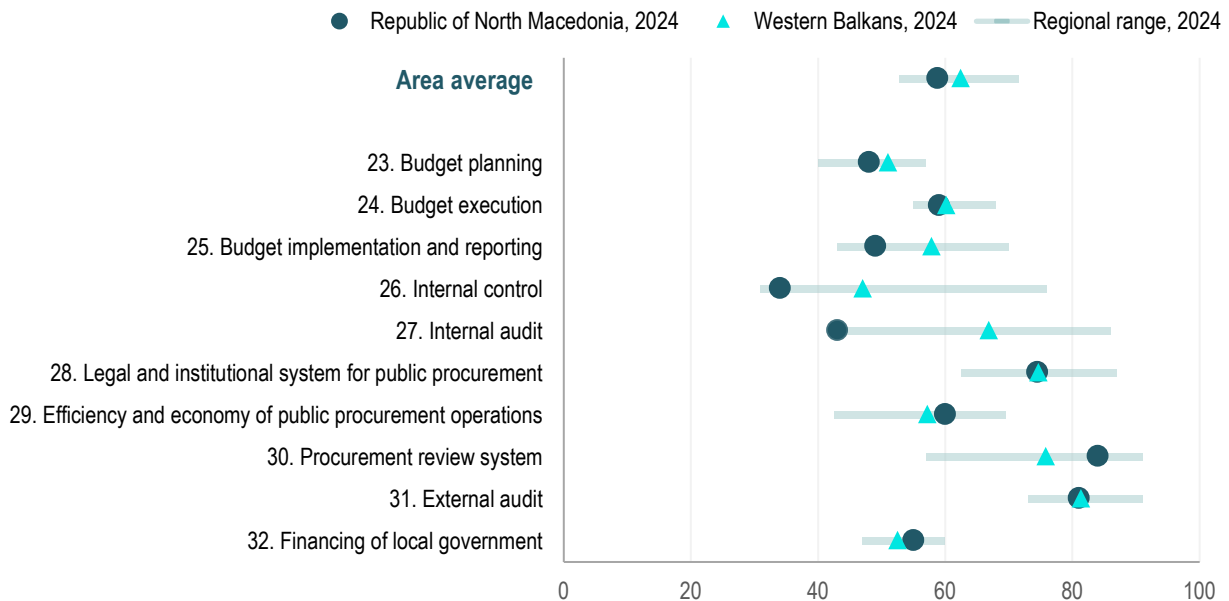
The public administration plans and manages public finances to ensure that they are **sustainable** and **transparent** and allow the delivery of policy objectives. Control, procurement and oversight arrangements are in place to ensure the economic, efficient and effective use of public resources shared across all levels of government.

The Principles of Public Administration

Budget management	Principle 23	The annual budget is comprehensive and formulated within a credible and rolling medium-term framework, balancing policy needs with fiscal constraints.
	Principle 24	The government supports budget implementation and service delivery by ensuring liquidity in the short and medium term.
	Principle 25	The government implements the budget in line with estimates and reports on it in a comprehensive and transparent manner, allowing for timely scrutiny.
Internal control and audit	Principle 26	Public administration bodies manage resources in an effective and compliant manner to achieve their objectives.
	Principle 27	Internal audit improves the management of public administration bodies.
Public procurement	Principle 28	Public procurement legislation, including public-private partnerships and concessions, is based on principles of equal treatment, non-discrimination, transparency, proportionality and competition, and supported by a sound governance framework.
	Principle 29	Contracting authorities conduct public procurement operations, including public-private partnerships, efficiently and economically.
	Principle 30	An independent procurement review system ensures effective, rapid and competent handling of complaints.
External audit	Principle 31	All public funds are effectively audited by an independent auditor that provides assurance on the use of public resources and helps improve the functioning of the public sector.
Financing of local governments	Principle 32	Regional and local governments have resources and adequate fiscal autonomy for exercising their competences, with financial oversight to foster responsible financial management.

Summary and recommendations

Figure 54. The overall indicator values in the public financial management area



Notes: Area average is a simple average of the Principles within the area. Western Balkan average is calculated as a simple average of all administrations. Indicator 28 is the simple arithmetic average of 28.1. and 28.2. and indicator 29 is the simple arithmetic average of indicators 29.1. and 29.2.

Budget management

Budget preparation is orderly, based on a comprehensive medium-term fiscal framework established at the beginning of the planning process. However, **the link with a medium-term budget framework that determines predictable budget ceilings in line with policy priorities is weak.** The high number of first-level budget organisations complicates policy-based budget preparation. Further improvements in budget management in line with the new Organic Budget Law (OBL), including in public investment management, await implementation through operational by-laws.

Liquidity management is being performed at reasonable standards in the subsystems of tax collection, cash flow management and debt management. **Room for improvement is mostly present in budget execution controls:** the current system includes strong controls on payments, but lacks effective commitment controls allowing payment arrears to persist.

Reliable basic budget execution information at the central government level is ensured by the Treasury using its cash-based accounting standards and information systems. From this information, it can be determined that **the budget is being executed in line with appropriations, but deviations are considerable at a disaggregated level.** Annual final accounts lack a financial audit opinion on the accuracy of the figures and the audit of public funds outside central government – through state-owned enterprises (SoEs) and local governments – is weak.

Internal control and audit

A four-year Public Financial Management (PFM) Reform Programme has established internal control- and audit-related development goals, and the legal and methodological bases are largely in place. However, **the new Public Internal Financial Control (PIFC) Law drafted in 2020 has not yet been adopted.** Its

purposes are to clarify the role of parent budget users, improve respective supervision in their jurisdictions and ensure harmonisation with other laws, and bring internal audit legislation into compliance with new international internal audit standards.

Even though internal control systems for financial management and strategic planning are slowly advancing, **the principle of decentralised managerial accountability is not understood** and there are large gaps in implementing internal control elements across budget users, showing a lack of appreciation of internal controls by the top management.

While the establishment of internal audit units and their staffing is improving, **there is a general lack of internal auditors in the public sector, so a large number of budget users are not being subjected to internal audits.** Additionally, internal audit quality appears low, as only a minority of internal auditors are certified, and contradictory procedures are not well-established. Internal audit recommendations are often not perceived as meaningful. However, the continuous professional development programme just being initiated is intended to improve the qualifications and motivation of internal auditors.

Public procurement

The legal framework for public procurement, based on the 2019 Public Procurement Law (PPL), transposes current European Union (EU) public procurement directives and, except for some minor deviations, demonstrates a high level of compliance with relevant EU legislation. However, the July 2021 adoption of the Law on Establishing Public Interest and Nominating a Strategic Partner for Implementation of the Project for Construction of Infrastructure Corridor 8 and Corridor 10d created a significant exemption from the transparency principle. The law appoints a consortium of companies to perform the contract without a competitive procedure.

Additionally, a few inconsistencies between the PPL and the EU *acquis* persist, such as automatic exclusion in certain cases (the negative reference list published on the e-procurement portal) and lack of the right to demonstrate "self-cleaning" before exclusion.

In July 2022, EU accession negotiations on Chapter 5 (public procurement) were opened, starting with the screening of North Macedonian public procurement legislation for compliance with the relevant EU *acquis*.

On 30 October 2023, North Macedonia became a member of the World Trade Organization (WTO) Government Procurement Agreement (GPA) and thus gained new market access opportunities while opening its own procurement market to other GPA parties.

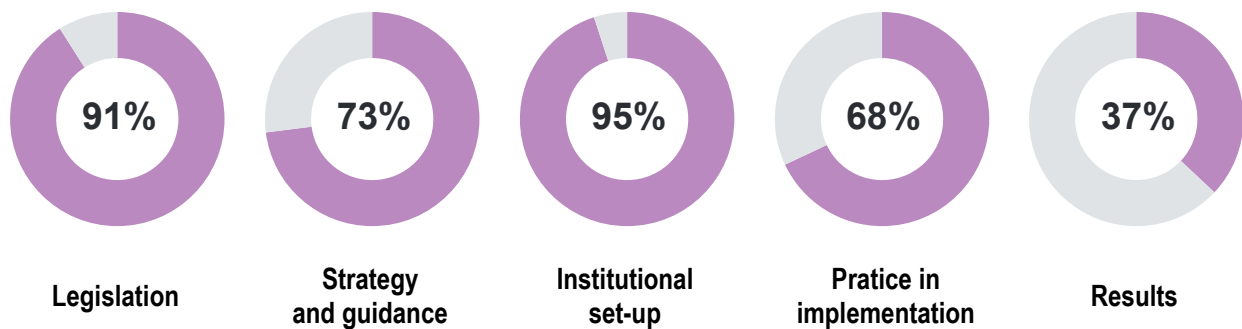
The weaknesses of the public procurement system lie in implementation. While the lowest-price award criterion and e-auctions are not mandatory, they are still used for most procurements. In fact, in more than 90% of competitive procedures, price is the only criterion. The level of competition, in terms of number of tenders received, remains low (in nearly 30% of procedures only one tenderer was interested).

Stakeholders assess the work of the Public Procurement Bureau (PPB) positively. Its website provides helpful information, including guidelines for contracting authorities, and access to manuals and standard procurement contract documents as well as opinions on crucial issues. The e-procurement system, which supports all activities of contracting authorities and economic operators, is user-friendly and efficient. Additionally, it is possible to access all statistical data, as the search function on the recently introduced State Appeals Commission (SAC) website enables the searching of decisions using a variety of criteria and access to the full text of the decisions. A training system for public procurement officials is in place, and civil society organisations are actively monitoring the performance of public procurement procedures.

The regulatory framework for concessions and public-private partnerships (PPPs) remains fragmented and divergent from basic EU principles. No progress has been made in strengthening the administrative capacity of central institutions responsible for PPPs and concessions.

Overall, while the public procurement system's legal and institutional foundations are solid, practical implementation is still weak and has not yet led to significant improvements in the economy and efficiency of procurement operations.

Figure 55. Public procurement results by legislation, strategy, institutions, implementation and results



Notes: The results are grouped into five categories: 1) legislation, 2) strategy and guidance, 3) institutional set-up, 4) practice in implementation, and 5) results. The percentage in the centre shows the ratio of points in relation to the maximum.

External audit

The State Audit Office (SAO) operates independently, backed by legislation. It has established a comprehensive governance system in line with international audit standards and other international good practices. The SAO's communication strategy fosters transparency and stakeholder engagement. However, similar to other areas in North Macedonia, public trust in this institution (21%) is lower than the regional average (31%). **Parliamentary engagement with SAO reports has improved**, but more efforts could be put in to ensure effective oversight and utilisation of SAO findings.

Financing of local governments

While North Macedonia's legislative framework for financing local governments has been sufficiently established, there are several weaknesses in practical implementation of the system. Considering the broad range of services local governments are responsible for, the share of total public spending allotted to their budgets is small. Additionally, their **revenues from local sources are limited, the share of unconditional grants is low** and the existing transfer system is not sufficient for them to provide adequate public services. Prudent local borrowing markets are non-existent, and most local governments have significant payment arrears.

Overall, the existing legal framework, institutional set-up and related strategies and guidance are largely in line with the Principles of Public Administration, while implementation practice and results in public financial management include more gaps and inconsistencies.

Figure 56. State of play in public financial management by type of criterion



Notes: The results are split. The first combines points from legislation, policy and guidance, and institutional set-up. The second aggregates points from implementation practice and results. The percentage in the centre represents the ratio of points in relation to the maximum.

Recommendations

1. The Government should reduce the number of first-level budget organisations and limit them to non-executive bodies and line ministries.²⁴¹
2. The Ministry of Finance (MoF) should further develop the Fiscal Strategy as a government-wide strategic document by including a link between policy decisions and medium-term ceilings for budget organisations. The approved ceilings (aggregate and disaggregate) should be respected or adjustments need to be explained.
3. The MoF should incorporate a commitment control system into its financial management information system that requires approval for accruing new commitments before they are finalised.
4. The MoF should further improve the final accounts by modifying its cash-based standards rather than adopting accrual accounting.²⁴²
5. The Government should prepare a consolidated report on the operations of its SoEs as a top priority of its fiscal risk management reform.
6. The Parliament should accelerate the review of the new PIFC Law.
7. The MoF should regularly conduct quality reviews of the internal control systems of first-level budget organisations, including their control over second-level budget users.
8. The MoF should launch pilot initiatives to organise internal audits on the level of parent budget users, with a mandate covering second-level budget organisations irrespective of adoption of the new PIFC Law.
9. The MoF and the SAO should prepare for a proper audit process to be able to issue an audit opinion on final accounts in a timely manner.
10. The Government should establish an audit framework that will ensure annual audit of local government by an external auditor.

²⁴¹ See also Pot, F. and J. Šušteršič (2024), "Organisational structure of budget management: Directions for reform in the Western Balkans and the Republic of Moldova", *SIGMA Papers*, No. 72, OECD Publishing, Paris, <https://doi.org/10.1787/5fd31556-en>.

²⁴² See also Swarbrick, A. and F. Pot (2022), "Public accounting reforms in the Western Balkans and European Neighbourhood: Guidance for SIGMA Partners", *SIGMA Papers*, No. 65, OECD Publishing, Paris, <https://doi.org/10.1787/505f903e-en>.

11. The Government (upon initiative of the Ministry of Economy [MoE]) should prepare a new concessions/PPPs law fully aligned with EU directives. The draft law should be accompanied by necessary secondary legislation and supporting documents enabling contracting authorities to implement concessions or PPP projects.
12. The Government should make sure that no new exceptions to the PPL are introduced, so the PPL fully applies to all infrastructure projects.
13. The Government should propose legislative amendments to establish self-cleaning and cancel blacklisting, to fully align the PPL with the EU directives.
14. The PPB should prepare and implement a set of supporting activities for contracting authorities to enhance the use of modern and flexible instruments such as framework agreements and dynamic purchasing systems, and should take measures to boost interest in environmental and social considerations in public procurement procedures.
15. The SAO and the Parliament should engage more intensively to establish a system in which individual audit reports are scrutinised by Parliament in a timely fashion.
16. The SAO and the Parliament should discuss alternative options for the audit of political parties that would better respect the role of the SAOs as independent auditor of public funds.²⁴³
17. The Government should strengthen the role of local government finance in the overall public finance system considering their broad range of functions (see Principle 14). The Ministry of Finance (MoF) in particular, in co-operation with the Ministry of Local Self-Government and other relevant ministries and institutions, should find opportunities to amend the transfer system to support local governments' capacities to provide public services.
18. The MoF, in co-operation with the Ministry of Local Self-Government, should establish the reasons for the persistent municipal payment arrears, and should strengthen relevant monitoring and supervision mechanisms to reduce their prevalence.
19. The MoF should propose adjustments to the formula and criteria of the current transfer system to 1) increase the share of general-purpose grants in overall structure of state transfers; and 2) link allocation criteria to local community needs rather than to historical spending patterns.

²⁴³ OECD (2024), "The audit of political party financing by supreme audit institutions", SIGMA Policy Briefs, OECD, Paris, https://www.sigmaxweb.org/publications/SIGMA-Policy-brief_Audit-Political-Parties_June-2024.pdf

Analysis

Budget management

Principle 23: The annual budget is comprehensive and formulated within a credible and rolling medium-term framework, balancing policy needs with fiscal constraints.

Budget preparation is orderly and benefits from a comprehensive medium-term fiscal framework at the beginning of the process, but the link with a medium-term budget framework to establish predictable budget ceilings in line with policy priorities could be further improved. The high number of first-level budget organisations complicates budget preparation. Further improvements in budget management, including public investment management, aligned with the new OBL (which will come into effect in 2025) await implementation through operational bylaws.

Indicator 23. The annual budget is comprehensive and formulated within a credible and rolling medium-term framework, balancing the policy needs with the fiscal constraints		2024 indicator value	48/100
Sub-indicators		Points	
1.	Budget calendar	4/5	
2.	Preparation of the medium-term fiscal framework	9.2/15	
3.	Strength of the medium-term budget framework	12/25	
4.	First-level budget organisations	0/5	
5.	Oversight of fiscal discipline by an independent institution	3/5	
6.	Annual budget documentation	9/15	
7.	Budget classification	4/5	
8.	Planning and budgeting for capital investment projects	2/10	
9.	Parliamentary scrutiny of the annual budget	2/10	
10.	Public access to budget information	3/5	

The Government operates a clear annual budget calendar (with dates set in the 2005 Budget Law) that is broadly respected. Some of the dates will change when relevant sections of the new OBL come into effect in 2025.²⁴⁴ The calendar covers both the medium-term and the annual budgets.

The MoF issues instructions for submitting medium-term baseline estimates and new policy proposals in January. These submissions allow the MoF to prepare a medium-term fiscal framework (MTFF) in the form of a Fiscal Strategy (FS). A first version of the FS is adopted by the Government in May and presented for information to the Parliament.²⁴⁵ The FS provides objectives for the fiscal aggregates, including debt and deficit. For 2024-2026, the FS envisages a fiscal path that respects the fiscal rules set out in the new OBL for the Government deficit, but it would only be achieved in 2025.²⁴⁶ The FS also respects fiscal rules for

²⁴⁴ Organic Budget Law of 19 September 2022, Official Gazette of the Republic of North Macedonia 203/22.

²⁴⁵ The new OBL, Article 17, stipulates adoption deadlines of 30 April for the Government and 20 June for Parliament.

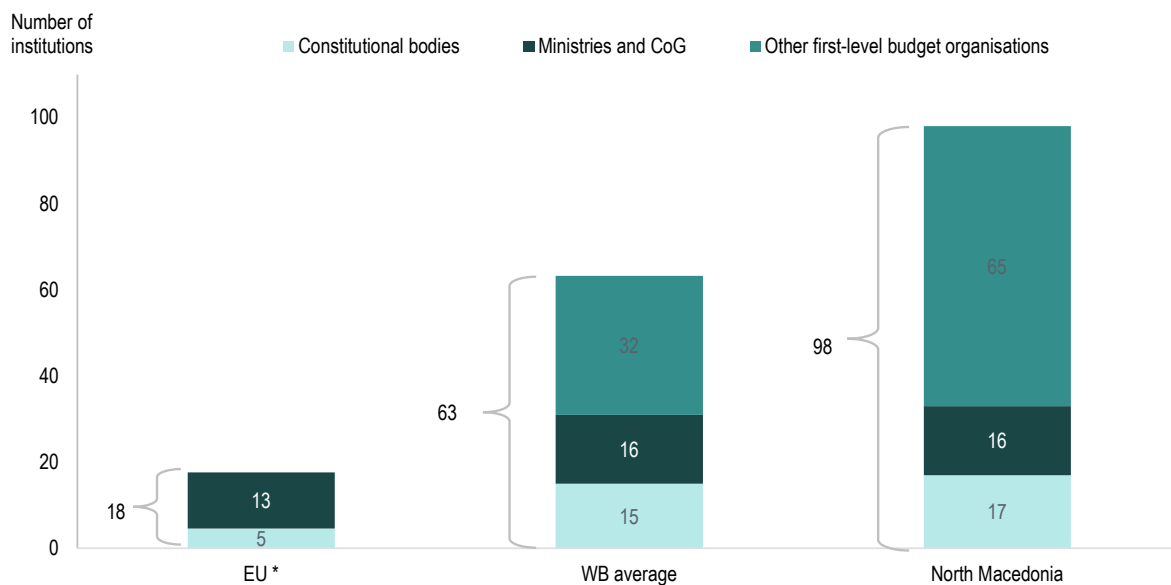
²⁴⁶ Article 10 of the OBL includes the fiscal rule that the general government deficit of the relevant year shall not exceed 3% of nominal gross domestic product (GDP). The FS 2024-2027 targets a fiscal deficit of 3.4%, but the fiscal rule of 3% is planned to be met in 2025.

debt and guaranteed public debt.²⁴⁷ Successive FSs tend to have consistent ceilings for the same year. However, medium-term forecasts are only partially credible, with planned revenues and expenditures respectively 10% and 14% higher than realised.

An independent Fiscal Council was established in December 2023 to scrutinise fiscal policy.²⁴⁸ It is still in its infancy and not fully operational due to bureaucratic complications. Nevertheless, it has already provided an opinion on the 2024 Budget and the corresponding FS.

Previously, medium-term budget ceilings for first-level budget users were only included in the budget circular that was internally disseminated by the MoF. For the first time, the 2024 FS contained medium-term ceilings for first-level budget users making them open for discussion by the Government and Parliament. The FS includes increasingly sector-based policy information, but lacks clear linkages between policy priorities and the medium-term ceilings. Setting policy-based ceilings is complicated by the large number of first-level budget organisations (close to 100) the MoF needs to interact with during the process. This number is considerably higher than among European Union (EU) countries and other countries in the region (Figure 57). Also, a spending review process to analyse the quality of spending and create fiscal space for new policy initiatives is not yet in place.

Figure 57. Number of first-level budget organisations



Notes: WB = Western Balkans. The EU number is the average of five Member States (Austria, Denmark, Finland, Germany and the Netherlands). The Western Balkans number is the average of Albania, Kosovo*, Montenegro and Serbia. The number of ministries in North Macedonia reflects the situation before the new Government took office in June 2024.

Source: Pot, F. and J. Šušteršič (2024), "Organisational structure of budget management: Directions for reform in the Western Balkans and the Republic of Moldova", *SIGMA Papers*, No. 72, OECD Publishing, Paris, <https://doi.org/10.1787/5fd31556-en>.

Through FS adoption, ceilings are approved by the Government before they are included in the budget instructions issued 15 June at the latest, after which time budget organisations have more than two months to prepare their submissions. Nevertheless, the link between the FS and budget preparation can be

²⁴⁷ Article 10 of the OBL includes the fiscal rules that total general government debt shall not exceed 60% of nominal GDP, and guaranteed public debt shall not exceed 15% of GDP.

²⁴⁸ Organic Budget Law, Article 11, Official Gazette of the Republic of North Macedonia 203/22.

improved, as the ceilings are not “hard”. Budget submissions tend to deviate significantly from the original ceilings (5% aggregate and 11.9% average disaggregated deviation between the ceilings and the 2024 annual budget bill).²⁴⁹

The budget documentation that is submitted to the Government and the Parliament is comprehensive. The budget is presented using all four classifications (economic, functional, administrative and programme) and includes most of the required information benchmarks. It also includes more advanced budget information on performance (outputs), fiscal risks and tax expenditures, but the quality of these elements suggests further room for improvement. Missing from the budget documentation is information on approved new policies and links with sector strategies, as well as discussions on gender and climate issues. Coverage could also be improved, as the 2022 Public Expenditure and Financial Accountability (PEFA) report shows that 17.02% of revenues and 8.91% of expenditures are reported outside of financial reports.²⁵⁰

Decisions on capital investment projects are an integral part of medium-term and annual budget preparation. There is no requirement under the 2005 Budget Law, however, for large capital projects to undergo cost-benefit analyses or independent appraisals, and there are currently no standard selection criteria to decide which capital investment projects obtain funding. There is also no evidence that information on recurrent costs is incorporated into medium-term expenditure projections following approval of projects, although cost-benefit analyses for large capital projects will become a standard requirement when relevant sections of the OBL come into effect. A dedicated Public Investment Management Department has been established and draft decrees setting out roles, responsibilities, requirements and procedures are currently being prepared.

The Parliament spent roughly six weeks on budget scrutiny in 2023. A complete set of executive budget proposals was also made available to the public within one week of the executive’s submission to the legislature. Parliamentary sector committees do not deliberate on the draft budget, and any parliamentary proposals to increase a line item in the budget bill must be presented with a corresponding proposal to decrease one or more other line items, a requirement which is followed in practice. The 2024 budget was adopted on 23 December 2023 and made available to the public, although the publication is in pdf format, which cannot be input easily into regular word processing and spreadsheet packages for analysis. The Government provides citizens easy access to key budget figures,²⁵¹ but does not prepare a citizen-friendly summary of budget documents including a narrative explanation.

²⁴⁹ SIGMA calculations based on a review of the 2024-2026 FS and the annual 2024 Budget Law.

²⁵⁰ World Bank (2022), Public Expenditure and Financial Accountability (PEFA) Performance Assessment Report.

²⁵¹ http://budget.finance.gov.mk/gragjanski_budget.html

Principle 24: The government supports budget implementation and service delivery by ensuring liquidity in the short and medium term.

Liquidity management is performed at a reasonable standard in the subsystems of tax collection, cash flow management and debt management. It is primarily budget execution management that requires improvement, as the current system focuses on payment controls and lacks effective commitment controls. This allows payment arrears to persist.

Indicator 24. Budget implementation and service delivery is supported by cash availability in the short and medium-term		2024 indicator value	59/100
Sub-indicators		Points	
1.	Efficiency of tax collection	8/10	
2.	Effectiveness of tax collection	11.7/20	
3.	Treasury/cash management	6/10	
4.	The reliability of financial data is supported regular reconciliation of accounting information	2/5	
5.	Cash flow management	4/5	
6.	Commitment controls are established	1/10	
7.	Management of expenditure arrears	5/10	
8.	Debt management	8/10	
9.	Government debt risk mitigation	6.8/10	
10.	Reporting on public debt	6/10	

The Public Revenue Office's (PRO's) moderately efficient and effective tax collection supports liquidity management. PRO is able to collect 100% of personal income tax declarations electronically and its budget amounts to 2.9% of collected revenues, which is reasonable by international standards. Variance in actual versus planned collection is relatively low (4.6% less in the last fiscal year [FY]), though variance was somewhat higher for composition outturn (9.6% last FY). Activities to improve tax compliance are set out in the PRO's strategic plan and elaborated in three separate programmes.²⁵² Although it considers tax compliance as important, the plan is not comprehensive and does not include clear activities for all main taxes. Also, the completion rate of planned activities is currently less than 10%, and the effectiveness of tax collection is compromised by the stock of tax arrears, which amounted to 12.1% at the end of the last FY.

Tax proceeds are transferred daily into the Treasury Single Account (TSA) that operates largely in accordance with international standards. The Treasury Department, which is organised as a central unit within the MoF and has 17 regional offices, manages the TSA. The Treasury conducts cash management based on annual financial plans from all first-level budget organisations that are updated monthly on a rolling basis, reflecting quarterly cash needs broken down by day.

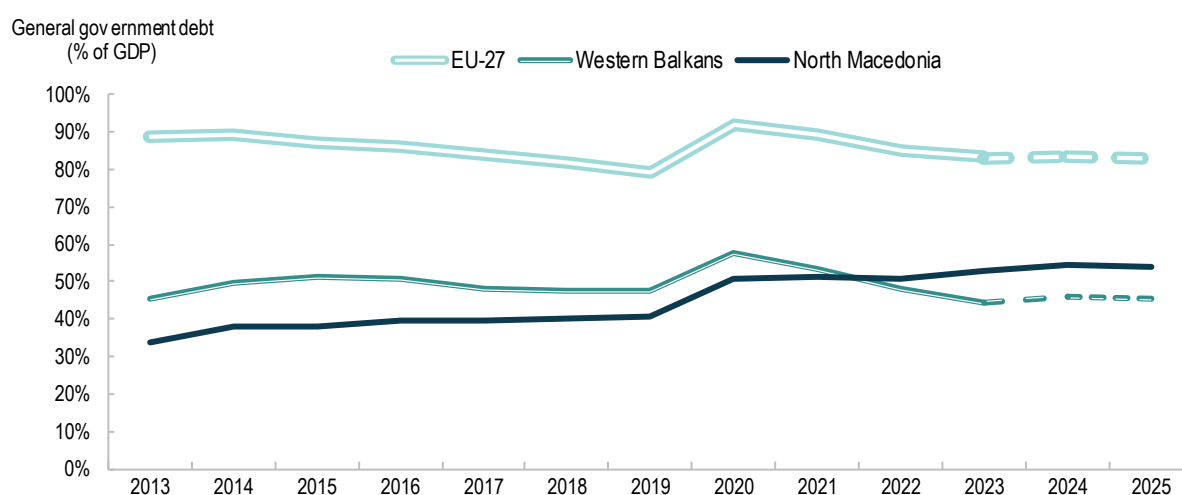
A Treasury Information System (TrIS) supports financial control by the Treasury at the payment stage rather than at the commitment stage. Payment orders are checked against prior commitments, but commitment information is entered into the system only after a contract has been agreed and signed (and the commitment made). Treasury payment controls ensure that expenditures do not exceed ceilings, but do not effectively prevent payment arrears, as commitments may exceed ceilings. Data on the stock and composition of expenditure arrears are generated quarterly (based on data from budget users), and the

²⁵² http://www.ujp.gov.mk/files/attachment/0000/1478/Strateski_plan_na_UJP_2023-2025_za_WEB.pdf.

total stock of expenditure arrears at end 2023 was equal to 7.9% of total expenditure outturns. The MoF is currently in the process of implementing a new Integrated Financial Management system.

Debt is largely managed using international standards. The Minister of Finance must carry out or approve all borrowing (including local government borrowing), and the annual budget law defines annual borrowing limits (but without reference to state loan guarantees). Debt limits are informed by a rolling system of annual debt management strategies covering three-year periods. The strategies address all levels of Government, with a focus on general government debt, and set out clear (numerical) targets for general government debt for a minimum of three years. The legal deadline for the annual report on public debt is six months. The annual report covering 2022 was published in July 2023 in respect of this legal deadline, but not within the benchmark of three months. There were no significant deviations in debt outturns from the targets set for the end of 2023. The overall general government debt level has increased steadily in the last 10 years, from 34% to 54% (Figure 58). Unlike other Western Balkan administrations, the debt of North Macedonia has continued on an upward path even after the COVID-19 crisis-related stimulus was ended. Nevertheless, it is still 6 points below the fiscal rule threshold, and the IMF considers this level to be sustainable with high probability.²⁵³

Figure 58. Debt development in North Macedonia vs other Western Balkan countries and EU-27



Sources: IMF database (2013-2018) and EU Candidate Countries' & Potential Candidates' Economic Quarterly, 2nd Quarter 2024 (2019-2025).

As of 31 December 2023, debt risk parameters for maturity, exchange rate risks and interest risks slightly exceed benchmark values: 13.7% of general government debt at the end of 2023 will mature in 2024; 70.9% is held in foreign currency; and 26.1% is subject to a floating interest rate.²⁵⁴ Nevertheless, international credit rating agencies consider the country's debt performance adequate, with a stable outlook.²⁵⁵

²⁵³ IMF (2023), Country Report No. 24/26, Republic of North Macedonia, Article IV consultation, January 2024.

²⁵⁴ The benchmark values for the parameters are 10% (full adherence) and 25% (no adherence). Values between 10% and 25% are rated based on a linear scale.

²⁵⁵ Based on ratings of the Fitch Group and Standard & Poor, June 2024.

Principle 25: The government implements the budget in line with estimates and reports on it in a comprehensive and transparent manner, allowing for timely scrutiny.

At the central government level, the Treasury uses cash-based accounting standards and information systems to ensure the collection of reliable, basic budget execution information. These data indicate that the budget is being executed in line with appropriations, but that deviations are significant at the disaggregated level. Annual final accounts lack a narrative description to clarify the Government's financial performance, and the SAO does not yet provide an audit opinion on the accuracy of the figures. Consistent reporting and auditing of extrabudgetary funds, SoEs and local governments is weak.

Indicator 25. The government implements the budget in line with estimates and reports on it in a comprehensive and transparent manner, allowing for timely scrutiny		2024 indicator value	49/100
Sub-indicators			Points
1.	Budget execution in line with appropriations		11/20
2.	Fiscal targets		6.2/12
3.	In-year reporting of government revenue, expenditure and borrowing		7/10
4.	Clear accounting standards and consistency with international standards		4/8
5.	Content of the annual financial report of the government		3/8
6.	Reporting on capital investments		1.9/9
7.	Monitoring and reporting on fiscal risks		3.5/9
8.	Annual reports of state-owned enterprises, extra-budgetary funds and local government		4/10
9.	Transparency and quality of the annual financial report		8/14

At the aggregate level, the budget is broadly credible, with average variations of 2% for revenues and 4% for expenditures over the last three years. Credibility results from strict controls at the payment stage. However, at the disaggregated level, credibility is low with an average variation of 23% across the ten largest budget organisations over the last three years. In 2023, this stemmed partly from two significant adjustments to budget allocations (October and December), which did not affect the aggregates but reallocated funds among budget organisations. The credibility of the original budget has also been weakened by the 2005 Budget Law, which allows line-item adjustments of up to 20% within budget organisations. (Table 2).

Table 2. Aggregate and disaggregate budget credibility of expenditures (rate of deviation of planned expenditures versus realised expenditures), 2021-2023

	2021	2022	2023
Aggregate	4%	1%	-6%
Disaggregate	27%	22%	19%

Note: A positive figure implies that planned expenditures were higher than the outturns.

Source: SIGMA calculations based on budget laws and final accounts for 2021, 2022, and 2023

Fiscal targets for general government debt and guaranteed debt for 2023 were met and differences between debt outturns and plans were minimal. However, the fiscal deficit target was not achieved in 2023 and amounted 5.2% of GDP well above the 3% fiscal rule included in the OBL. Also for 2024, the fiscal

rule for the deficit will not be achieved. In contrast, the estimate for the fiscal deficit for 2024 has been revised to 4.9% of GDP from an original estimate of 3.4% of GDP.²⁵⁶

Reports on central government revenues, expenditures and borrowing are published monthly within four weeks of month-end and show the totals of all transactions for all first-level budget organisations, but they do not explain variations from original spending and revenue profiles. The reports therefore provide information on cash expenditures only. The MoF also publishes six-monthly information on budget execution in a dedicated midyear report in July, and although the reports describe variances, they do not explain underlying causes. Local government reports are published quarterly (by the end of the following quarter), with aggregate information on capital and payroll spending, lending and borrowing. Corresponding information for municipalities is produced on an annual basis.

The annual financial report is a budget execution report, and its format mirrors that of the budget. It is based on domestic regulations set out in the rulebook for accounting for budgets and budget users, which applies to all general government entities. International standards are not applied. Some major variations between estimates and outturns are explained (e.g. reallocations due to COVID-19 or the energy crisis), but not all. The report includes neither analysis of state assets and liabilities (including state guarantees and other contingent liabilities) nor non-financial performance information or data on the environmental, social and economic impacts of policies, procurements and operations.

Investment expenditures are detailed in in-year and year-end budget execution reports. The average recent variance for capital expenditures from the original budget was approximately 13%, but there is no evidence in the reports to explain variations from the original budget. Reports follow the appropriation structure that groups projects, so expenditure for individual projects (major or otherwise) cannot be discerned. Physical progress of major projects is typically monitored by project implementation units (PIUs) for internationally funded projects, but no reports for domestically-funded projects are published.

The FS includes a chapter on fiscal risks, but its scope is still confined to the impact of changes in macroeconomic conditions and no comprehensive analysis of the SoE sector. A framework is being established for systematic fiscal risk identification monitoring and reporting, and in January 2024 the Minister of Finance assigned a fiscal risk working group to advance this work. The working group will specify and co-ordinate fiscal risk responsibilities across the Government and will prepare corresponding internal and external fiscal risk reports. The FS 2025-2029 reflects improvements that resulted from this approach.

The 2023 Final Accounts were published on 11 June 2024, within six months of the end of the fiscal year.²⁵⁷ The SAO's corresponding Supreme Audit Institution (SAI) report is not a financial audit but a compliance audit on budget execution.²⁵⁸ Accordingly, the SAO does not express an opinion on the accuracy of financial statement disclosures, but includes a commentary on budget execution developments. The SAO report on the final accounts of 2023 was released on 16 July 2024 and used by the parliamentary Committee for Finance and Budget on 12 August 2024 and in a Plenary session on 13 August 2024.

With regard to the audit of public funds outside of the central government, the audits of the annual reports of the three extra-budgetary funds were carried out within six months after the end of 2023. Timely audit of the SoE sector is more problematic. Out of 29 SoEs, only 11 submitted the audit report relating to the financial statements of 2023 within six months after the end of 2023. With regard to municipalities, there is no requirement to have their financial statements audited. Although the SAO "has authority to audit local governments, it lacks the capacity to fully conduct this mandate year by year for all municipalities and it

²⁵⁶ Ministry of Finance (2024), Fiscal Strategy 2025-2029.

²⁵⁷ https://dzt.mk/sites/default/files/2024-07/KRI_RU_Osnoven_budzet_RSM_2023_FINAL.pdf.

²⁵⁸ The title of the audit report therefore does not refer to the final accounts but to the Basic Budget 2023, <https://dzt.mk/en/node/4286>.

audits selectively based on a risk assessment". Table 3 reflects the audit coverage of local governments by the SAO.

Table 3. Audit coverage of local governments, 2021-2023

	2021		2022		2023	
	Total	Audited	Total	Audited	Total	Audited
Number of municipalities	80 +1	4	80 +1	9	80 +1	8
Budget value (in million MKD)	33 048	2 829	36 936	11 536	37 754	4 888

Source: Data provided by the State Audit Institution

Internal control and audit

Principle 26: Public administration bodies manage resources in an effective and compliant manner to achieve their objectives.

Internal control-related development goals are established in a four-year PFM Reform Programme, and the legal and methodological bases are largely in place. However, progress is lagging because the new PIFC Law, submitted to Parliament in 2020, has still not been adopted. Internal control systems for financial management and strategic planning are slowly improving, but the principle of decentralised managerial accountability is not well understood and there are large implementation gaps in almost all internal control elements across budget users.

Indicator 26. Adequacy of the operational framework for internal control and its functioning in practice		2024 indicator value	34/100
Sub-indicators		Points	
1.	Regulatory framework and development policy for internal control	6/10	
2.	Co-ordination of internal control	7.5/10	
3.	Adequacy and effectiveness of management and control systems in place	4.7/15	
4.	Managerial accountability	7.1/15	
5.	Reporting on internal control	2/10	
6.	Regularity and completeness of risk management practices	2/15	
7.	Institutional accountability	2.6/12	
8.	Irregularity and fraud management	1.6/13	

The PIFC Law and various by-laws and guidance (from 2010-2016) regulate the establishment and organisation of a PIFC system for budget users in legislative, executive and judicial authorities (the central government), funds, municipalities and the City of Skopje.²⁵⁹ Internal control-related requirements apply narrowly to financial management and control (FMC), covering only the financial processes of planning, executing, monitoring and reporting. The proposed revision to the 2020 PIFC Law to cover some PIFC gaps has been submitted to Parliament, but it has not passed to a second reading for unknown reasons.

The PFM Reform Programme "Smart Public Finances 2022-2025"²⁶⁰ sets FMC development goals, with specific actions related to revising the FMC manual and helping the Central Harmonisation Unit (CHU) establish a system of FMC quality reviews. The update to the PFM Reform Programme for 2024-2027 intends to further strengthen CHU capacities and develop or redraft FMC guidance in the areas of risk management and managerial accountability. The MoF is responsible for all PFM Reform Programme activities, and no actions involving other government participants are planned. The overall implementation

²⁵⁹ Law on Public Internal Financial Control, Official Gazette Nos.90/2009, 12/2011,188/2013 and 192/2015.

²⁶⁰ See Chapter 1, Principle 1, for detailed analysis of the PFM Reform Programme, which is part of the PAR Agenda. The MoF has developed a new draft PFM Reform Programme for 2024-2027, but it was not approved as of completion of this report.

rate of PFM Reform Programme measures in 2023 is estimated at just 40%,²⁶¹ and that of internal control-related measures is even lower (23%).²⁶²

The CHU within the MoF, tasked with harmonising and co-ordinating the FMC system under the PIFC Law, reports to the Government annually on functioning of the PIFC system. Until now, annual PIFC reports have been largely based on CHU statistical analyses and budget users' self-assessments of internal control systems within their institutions, rather than giving a holistic perspective on overall functioning of the public sector's internal control system.

However, the CHU has taken steps to launch quality reviews of FMC systems, which should offer budget users further assurances on their functioning. A new unit for reviewing the quality of FMC and internal audits was also established within the CHU in December 2022; however, it is currently staffed with only one employee. The first pilot quality review of three budget users' FMC systems was completed in the first quarter of 2024.

North Macedonia has 96 central government organisations (CGOs) that are obliged to submit reports under the PIFC Law. In 2022, Annual Reports on Functioning of the Public Internal Financial Control System were submitted by 84% of the 96 CGOs. According to self-assessments in their annual reports, implementation of various internal controls and FMC measures fluctuates, with averages of 50-80%. However, the FMC recommendations proposed by the CHU in its 2022 annual PIFC report and adopted by the Government were related only to adoption of a Code of Ethics and preparation of a Plan for the Establishment of FMC in key FMC processes.

As per the PIFC Law, internal rules need to be established for strategic planning and human resource (HR) and financial management. While 73-83%²⁶³ of CGOs have introduced procedures for budgeting, procurement and accounting, only about 50% report having procedures in place for tasks such as preparing and realising strategic plans; refunding erroneously paid budget funds (43% of CGOs); and managing tangible and intangible assets (63%). Only two out of the five sample institutions provided evidence that their information on assets is updated annually and they have procedures in place for performing inventories of fixed assets.²⁶⁴

While 90% of budget users²⁶⁵ report having a system for monitoring and reporting on budget execution, the SIGMA analysis of five sample institutions' practices revealed inconsistencies, with reporting taking place either monthly, quarterly, annually or ad hoc. Even though reporting on the achievement of strategic objectives is improving (75% of CGOs), public sector institutions are not yet required to conduct performance reviews (and are therefore not doing so). For only around 59% of budget users²⁶⁶ does top management have a system in place for receiving reports on FMC. Furthermore, information on

²⁶¹ Of 23 measures planned for full implementation in 2023, only 14 were completed, according to official information obtained from the administration. Formal annual progress reports on the PFM and PAR strategies had not been published as of completion of this report (see Chapter 1 for further details).

²⁶² Only 3 of 13 measures were fully implemented (see previous footnote for methodological details).

²⁶³ 73-83% of the CGOs that submitted annual internal control (IC) reports; based on Table 8 of the MoF Annual Report on the Functioning of the 2022 Public Internal Financial Control System, July 2023.

²⁶⁴ Institutions included in the sample: Ministry of Health, Ministry of Interior, Ministry of Transport and Communications, Tax Administration and Civil Aviation Agency.

²⁶⁵ 90.3% of the CGOs and local government organisations (LGOs) that submitted annual IC reports, based on Table 9 of the MoF Annual Report on the Functioning of the 2022 Public Internal Financial Control System, July 2023.

²⁶⁶ 59.5% of CGOs and LGOs that submitted annual IC reports, based on Table 10 of the MoF Annual Report on the Functioning of the 2022 Public Internal Financial Control System, July 2023.

outstanding liabilities and assets is included in annual financial reports only and not communicated regularly to the senior management.

As parent budget users, ministries are responsible for co-ordinating budget preparation within their jurisdiction.²⁶⁷ However, the high number of first-level budget users that are not ministries or constitutional bodies makes it difficult for line ministries to co-ordinate and monitor effectively in their sectors. Budget controls are not yet systematic and are exercised at the payment rather than commitment stage, demonstrated by the fact that 495 CGOs (81.28%) had arrears amounting to EUR 268 million at the end of 2022. The budget department records arrears in the Electronic System for Reporting and Recording of Liabilities (ESPEO) based on budget users' monthly reports. The MoF's Financial Inspection department is notified monthly of institutions that have not submitted their reports. To ensure the completeness of information in the ESPEO system, the Financial Inspection unit follows up with these institutions. It is tasked to determine the actual situation and, if the arrears are not reported, to sanction responsible staff.

According to the PIFC Law,²⁶⁸ the heads of public entities have the option to give a mandate (general or special) to one or more managing officials hierarchically placed directly subordinate to them. However, middle management accountability for achieving various goals under its responsibility remains undefined, as do its financial decision-making powers. Ambiguity concerning what and how much to delegate is illustrated by weak delegation of authority at the level of budget programmes, with actual financial decisions remaining in the hands of top management.

Risk management in public sector entities is slowly improving. In 2016, 47 institutions at the central level (51%) had adopted risk registers, but in 2022, 64 CGOs indicated having one (76% of those submitting annual internal control reports) and 51 CGOs (61%) had appointed a risk co-ordinator.²⁶⁹ SIGMA analysis of five sample institutions' risk documentation confirmed that risk management practices vary and it is still largely a formalistic exercise, and little attention is given to assessing fraud risk.

The system for reporting irregularities is still in the early stages of establishment. According to the PIFC Law,²⁷⁰ the heads of public institutions should appoint someone to co-ordinate irregularity reporting, but only 75% of SIGMA survey respondents confirmed that they know how to report an unethical irregularity or potential fraud.²⁷¹ The MoF's Financial Inspection authority should be notified of any reported irregularities or suspicions of fraud, but it has not received any irregularity reports.

SIGMA analysis of five sample institutions confirmed that internal irregularity reporting systems were established only recently, and no irregularities were reported in these institutions in recent years. The irregularity management provisions of the currently valid PIFC Law (2009) overlap with those of the more recent Law on Whistleblower Protection (2015) under the purview of the Ministry of Justice.²⁷² Nevertheless, the CHU is still not receiving information on the implementation of internal control systems for irregularity management.

Parent budget users (including ministries) are supposed to regulate co-operation and reporting with the budget users and SoEs under their jurisdiction. Details of their mutual responsibilities are to be established

²⁶⁷ 2022 Budget Law, Articles 32-33, Official Gazette No. 203, 19 September 2022.

²⁶⁸ 2018 PIFC Law, Article 8.

²⁶⁹ Table 7 of the MoF Annual Report on the Functioning of the 2022 Public Internal Financial Control System, July 2023.

²⁷⁰ PIFC Law, Article 50.

²⁷¹ SIGMA Survey of Public Servants on the functioning of public administration 2024.

²⁷² Law on Whistleblower Protection, Official Gazette Nos. 196/15, 35/18 and 257/20, <https://www.slvesnik.com.mk/zastita-na-ukazuvaci.nsp#>.

after adoption of the new PIFC Law. In 2022, only three CGOs reported that they were regulating the activities of second-line budget users in preparing and realising financial plans/budget execution, procurement and contracting, property management and related tasks. The second-line budget users prepared non-financial reports for first-line CGOs in only nine cases.²⁷³

Principle 27: Internal audit improves the management of public administration bodies.

Establishment and staffing of internal audit units is slowly improving. Nevertheless, many budget users are not subject to adequate internal audits due to understaffed internal audit units in the public sector. The new PIFC Law is intended to address current legislative and methodological gaps, but the draft law has been in Parliament since 2020 without advancing. Internal audit practices could improve on the contradictory procedure process and the formulation of audit recommendations.

Indicator 27. Adequacy of the operational framework for internal audit and its functioning in practice		2024 indicator value	43/100
Sub-indicators		Points	
1.	Adequacy of the regulatory framework for internal audit	10/10	
2.	Co-ordination, development and guidance of the internal audit system	3/10	
3.	Organisational capacity for internal audit	0/10	
4.	Independence and objectivity of internal audit	9/15	
5.	Strength of planning of internal audit in budget organisations	2/10	
6.	Quality of audit reporting	2.9/10	
7.	Follow-up and implementation of audit recommendations	13.7/15	
8.	Certification and professional development	2/10	
9.	Existence of a system for quality assurance of internal audit	0/10	

The PIFC Law regulates public sector internal audit (IA). It is comprehensive and covers objectives, scope of work, establishment and functioning of IA, independence, rights and responsibilities of public sector internal auditors, IA standards, the certification system, general requirements for planning, conducting and reporting on IA results, and annual reporting on IA work to the CHU. The PIFC Law allows for differentiation depending on the type and size of the organisation. The legislation also specifies a code of ethics for internal auditors, covering the main aspects governing their conduct. The methodological IA framework is based on the 2010 IA Manual,²⁷⁴ and the legal framework ensures the independence of IA functions, as confirmed by the SIGMA survey responses of internal auditors.²⁷⁵

Both the PFM Reform Programme "Smart Public Finances 2022-2025" and the draft PFM Reform Programme 2024-2027 detail measures and activities to strengthen internal audit. The main objectives are to reinforce the quality of work of ministries' IA units and to centralise capacities for advanced types of internal audits (performance audits and information technology [IT] audits) in the MoF. However, the activities foreseen for 2023 have not been fully implemented.

²⁷³ Table 9 of the MoF Annual Report on the Functioning of the 2022 Public Internal Financial Control System, July 2023.

²⁷⁴ An updated manual aligned with the new 2024 Global Internal Audit Standards is to be completed in 2024.

²⁷⁵ SIGMA Survey of Public Servants on the functioning of public administration 2024.

All 609 public sector entities are subject to IA.²⁷⁶ The PIFC Law lists the entities for which establishment of an IA unit is mandatory. Other public sector entities without an IA unit shall engage internal auditors listed in the internal auditors' registry or working in another public institution. Depending on an institution's size, its internal audit unit should include at least two to five internal auditors (excluding trainees).²⁷⁷ Accordingly, as of February 2024, 112 public sector entities (18.39% of all 609 entities) had established their own IA unit (93) and 19 signed contracts with other entities. However, only 22 IA units met the minimum staffing levels.

According to the CHU's annual 2022 PIFC report, only 65 of 96 CGOs (68%) had established an IA unit. Of these, 27 (41.5%) were not staffed; 20 (30.8%) were staffed with 1 internal auditor each; and 18 (27.7%) had 3 or more auditors. Furthermore, 14 CGOs (15%) had contracts for internal audit functions with another budget user. (Table 4).

Table 4. Number of internal audit units in the public sector

	Number of entities required to implement internal audit	Number of entities with an IA unit	Signed contracts with other entities
Total public sector	609	112	19
Total CGOs	96	65	14
		of which:	
		18 had 3 or more auditors	
		20 had 1 auditor	
		27 had no auditor	

Source: CHU annual PIFC report, 2022.

There were 185 internal auditors employed by IA units across all budget users at the end of 2023, with 45 (24%) holding internal audit certificates. A programme for continuous professional development still was not established in 2023. However, with the support of the Public Finance Academy (established in 2023), six training courses were scheduled for 2024.

In 2023, 64 IA units out of 112 had approved strategic and annual plans. SIGMA analysis of audit plans of the IA units of five sample institutions²⁷⁸ shows that they were prepared mostly in conformity with national and international standards and are based on risk assessments, using a systematic approach. However, due to a lack of staff, not all risky processes/programmes could be audited. Furthermore, some ministries' IAs are able to cover the ministry only and not the underlying organisations under its purview, even though these organisations do not themselves have internal auditors. Although most recommendations of IA units were implemented (66.5% of internal audit recommendations with implementation deadlines in 2022),²⁷⁹ About 20% of middle and top managers responding to the SIGMA Survey of Public Servants would

²⁷⁶ PIFC Law, Article 29.

²⁷⁷ Ibid., Articles 30-31.

²⁷⁸ Institutions included in the sample: Ministry of Health, Ministry of Interior, Ministry of Transport and Communications, Tax Administration and Civil Aviation Agency.

²⁷⁹ MoF, 2023 PIFC Report.

appreciate better contradictory procedures and more meaningful internal audit recommendations.²⁸⁰ There is no formal procedure in place at present for a national quality assurance scheme, and none of the five sample institutions have quality assurance in place.

In 2020, the Government adopted a new PIFC Law and submitted it to Parliament. The new law aims to address various bottlenecks in the current institutional setup for internal audits, including guidance on quality assurance procedures, organising IA units under parent ministries, and establishing requirements for continuous professional development. However, the Parliamentary review of the new PIFC Law has yet to be completed.

²⁸⁰ SIGMA Survey of Public Servants on the functioning of public administration 2024.

Public procurement

Principle 28: Public procurement legislation, including public-private partnerships and concessions, is based on principles of equal treatment, non-discrimination, transparency, proportionality and competition, and supported by a sound governance framework.

The PPL, adopted in 2019, is well aligned with EU directives and prescribes the use of modern procurement techniques and full electronic communication. However, there has been regression in implementing EU transparency requirements with adoption of a special law on the construction of road infrastructure, which nominates a consortium of foreign companies to implement it without competition.

Indicator 28.1. Quality of legislative framework for public procurement and PPPs/concessions		2024 indicator value	75/100
Sub-indicators		Points	
1.	Application of fundamental EU policy goals and Treaty principles across the spectrum of procurement legislation	10/30 ⁱ	
2.	Level of alignment of public procurement legislation for contracts above EU thresholds with the EU Directives	31/35	
3.	Level of alignment of PPPs/concessions legislation for contracts above EU thresholds with the EU Directives	14/15	
4.	Level of alignment of procurement legislation for contracts below EU thresholds with the EU Treaty principles	20/20	

Note: i = data not available or not provided.

The PPL²⁸¹ transposes current EU public procurement directives²⁸² and, except for some minor deviations, demonstrates a high level of compliance with relevant EU legislation. The regulatory framework reflects the fundamental EU Treaty principles of transparency, equal treatment and non-discrimination. However, a significant exemption from the transparency principle was created with the July 2021 adoption of the Law on Establishing Public Interest and Nominating a Strategic Partner for Implementation of the Project for Construction of Infrastructure Corridor 8 and Corridor 10d.²⁸³ The law appoints a consortium of companies to perform the contract without a competitive procedure, and the details of the contract and remuneration of the consortium have not been disclosed to the public.

The PPL covers the classic and the utilities sector and regulates the award of contracts both above and below the EU thresholds. The Law on Public Procurement in the Field of Defence and Security²⁸⁴ transposes the provisions of the EU Defence and Security Directive.²⁸⁵ No specific exclusions to coverage exceed what the directives allow. The PPL also incorporates relevant provisions of the EU remedies regime, and secondary legislation is in place.

²⁸¹ Public Procurement Law, adopted 28 January 2019 and entered into force 1 April 2019, Official Gazette Nos. 24/19 and 87/21.

²⁸² 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; 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.

²⁸³ Official Gazette of the Republic of North Macedonia No. 163/21.

²⁸⁴ Law on Procurement in Defence and Security, adopted 27 August 2019, Official Gazette No. 180/2019.

²⁸⁵ 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 the Contracting Authorities or Entities in the Field of Defence and Security, and Amending Directives 2004/17/EC and 2004/18/EC.

A few inconsistencies between the PPL and the EU *acquis* persist, however, such as use of a negative reference list available on the e-procurement portal,²⁸⁶ which names economic operators for professional misconduct during the procurement phase. They are automatically excluded (blacklisted) in certain cases, without the right to demonstrate self-cleaning.

Nonetheless, the PPL provides for all procedures foreseen in the EU directives, as well as techniques and instruments for electronic procurement (e-catalogues and e-auctions) and others to ensure the flexibility to adjust to the needs of contracting authorities (e.g. framework agreements, dynamic purchasing systems and design contests).

The Electronic System for Public Procurement (ESPP) supports all important steps of procurement procedures. Contracting authorities are required to publish procurement plans, all types of procurement-related notices, all decisions and the texts of concluded contracts. Meanwhile, economic operators can lodge appeals through the e-procurement system, and all the documents necessary for resolving appeals are available in the system.

The financial thresholds for applying the PPL are relatively low.²⁸⁷ For lower-value contracts between EUR 1 000 and EUR 10 000 for supplies and services and up to EUR 20 000 for works, contracting authorities may choose a “small-value procurement” procedure, one option being to use an electronic marketplace (a kind of e-catalogue instrument). For contracts up to EUR 70 000 for services and supplies and EUR 500 000 for works, a simplified open procedure may be employed. The law ensures economic operators equal access to procurement opportunities (even below the EU thresholds) regardless of their country of origin.

Concessions and PPPs are subject to a separate law.²⁸⁸ The material scope of the Concessions and PPP Law 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 national legislation, and PPL provisions for award procedures, reviews and remedies apply to the awarding of concessions and PPP contracts. The EU Concessions Directive has not yet been transposed, although a draft law substantively reflecting its provisions has been prepared.

The PPL also addresses green procurement and socially responsible procurement. Although the PPB has published high-quality Guidelines for Green Public Procurement²⁸⁹ with practical examples, contracting authorities do not pay attention to environmental considerations.²⁹⁰ Instruments for socially responsible procurement are also legally recognised, but no supporting documents have been published.

²⁸⁶ e-nabavki.gov.mk/PublicAccess/home.aspx#/negativreference.

²⁸⁷ According to the PPL, Article 40, thresholds for procurement in the traditional sectors are: EUR 1 000 for supplies and services, and EUR 5 000 for works; in the utilities sector: EUR 2 000 for supplies and services, and EUR 10 000 for works.

²⁸⁸ Concessions and PPP Law, with later amendments, adopted 11 January 2012, Official Gazette No. 6/2012.

²⁸⁹ <https://www.bjn.gov.mk/priracnici-za-avni-nabavki/upatstvo-za-zeleni-avni-nabavki/>.

²⁹⁰ According to research conducted for the 2022 Adapting to the Climate Change by Preventing Corruption in Public Procurement project implemented by the Center for Civil Communications, https://www.ccc.org.mk/index.php?option=com_content&view=article&id=507%3A2023-01-12-12-00-29&catid=17%3A2012-02-23-22-02-23&Itemid=93&lang=en.

Central institutions effectively support, steer and co-ordinate implementation, enforcement and monitoring of the public procurement system

The PPB, a body within the Ministry of Finance (MoF), is the main institution responsible for developing, steering and implementing the public procurement system. The PPB provides a wide range of activities supporting contracting authorities and economic operators. The PPB is recognised for its qualifications and responsiveness.

Indicator 28.2. Central institutions effectively support, steer and co-ordinate implementation, enforcement and monitoring of the public procurement system		2024 indicator value	74/100
Sub-indicators		Points	
1.	Quality of the strategy and action plan for development of public procurement and PPPs/concessions	16/23	
2.	Green procurement performance	5/12	
3.	Performance of socially responsible procurement	4/12	
4.	Central institutions to develop and implement public procurement policy effectively and efficiently	22/22	
5.	Central institutions to develop and implement PPPs/concessions policy effectively and efficiently	8/12	
6.	Quality of monitoring and reporting on public procurement system	19/19	

As discussed in previous chapters, the PFM Reform Programme 2022-2025 is the foundation for overall planning and monitoring of reforms in the public financial management (PFM) area, while a separate strategic planning document guides public procurement reforms. The current strategy for developing public procurement (including concessions and PPPs) covers 2022-2026,²⁹¹ and annual action plans for 2022 and 2023 presenting activities to be undertaken, timetables, financing sources for implementation, and expected results (measured by indicators) was adopted. However, only half of the activities were implemented by the 2023 deadline; those not implemented relate mainly to concessions and PPPs, and the strengthening of human and financial resources in central procurement bodies.

The MoF is responsible for defining public procurement policy and drafting legislation, and the PPB is established as a state administration body within the MoF, in the capacity of a legal entity funded from the budget of the Republic of North Macedonia. In practice, the PPB is the main actor in elaborating legislative drafts for public procurement, while fulfilling its other competencies listed in the PPL: monitoring and analysing the functioning of the public procurement system; providing advisory and operational support for contracting authorities and economic operators; developing manuals and guidelines; organising and conducting training activities; managing and developing the ESPP; preparing reports on public procurement procedures; managing negative reference lists; performing administrative control; and organising international co-operation, including with the EU. The PPB is recognised as a responsive and co-operative institution that actively involves stakeholders, including civil society organisations.

The PPB monitors procurement through the ESPP, which is also used for reporting purposes. The PPB publishes an annual report on its own activities and functioning of the public procurement system, and it has elaborated a set of indicators for monitoring risk in public procurement. Using ESPP data, the PPB prepares analysis reports based on established indicators, highlighting possibly corrupt practices.²⁹² The reports are published on the PPB's website and shared with State Audit Office, the State Commission for the Prevention of Corruption and the Commission for the Protection of Competition. Additionally, the PPB

²⁹¹ Strategy for Improvement of the Public Procurement System for 2022-2026, adopted in December 2021.

²⁹² Report of established indicators for monitoring risks in public procurement, 2022.

carries out administrative controls of PPL application, which is mandatory for procedures with an estimated value exceeding EUR 500 000 for supplies and services and EUR 2 000 000 for works and is non-mandatory for other procedures. In 2022, the PPB conducted controls of 268 public procurement procedures, and in 51 identified irregularities affecting the procedure's outcome.²⁹³

Data gathered through the ESPP are freely available to the public, without specific registration, and stakeholder feedback on the accessibility of ESPP information is consistently positive.²⁹⁴ The information covers all procurement phases, from publication of the contract notice to awarding of the contract. Contracting authorities are obligated to publish not only notices and tender documents on the ESPP portal, but also other information such as annual public procurement plans, copies of awarded contracts, and notices concerning contract modifications.

In the area of concessions and PPPs, no progress has been made in strengthening the administrative capacity of central institutions. The Concessions and PPP Law has allocated a range of PPP-related tasks to the MoE, including monitoring, analysis, provision of expert assistance, education and training. In practice, activities concerning the development, support and delivery of PPPs are lacking due to staff and budget shortages.

²⁹³ Annual Report of the PPB 2022, Section 6.1.

²⁹⁴ Non-governmental organisations (NGOs) use ESPP data for monitoring purposes (e.g. the Center for Civil Communications publishes monitoring reports on public procurement [the latest edition is No. 39 January-June 2023])

Principle 29: Contracting authorities conduct public procurement operations, including public-private partnerships, efficiently and economically.

The public procurement system's weaknesses are its low level of competition and general lack of interest on the part of economic operators. While competitive procedures are widely used, contract award criteria continue to focus on lowest price, and concessions and PPPs play only a marginal role and remain irrelevant in practice. However, all stakeholders consistently appreciate ESPP functionalities.

Indicator 29.1. Efficiency, economy and competitiveness of public procurement operations		2024 indicator value	51/100
Sub-indicators		Points	
1.	Planning and preparation of the public procurement procedure	6.5/8	
2.	Share of competitive public procurement procedures	5/5	
3.	Efficiency of modern tools and techniques	2.5/15	
4.	Penetration of e-procurement	6/7	
5.	Quality of tender documents	3.9/6	
6.	The use of contract award criteria	5/8	
7.	Performance of public procurement market	14.5/30	
8.	Performance of PPPs/concessions market	0/6 ⁱ	
9.	Contract management	5.6/9	
10.	Contract management for PPPs/concessions	0/4 ⁱ	
11.	Ex post evaluation of the procurement process and of contract performance	1.5/2	

Note: i = data not available or not provided.

A total of 1 500 contracting authorities are registered in ESPP, and in 2022 the value of all organised public procurements was MKD 68 311 069 973 (more than EUR 1.1 billion).²⁹⁵ The most used procedure by value of contracts concluded is the open procedure (64% of the total value), followed by the simplified open procedure (21% of the total value).²⁹⁶ The PPB must issue an opinion beforehand for the use of non-competitive procedures in cases of extreme urgency and when, for objective reasons, there is only one potential contractor.²⁹⁷ In 2022, it issued more than 400 opinions.²⁹⁸ For procedures with a value above EUR 10 000 that commenced in 2023, more than 98% (in terms of number and value) were competitive procedures.

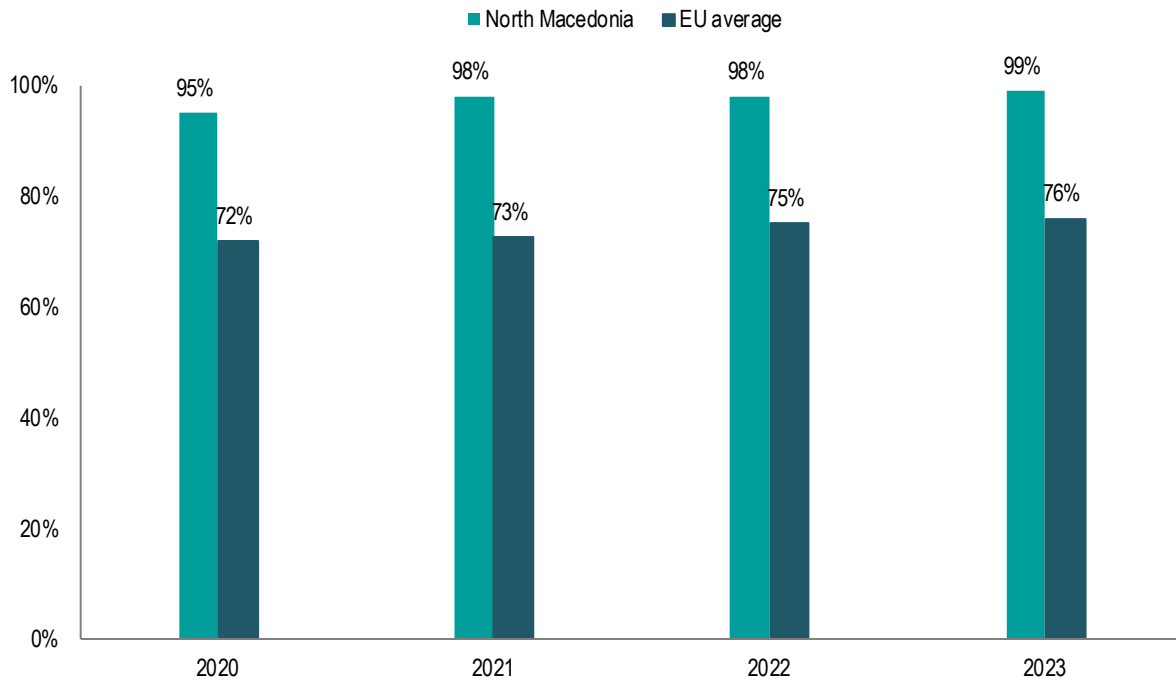
²⁹⁵ Annual Report of the PPB 2022, Section 8.3.

²⁹⁶ The simplified open procedure is used for procurements of low value – below EUR 70 000 for goods or services and EUR 500 000 for works.

²⁹⁷ PPL, Articles 55.1c and d.

²⁹⁸ Annual Report of the PPB 2022, Section 6.2.

Figure 59. Use of competitive procedures, 2020-2023



Notes: Percentage of the use of competitive procedures in the Republic of North Macedonia over time.

Source: North Macedonia data provided by Public Procurement Bureau, 2024. EU data provided by Government Transparency Institute, 2024.

The obligatory publication of public procurement plans and high e-procurement use ensure the transparency of procedures. In preparing for procurement procedures, contracting authorities relatively often use preliminary market consultations (43.3 %) or prepare cost estimates (69.2%).²⁹⁹

The ESPP is considered favourably by all stakeholders. The user-friendly system supports the publication of public procurement plans and all kinds of notices, e-communication among stakeholders in a procurement procedure and e-submission of tenders. Texts of concluded contracts are also available, but e-invoicing has not been introduced. ESPP use requires payment of a modest annual fee, which should have no negative effect on access to public procurement.

Despite PPB efforts to make the procurement process more modern, flexible, user-friendly and adjusted to market needs, the use of modern procurement techniques as well as the level of competition are not satisfactory. The PPL regulates framework agreements and dynamic purchasing systems and, moreover, the ESPP provides the tools necessary to conduct procedures (e.g. call-off contracts [which fall under framework agreements] may be conducted through the ESPP³⁰⁰). In practice, however, the use of these techniques is insignificant – in 2023, of the 1 849 framework agreements concluded, only 115 were multi-supplier contracts, and no dynamic purchasing system was established. Furthermore, the Government has not established a central procurement body.

²⁹⁹ SIGMA Survey of Contracting Authorities on the public procurement system in the Western Balkans 2024.

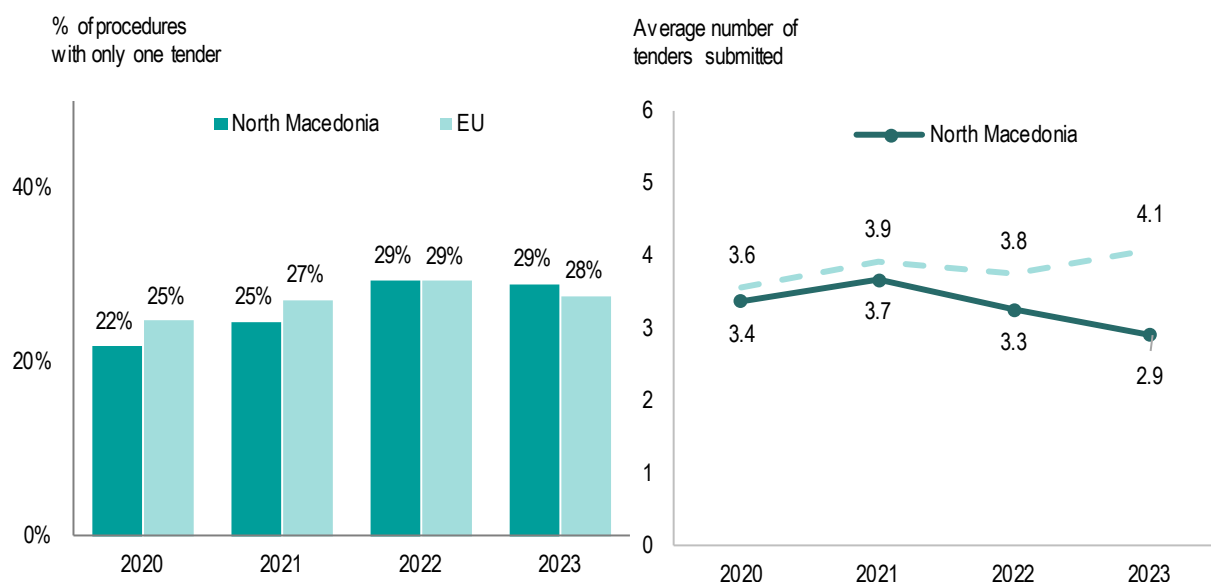
³⁰⁰ Functionality available to contracting authorities as of February 2024, <https://www.e-nabavki.gov.mk/PublicAccess/Home.aspx#/home>.

SIGMA survey results report that 67% of economic operators claim that the criteria seem to be tailor-made for certain bidders, and 35% responded that they did not apply for a tender because the agreement seemed to have been sealed before the tender was published.³⁰¹

Contracting authorities practically always use lowest price as their contract award criteria (i.e. in 98% of procedures). Despite PPB efforts, the number of e-auctions is still high (in 61% of all competitive procedures, the contracting authorities plan to use e-auctions), highlighting the significant imbalance in prioritising price over quality.

The average number of bids received in competitive procedures is just 2.9, and the number of procedures in which only one tender was submitted is also relatively high (29%). Furthermore, many procedures are cancelled (about 18%) because no tenders (or no acceptable ones) were submitted.³⁰² The data confirm that system weaknesses persist in practice.

Figure 60. Procedures with only one tender (%) and average number of tenders submitted, 2020-2023



Notes: Percentage of competitive procedures when only one tender was submitted with the average number of tenders submitted per competitive procedure in North Macedonia over time.

Sources: North Macedonia data provided by Public Procurement Bureau, 2024. EU data provided by Government Transparency Institute, 2024.

Contracting authorities have access to guidelines and examples of good practices for contract management, complementing primary law provisions, but their practices do not reflect the principles of proper management. In only half of the concluded contracts were quality control measures in place.³⁰³ Plus, only 54% of economic operators confirmed that payments were processed as stipulated in the contract, which could be a factor in their lack of interest in taking part in procurement procedures. While contracting authorities generally understand the necessity of evaluating contract performance after the

³⁰¹ SIGMA Business Survey on the public procurement system in the Western Balkans 2024.

³⁰² Center for Civil Communications (2023), Monitoring of Public Procurement, Report No. 39 (January-June 2023), p.14.

³⁰³ SIGMA Survey of Contracting Authorities of the public procurement system 2024.

fact, and of considering the results of contract execution to prepare for the next procurement procedure,³⁰⁴ the impacts of these activities appear to be limited.

Regarding concessions and PPPs, very little progress has been made in the last three years.³⁰⁵

Availability and quality of support to contracting authorities and other actors to strengthen professionalisation of procurement operations

The PPB offers a wide range of support instruments for public procurement market stakeholders. Guidelines, brochures, models of tender documentation and contracts, as well as a selection of frequently asked questions, are easily accessible on the website. Additionally, the established training system for procurement officers is efficient. However, support for concessions and PPPs is not provided.

Indicator 29.2. Availability and quality of support to contracting authorities and other actors to strengthen professionalisation of procurement operations		2024 indicator value	69/100
Sub-indicators		Points	
1.	Availability of advisory and operational support	32.1/36	
2.	Availability of advisory and operational support for PPPs/concessions	0/12	
3.	Availability of quality training for procurement officers and other actors	27.5/28	
4.	Availability of quality training for officers and other actors in the area of PPPs/concessions	0/12	
5.	Role of civil society	9/12	

The PPB and ESPP websites provide access to guidelines, manuals and standard tender documentation as well as contract models. Plus, several new brochures and guidelines were published in 2022-2024 on using the most economically advantageous tender (MEAT) criteria, contract changes, green procurement, grounds for exclusion, unusually low prices, etc. Contracting authorities greatly appreciate the availability and quality of PPB support in this format (84% of stakeholders find the documents useful).

Manuals for contracting authorities and economic operators on using the ESPP are up to date.³⁰⁶ While model tender documents and contract models are published on the PPB website, the collection is not comprehensive. Some tender documentation models have been updated in the last three years³⁰⁷ and two new contract models have been published, but there are no sector-specific models. The great majority of contracting authorities (94%) responded to the SIGMA surveys that they have used manuals produced by the PPB in the last three years. Of those, 82% found very easy to access these guides and 84% found it useful or extremely useful to solve practical problems. Use of manuals by businesses is less common (63%) as well as perception of usefulness (60% of those who used manuals).³⁰⁸ Interested parties may ask the PPB questions via a special form available on the website or through e-mail (it provided 640

³⁰⁴ Ibid.

³⁰⁵ According to the Annual Report of the PPB 2022, Section 8.3, seven notices on concessions and PPPs were published on the ESPP site in 2022. In 2023, the MoE registered that nine procedures had been launched and two contracts concluded.

³⁰⁶ Manuals on ESPP use for contracting authorities and economic operators were published in 2021, but additional materials are also available (e.g. webinars and presentations prepared in 2022-2023).

³⁰⁷ Standard tender documents of general application on the PPB website include the Open Procedure (2023), the Simplified Open Procedure (2021) and Low-Value Procurement (2021).

³⁰⁸ SIGMA Survey of Contracting Authorities on the public procurement system 2024.

opinions in 2022).³⁰⁹ A collection of frequently asked questions is available on the PPB website, and around 90% of stakeholders find the bureau's support useful.³¹⁰

Regarding concessions and PPPs, the situation is exactly the opposite – neither guidelines nor manuals are available to public bodies interested in preparing and executing concessions or PPPs, nor do relevant public bodies offer any support. The MoE is not able to provide any significant support to stakeholders due to a lack of resources, and no training in the field of concessions and PPPs is being offered.

Meanwhile, the established training system for procurement officers has remained as good as in previous years. In 2023, the PPB conducted 29 training sessions: 15 certification courses with 304 participants in total and 14 recertification sessions for 260 participants in all.³¹¹ While training sessions are managed through an easily accessible calendar on its website, the PPB does not organise courses tailored to the needs of certain sectors or types of procurement. Training materials focus mainly on legislative aspects and legal compliance, but steps are being taken to encourage certified trainers to spend more time on actual practice.³¹² PPB training courses are not available for economic operators, but commercial offers fill this gap.³¹³

In 2022, the PPB, the SAC, the State Audit Office, the State Commission for the Prevention of Corruption, the Competition Protection Commission and the MoE signed a memorandum of co-operation. Their intention was to establish a framework for co-operation on matters of common interest in public procurement and to improve the public procurement system.

Meanwhile, civil society organisations continue to actively monitor public procurement activities and positively influence system performance by analysing the primary procedural problems, enhancing transparency, and revealing and fighting corruption in public procurement.³¹⁴ Their opinions are taken into consideration by the central public procurement institutions.³¹⁵

³⁰⁹ Annual Report of the PPB 2022.

³¹⁰ SIGMA Survey of Contracting Authorities on the public procurement system 2024.

³¹¹ PPB report on implementation of the Education Programme in 2023.

³¹² According to the PPB Report on Implementation of the Education Programme in Public Procurement 2023, Section 3, trainers are obligated to combine theoretical and practical approaches by analysing cases from practice and creating at least three practical exercises.

³¹³ According to April 2024 SIGMA interviews with trainers and representatives of economic operators.

³¹⁴ For example, the Center for Civil Communications publishes reports on public procurement monitoring every six months, and in 2023 the Metamorphosis Foundation published an Assessment of Good Governance of the Executive Powers in North Macedonia and the Region through the Openness Index.

³¹⁵ The PPB declares that it receives NGO reports and takes them into account when performing monitoring and control functions.

Principle 30: An independent procurement review system ensures effective, rapid and competent handling of complaints.

The remedies system covering the PPL, defence and security procurement, and concessions/PPPs is aligned with the EU directives. The SAC is an independent review body that continues to resolve more than 1 000 cases each year, and stakeholders benefit from electronic submission and management of appeals. Additionally, changes introduced to the SAC website enable users to search decisions of review bodies in an effective way.

Indicator 30. Independence, effectiveness and competence of the review system		2024 indicator value	84/100
Sub-indicators			Points
1.	Mechanisms and procedures to challenge procurement decisions		18/18
2.	Mechanisms and procedures to challenge decisions taken by contracting authorities as regards PPPs/concessions		8/8
3.	The independence and responsibility of the review body and its members		12/13
4.	The independence and responsibility of the review body for PPPs/concessions and its members		7/7
5.	Effectiveness of handling complaints by the review body and mechanisms to ensure implementation of its decisions		2.2/9 ⁱ
6.	Effectiveness of handling complaints by the review body and mechanisms to ensure implementation of its decisions for PPPs/concessions		2/5 ⁱ
7.	Complaint submission in practice and fairness of fee rates for initiating review procedures		7.9/9
8.	Quality of decision making by the review body		11/11
9.	Right to challenge decisions of the review body which is not judicial in character		4/6
10.	Public availability and timeliness of data on the review system		12/14

Note: i = data not available or not provided.

The remedies system covers procedures conducted on the basis of the PPL, the Defence and Security Procurement Law and the Concessions and PPP Law. All the mechanisms for challenging and remedying unlawful decisions of contracting authorities as envisaged in the EU provisions (relating to interim measures, set-aside regulations and damages) have been transposed. Any economic operator that has a legal interest in obtaining a public contract or framework agreement, and that has suffered or could suffer damage because of a possible violation of the law, may initiate a review procedure (both against the contract award decision and at earlier stages of the procurement procedure).³¹⁶ In addition, the PPB and the state attorney may initiate a review procedure.³¹⁷ The SAC is required to act ex officio with regard to major infringements, including those listed in the PPL.³¹⁸ Time limits for lodging appeals are aligned with the EU directives (ten days from the triggering event, or five days in the case of simplified open procedures and small-value procurements).³¹⁹

³¹⁶ PPL, Article 138.1; Defence and Security Procurement Law, Article 81.1; Concessions and PPP Law, Article 54.

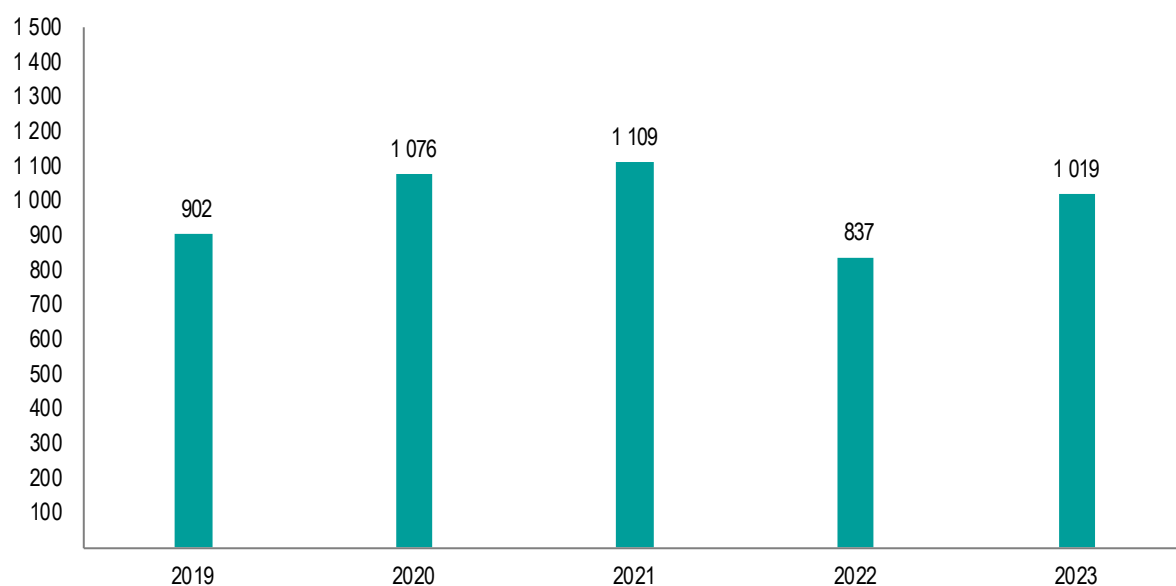
³¹⁷ PPL, Article 138.2.

³¹⁸ Ibid., Article 141.

³¹⁹ Ibid., Article 143.

The SAC, which resolves appeals, is composed of a chairperson and four members³²⁰ appointed by the Parliament, and was operating at full composition during the last two years.³²¹ Although an expert service should be supporting the work of its members, budget limitations do not allow the SAC to employ more support staff.³²² Furthermore, while the State Commission Strategic Plan 2023-2025 recognises the necessity of implementing software to support internal SAC case management, the programme was not introduced due to a lack of resources for maintenance.

Figure 61. Number of appeals submitted to the SAC, 2019-2023



Sources: SAC Report 2022, Section 3.1; data received from the SAC.

The number of appeals received in 2023 (1 019) rose slightly from 2022 to regain the 2020 and 2021 levels. In 107 cases, the SAC dismissed the complaint on grounds of procedural error, and it rejected 398 complaints on grounds of merit.

According to the PPL, appeals should be resolved within 15 days of when documentation relating to the case is complete.³²³ Although data are not collected on the actual time required to resolve complaints (from when the appeal is registered to the date of the SAC's final decision), decisions of the SAC are published on both the SAC website and the ESPP e-Appeals site without delay.

Appeals are submitted electronically through the ESPP, and SAC members have electronic access to all documentation referring to the procurement procedure in question. The ESPP also handles communication among all the parties involved, as well as publication of the review body's final decision. Lodging an appeal requires payment of a fee, ranging from EUR 50 for low-value procurements (tender value of up to

³²⁰ Ibid., Article 132.1.

³²¹ Changes SAC composition resulted from expiration of the five-year mandate.

³²² In April 2024, 12 experts out of 50 were employed.

³²³ PPL, Article 167.6.

EUR 10 000) to EUR 200 when the tender value is above EUR 130 000. Requirements for lodging an appeal do not differ based on an appellant's nationality/location.

The cases reviewed by SIGMA referred to applicable laws and principles and demonstrated a clear rationale. The SAC renders its decisions based on available evidence, including tender documentation submitted by the parties. The appellant, contracting authority and the economic operator that submitted the best tender have the right to present their opinions and evidence, usually in writing because oral hearings, although provided for in the law,³²⁴ are not held in practice.³²⁵ The contracting authority is obligated to act in accordance with the SAC decision within 30 days of its receipt.³²⁶

SAC decisions may be challenged in the Administrative Court.³²⁷ The court should adopt decisions on administrative disputes within 30 days of receiving the complete lawsuit. Although data on the actual time required to resolve cases are not available, the number of decisions challenged is not significant (8% of all resolved cases in 2023): of 88 cases challenged in the second instance, 41 were changed or returned to SAC by the court. The Administrative Court and Highest Administrative Court decisions for all cases related to public procurement are available on the SAC website.

Progress has been made in enlarging access to SAC and administrative court decisions. On the SAC website, decisions from 2010 onwards are now available. The efficient, user-friendly search engine (which has free-text functionality) enables easy access to published decisions, with their entire rationale.

³²⁴ PPL, Article 162.

³²⁵ April 2024 SIGMA interviews with SAC.

³²⁶ PPL, Articles 160.5 and 160.6.

³²⁷ *Ibid.*, Article 170.

External audit

Principle 31: All public funds are effectively audited by an independent auditor that provides assurance on the use of public resources and helps improve the functioning of the public sector.

The SAO operates independently, backed by legislation. It has established a comprehensive governance system in line with international audit standards and other international good practices. The SAO's communication strategy fosters transparency and stakeholder engagement, with high satisfaction rates. However, Parliamentary engagement with SAO reports is not yet mature and still occurs sporadically. This is an area for improvement to ensure effective oversight and the use of SAO findings by the legislature.

Indicator 31. Adequacy of the legal framework for external audit and its effectiveness in practice		2024 indicator value	81/100
Sub-indicators		Points	
1.	Constitutional, legal, organisational and managerial independence of the SAI	16.7/20	
2.	Adequacy and coverage of the SAI mandate and its alignment with IFPP	10/10	
3.	Governance and management of the SAI	10/10	
4.	Compliance of audit methodology with ISSAIs / Audits are conducted in accordance with the ISSAIs	10/10	
5.	Quality management of the SAI	10/10	
6.	Reporting and the follow-up of audits	8.4/10	
7.	Implementation of audit recommendations	11.4/15	
8.	SAI external engagement and communication	4.8/5	
9.	Use of SAI reports by the legislature	0/10	

The SAO operates with significant legal, organisational, and managerial independence, though it is not explicitly mentioned in the Constitution. According to the State Audit Law (SAL), the SAO's financial autonomy is ensured by the Assembly, which determines its budget based on an SAO proposal, prepared within fiscal limits and separately allocated in the national budget.³²⁸ The Auditor General and Deputy Auditor General, who serve nine-year non-renewable terms, are protected from criminal liability for their official actions, ensuring their independence. The SAL supports the operational autonomy of the SAO by guaranteeing the right to report on its work and access necessary information. Surveys indicate a strong perception of SAO independence among public servants (66%), underscoring its role in promoting transparency and accountability.

SAO methodologies and guidelines are in alignment with the International Organisation of Supreme Audit Institutions (INTOSAI) Framework of Professional Pronouncements (IFPP), adhering to the auditing standards and ethical principles set by INTOSAI. According to the State Audit Law, the SAO conducts financial, compliance and performance audits on all public financial operations, regardless of their inclusion in the national budget. These audits cover a wide range of entities, including the Assembly, the President, national and municipal budgets, public enterprises, agencies, political parties, and beneficiaries of EU and other international funds.

The SAO completed nearly 70 audits on an annual basis including 100% of its mandatory audits. The audit of political parties is part of the audit task of the SAO and has significantly affected regular audit planning in 2022 (Table 5). Performance audit reports for the past year encompass a broad range of sectors. The

³²⁸ State Audit Law of 13 May 2010, Official Gazette Nos. 66/10, 145/10, 12/14, 43/14, 154/15, 192/15 and 27/16.

audit of the Government's final accounts is currently confined to compliance issues. The SAO does not yet provide an audit opinion on accuracy and fairness based on a financial audit methodology, but these opinions will be required once the new OBL takes effect 1 January 2025.

Table 5. Number of audits by the SAO, 2021-2023

Audit type	Number of audits per year		
	2021	2022	2023
Regularity (financial)	56	170, including 141 audits of entities that participated in the 2021 local elections	52, including 4 follow-up audits
Performance	8, including 1 IT audit	12	11, including 2 IT audits
Compliance	4, including 1 IT audit	6	3
Total	68	188	66

Source: SAO annual reports

The SAO has a comprehensive governance and management system that encompasses strategic and operational planning. The Strategic Plan for 2023-2027 and its corresponding Action Plan were developed by a working group and approved by the Auditor General, and detailed sector-specific strategies (e.g. for IT, HR and communications) support the plan. Annual operational plans, including the 2024 Action Plan, outline activities, timelines and responsibilities for audit work and support services.

Regular monitoring and reporting processes are in place, with designated employees responsible for overseeing the implementation of various strategies. The SAI publishes an annual performance report, linking activities to strategic objectives and performance indicators. The human resource strategy for 2024-2027 aligns with the SAO's strategic goals, incorporating measures for employment, career development and digitalisation. Additionally, identified learning needs and organisational goals provide the basis for an annual professional development plan. An external audit company audits the SAO's financial statements, and the report is included in the annual performance report and published on the SAO website.

SAO audit manuals are prepared in accordance with the applicable International Standards for Supreme Audit Institutions (ISSAIs). In 2022, the SAO adopted manuals for compliance and performance audits, each aligned with ISSAI guidelines and best practices. Engagement quality reviews (EQRs) confirm adherence to these methodologies, with quality checks ensuring compliance during the audit planning, execution and reporting stages. Furthermore, the SAO adopted a procedure to establish an expert body in 2020. This body, composed of experienced auditors, reviews draft reports for methodological compliance. Annual monitoring reports for 2023 reaffirm adherence to SAO methodologies, demonstrating consistent application of prescribed manuals and procedures in all audits.

The SAO has established comprehensive quality management policies and procedures, documented in the Quality Manual.³²⁹ This manual, applicable to all SAO units, covers leadership, policy quality, planning, support, operational activities and evaluation of results. In October 2022, the SAO approved guidelines for quality control and assurance of audits, detailing risk-based procedures and responsibilities. An expert body reviews audit reports for compliance, and the SAO conducts EQRs and quality inspections to ensure adherence to ISSAIs. The SAO also periodically gathers feedback from audited entities and the public on audit quality and professionalism through surveys available in multiple languages. The SAO's quality management system, including an Ethics Code and a monitoring process, ensures continuous improvement and alignment with international standards.

³²⁹ Quality Manual SAO-Q-751-001, compliant with ISO 9001:2015 standards.

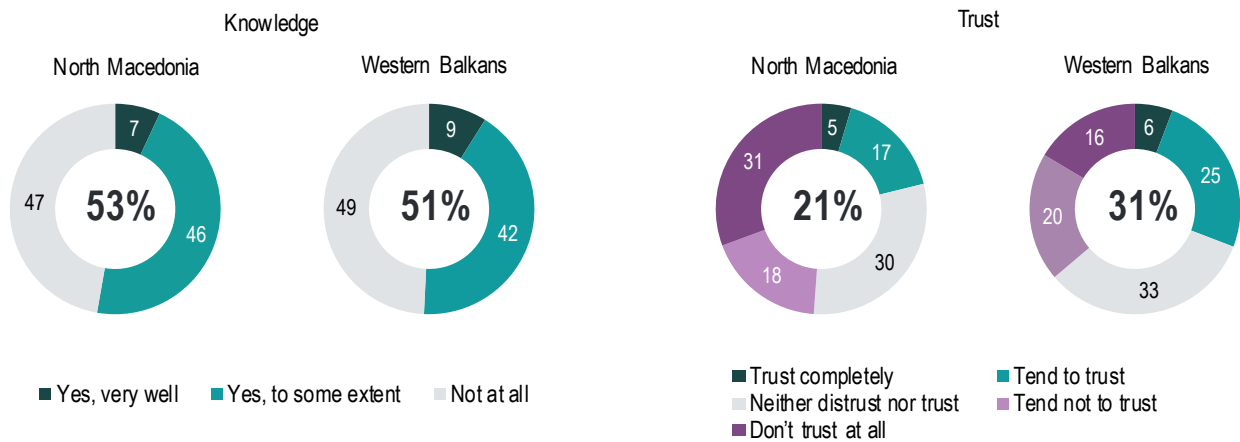
While there is no legal deadline for report submission or publication, the Annual Work Programme provides indicative timelines. Audit reports are submitted to Parliament within 5 days of approval and published within 14 days. The SAO Law also obliges auditees to inform the SAO about measures taken in response to audit findings within 90 days, with follow-up audits and reviews to ensure implementation. Monitoring of this process is supported by a web-based software application (SAPRI). In 2022, all 775 recommendations were accepted by auditees, and as of the end of 2023, 75% of the verified recommendations³³⁰ (62% of the total) were implemented. The SAO's annual audit plan includes follow-up audits, with varying numbers each year. Most public servants (80%) consider SAO reports to be clear and contain relevant recommendations.³³¹

The SAO's Communication Strategy 2024-2027, aligned with its overarching Strategic Plan 2023-2027, focuses on enhancing internal management capacity, stakeholder relations and public trust through various communication channels and co-operation agreements. In 2023, the SAO engaged with the media and public via interviews, press releases, educational sessions for journalists, and briefings, supporting transparency and accountability in public fund use. The SAO also disseminated Final Audit Reports through email notifications, press releases in multiple languages, and summary videos to reach a broader audience. Regular public surveys conducted by the SAO indicate an 85% satisfaction rate, with stakeholders praising the SAO's openness and professionalism. Additionally, the SAO actively collaborates with non-governmental organisations (NGOs) and other stakeholders, fostering transparency and effective public fund management. According to the SIGMA Survey of Citizens on public administration 2024, 53% of respondents are familiar with the SAO's role. Nevertheless, trust in the SAO is still relatively low: only 21% of respondents place trust in the institution in North Macedonia compared to 31% on average in the Western Balkans. (Figure 62)

³³⁰ Verified recommendations refer to audit recommendations for whom the SAO has investigated their implementation afterwards in a post-audit activity.

³³¹ SIGMA Survey of Public Servants on the functioning of public administration 2024.

Figure 62. Citizen trust in the Supreme Audit Institution



Notes: Percentage of valid responses to the questions: 1. "Are you familiar with the [supreme audit institution] and what it does?" 2. "How much trust do you have in Supreme Audit Institution?". The percentage in the middle is the share of the respondents who answered "yes, very well" or "yes, to some extent" to the question about knowledge and "trust completely" or "tend to trust" to the trust question.

Source: SIGMA Survey of Citizens on public administration in the Western Balkans 2024.

Parliament engagement with SAO reports is guided primarily by a memorandum of co-operation signed in October 2022, which outlines procedures for submitting and discussing the SAO's annual report. In the memorandum, the Financing and Budget Committee is tasked with considering SAO audit reports, and in 2023 it discussed the SAO Annual Report 2022 and the audit report on the final accounts for 2022. Although the annual report includes summaries of all audits performed during the year, the Parliament reviews separate SAO audit reports only incidentally.³³²

³³² The financial audit of the University Clinic of Oncology and Radiotherapy discussed in 2023 was one such exception.

Financing of local governments

Principle 32: Regional and local governments have resources and adequate fiscal autonomy for exercising their competences, with financial oversight to foster responsible financial management.

The regulatory framework for effective fiscal autonomy and the related rules for fiscal equalisation have been established. However, there are weaknesses in implementation and in the potential to generate additional revenues to deliver adequate services and ensure fiscal sustainability. Most municipalities had undue payments at the end of 2023.

Indicator 32. Fiscal autonomy of local governments		2024 indicator value	55/100
Sub-indicators		Points	
1.	Legislative guarantees for fiscal autonomy and diverse sources of revenues of local governments	18/19	
2.	Rules for fiscal equalisation to mitigate disparities among local governments	8/10	
3.	Mechanisms for financial oversight of local governments	6/12	
4.	Local governments' right to raise and manage own finances	7.9/23	
5.	Rules for conditional and unconditional grants to local governments	2/10	
6.	Financial balance and fiscal sustainability of local governments	13.5/26	

Legislative guarantees of local governments' fiscal autonomy are sufficient. Several adopted regulations stem directly from ratification of the European Charter of Local Self-Government,³³³ and diverse revenue sources are provided for in the country's legislation, specifically in the Law on Financing Local Governments,³³⁴ the Law on Communal Activities³³⁵ and several other laws related to use of natural resources, sale of state land etc.

However, borrowing rights for local governments demonstrate a gap between legislation and practice in this area. Although the Law on Financing for Local Governments provides local governments with borrowing rights, MoF approval is required. In addition, the borrowing market for local governments is underdeveloped, and only a few municipalities have investment credits in commercial banks or in the Macedonian Development Bank. Consequently, the legal norms for accumulated debt (80%³³⁶ of total local government revenues) and for credit repayment are being complied with, but it would be inaccurate to consider this a clear sign that municipalities are financially sound. The real issue is not debt in the form of bonds or credits, but arrears in payments, as discussed further in this report.

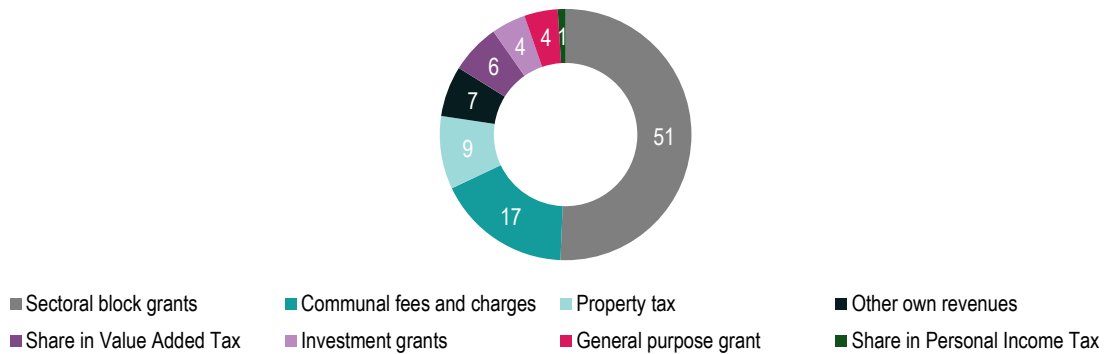
³³³ Law No. 08-1674/1/1997 on Ratification of the European Charter of Local Self-Government.

³³⁴ Law No. 173/2022 on Financing Local Governments, consolidated version.

³³⁵ Law No. 302/2020 on Communal Activities.

³³⁶ Data provided by the MoF.

Figure 63. Breakdown of local government revenues in North Macedonia, 2021



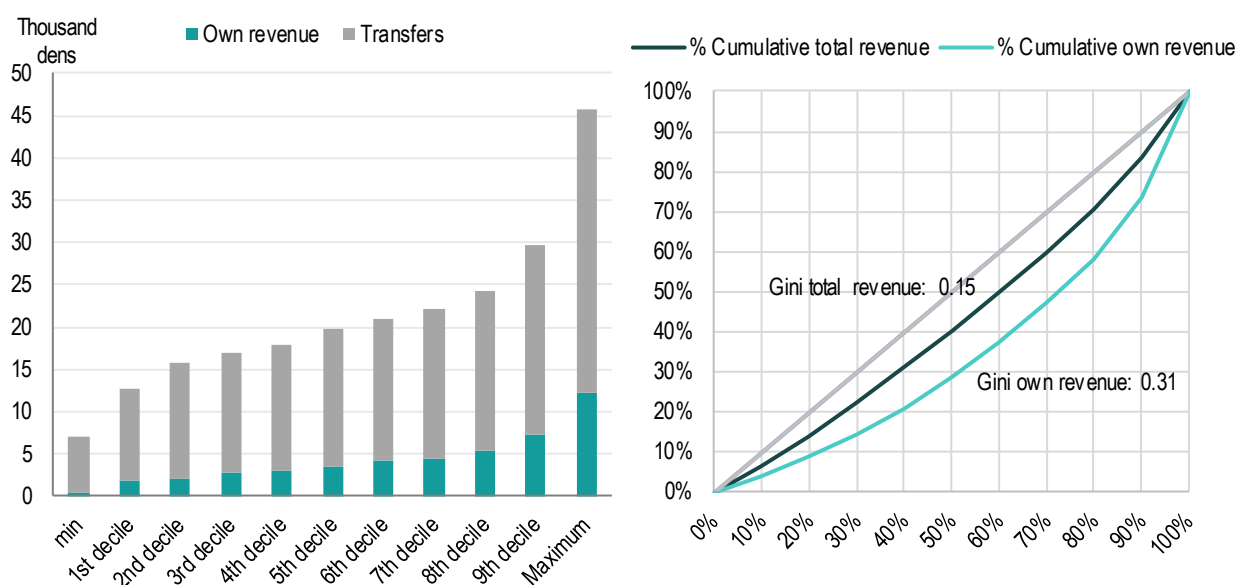
Source: SIGMA calculations based on MoF data.

The portion of local government revenues clearly designated to equalise the financial situation of the various municipalities is the VAT share, allocated according to a formula that favours less-affluent local governments. However, the role of VAT-sharing in the overall structure of local budgets is rather insignificant, as it constitutes just over 6% of total revenues (Figure 63) and its equalising effect is therefore limited. In practice, equalisation may also result from other elements of North Macedonia's transfer system, the most important being sectoral block grants. They are allocated mainly according to historic spending patterns rather than the needs of local communities. This reduces the potential for equalisation and does not provide accurate coverage for all the services provided in the different municipalities. There is little chance that less-developed local government units (which have historically had fewer opportunities to establish various service provision institutions) will be able to change this situation under the current grant regime, which perpetuates existing inequalities.

Nevertheless, inequalities in total revenue per capita are much lower than for municipalities' own revenues. The Gini coefficient of per-capita total own revenues is 0.3, but is reduced to 0.15 after the equalisation. The 9th to 1st decile ratio drops from 4.5 for own revenue per capita to 1.98 for total budget revenues (Figure 64)

Inequalities in the financial potential of local governments to provide local public services remain lower than for most other Western Balkan administrations.

Figure 64. Per capita revenues of North Macedonia municipalities and Lorenz curves before and after equalisation, 2022



Note: Skopje municipalities are excluded due to incomparability of the functions provided.

Source: SIGMA calculations based on MoF financial reports.

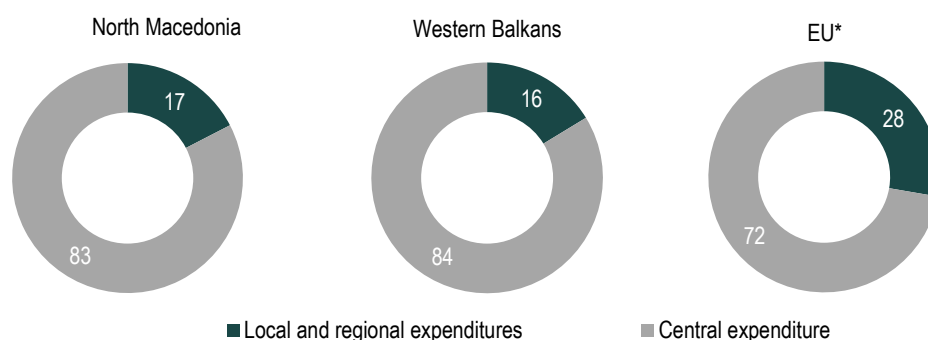
Basic regulations for the financial oversight of local governments follow required standards, but the low frequency of external audits (only four municipalities covered in 2023) reduces the coverage of external oversight.

Local government revenues from their own sources account for around only one-third of total revenues, which is the second-lowest proportion in the Western Balkans. The most important local tax is property tax, which yields close to 0.5% of annual GDP and may be regulated by local governments within centrally set limits. While a low rate of tax collection is a frequently cited problem that concerns numerous local governments, a lack of precise information on local tax bases makes assessment of this issue impossible.

Rules for grants to local governments are defined in legislation, but most are of a specific (conditional) character, not general-purpose (with a dominant role for sectoral block grants). In fact, less than 10% of all transfers in recent years have involved general-purpose grants. This means that local government discretion in allocating spending is limited.

The share of local government expenditures in total public spending is well below the current EU average of just over 17% (Figure 65), although it is still higher than in most other West Balkan administrations.

Figure 65. Share of local and regional government expenditure in total public expenditure, 2022



Notes: EU* is the simple average of the 22 EU Member States included in the NALAS fiscal decentralisation database. Where 2022 data are not available, 2021 data are used.

Sources: <https://www.oecd.org/tax/federalism/fiscal-decentralisation-database/>; NALAS fiscal decentralisation indicators (<http://www.nalas.eu/category/publications/>) and data provided by Ministries of Finance of Western Balkan administrations.

The Law on Local Self-Government³³⁷ guarantees that new functions may be given to municipalities only in parallel with new revenue sources. Furthermore, Articles 78 and 81 of the law require consultations on new regulations involving local government financing (including consultation with ZELS, the Local Government Association) as part of the general process of central and local government consultations.

Regarding financial management at the local level, cases of late local annual budget approval are relatively rare, and a vast majority of local governments have operating surpluses or at least a balanced operating budget. However, this positive information may be misleading to some extent because, at the same time, 75 out of 80 municipalities had considerable payment arrears at the end of 2023.³³⁸ It is due to weak financial management discipline that financial stress is reflected in arrears rather than budget deficits.

³³⁷ Law No. 2/2002 on Local Self-Government.

³³⁸ Calculations based on data provided by MoF.

Public administration in the Republic of North Macedonia 2024

This report provides analysis on how the Republic of North Macedonia performs based on the standards set by the Principles. It covers the six thematic areas of the Principles (strategy, policy development and co-ordination, public service and human resource management, organisation, accountability and oversight, service delivery and digitalisation, and public financial management) and provides indicator values and comparison of overall trends across the public administration.