

# FINAL REPORT

## PUBLIC SECTOR FINANCE ASSESSMENT IN MACEDONIA

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## EXECUTIVE SUMMARY

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The Assessment Team conducted a general review of the Government of Macedonia's capabilities in a number of areas relating to financial management, budgeting and planning, procurement and detection and prosecution of financial crimes. Donors have been aware of weaknesses in these areas and over recent years, they have sponsored a considerable number of efforts to improve the Government's capacity to manage its financial resources and improve the quality of service delivery to its citizens. Most recently, they have launched fiscal and administrative decentralization initiatives as a means of redressing the real and perceived inequalities between the various ethnicities that comprise the population, thus defusing the type of tensions presently experienced by their Balkan neighbors. This effort is being directed primarily through application of the principles embodied in the Ohrid Framework Agreement of 2001.

The Assessment Team had one cross-cutting recommendation:

- In coordination with other donors, USAID should assist the GOM to establish the Government of Macedonia's Information Technology Training Center in Skopje. This training facility would serve the common training needs of organizations involved in public procurement, anti-money laundering, Parliamentary affairs, budgeting, financial management, internal or external audit and municipal finance.

The Assessment Team made numerous recommendations the following major areas.

- Capacity Building
- Drafting of Regulations and Legislation
- Information Technology

The majority of these recommendations involve potential assistance that can be provided by USAID in the form of training, study tours, meetings and conferences, funding of NGOs and purchases of computer hardware and software. The recommendations take into account the current activities of other donors and specific needs expressed by the government.

### TRAINING

There are really two ways to improve capacity in an organization – improve the efficiency of labor or increase the productivity of labor through more capital inputs. Based on the deficiencies observed in the ability to carry out basic budgeting, treasury and internal audit functions, the Assessment Team suggests training and systems development to accomplish this increase in capacity.

Training cuts across ministerial and geographic boundaries. Through various sections of this report, the Assessment Team has identified specific areas that have significant needs – basic accounting, internal auditing, budget development and expansion, and treasury. The principal issue here is determining how to deliver this training most cheaply and effectively. The Assessment Team believes there is a need for a central training facility in the MOF. Support for

this facility should come from USAID. The MOF must be the champion and implementer of change. The organization of the training is a very significant effort. Local and outside experts must come to a consensus on the body of knowledge to be required for each area. Attention should be given to translation needs, both in audiovisual and printed material and financial support should be considered for this effort. Training modules for budget preparation, budget accounting, basic accounting, internal audit, and local government finance need to be prepared and translated. Delivery of the training must then take place. This can be accomplished in several ways. Local experts can teach modules in each subject with outside experts providing assistance as needed. The venue could be a classroom setting, or readings supplemented by classroom, or direct electronic delivery supplemented by class attendance for specialized parts of the modules. The Internet could be a powerful aid in delivering material cheaply to users throughout the country. Recent improvements of bandwidth in Macedonia make this more feasible now. The implication is that there will be Internet facilities and website support and design supported by USAID or other donor in some form.

The issue of standards should be addressed. Each category of training should be compliant with international standards, EU requirements, and Macedonian law. Every participant should be subject to rigorous secure testing after the completion of each level of training in each subject area. A certificate or course grade should be awarded for each level. Not everyone will be certified. Passing the various courses should be a precondition for promotion for those people working in the various ministries mentioned above.

The Internet should be used to deliver training in local municipalities in situations where attending the training center would be difficult. The same modules with the same objective material would be taught throughout the country, because standardization of knowledge is part of increasing productivity. Special papers or study material should be made available in electronic form as well as hard copy. Examinations should always be conducted in a central secure environment where the identities of candidates can be verified and testing can be monitored.

## **INFORMATION TECHNOLOGY**

Support in the form of systems design and software development is the second area that can increase capacity and productivity in the government. The treasury has an pressing need to develop an new Integrated Financial Management System (IFMS) that will connect all aspects of budgeting and treasury, both at the central government level and the local level. The interactive linking of all ministries and all national budget functions as well as local governments is the long-term objective that the Government needs to work towards. The Assessment Team has some doubts regarding the existing capacity to conduct devolution activities and bring a new government wide financial system on line at the same time. The installation and implementation of such a large undertaking requires a proper tender mechanism as well as a transparent process for bid evaluation, awarding and supervision. A failure in any of these areas would be a real problem for the future of the government's financial management. The Assessment Team's recommendation is that any deployment of such a broad initiative should be postponed until 2005, although the tendering could be conducted in 2004.

There are significant hardware needs among several entities visited by the Assessment Team, including the treasury, budget department, budget users, internal audit and local municipalities. The local tax authorities were said to need computers and software for budget preparation and

tax records. The Assessment Team does not have a list or exact number of machines needed. This would be a quick and highly visible intervention that could be attributed to USAID.

Internet usage could also be a way to bring information about local finances to the local government finance group at the MOF. The development of standardized forms for reporting preliminary budgets, expenditures, budget variances, commitments, and special projects etc. means that the MOF would have more information in readable form more quickly and accurately, improving productivity and speed of delivery. It might be desirable to have municipal sub accounts in the Treasury Single Account and send funds to local units through a secure and encrypted Internet environment until an integrated national governmental network can be established.

The Internet and its widespread availability also enables people and small business to know more about the government processes. The requirements of the Access to Information Law should increase transparency significantly. The public should have access to all aspects of legislation including drafts of laws, final laws and enabling regulations. The procurement process would then be more open and competitive, leading to lower prices for public goods and services. This would clearly increase competition and benefit small and medium sized enterprises that do not enjoy political connections. Again, there would be an increase in government capacity as a result of this increased transparency.

These are the issues that the Assessment Team sees regarding tying together the budget, treasury, capacity, first line budget units, and the decentralization issues. Internet usage, systems and software provision, and training to standards should increase the capacity of the government to provide effective financial management.

## **PROCUREMENT**

The Assessment Team's analysis of the present state of the GOM's public procurement regime, its ability and commitment to investigating and prosecuting fraud within the GOM and the Parliament's capacity to develop the Government's budget, review its execution and oversee follow-up of audit recommendations are set out in detail below. The Team found that each of these areas their present state is less than adequate and much can and should be done by all interested parties, in particular the GOM, to improve these important areas of governance.

Public procurement of goods and services by the GOM is done by a multitude of Government agencies, hospitals, schools, ministries and other similar bodies. The current Public Procurement Law (PPL) and the PPL's regulations are misunderstood, unevenly applied and not sufficiently precise, thereby creating a situation in which Government procurement officials and contracting businesses may engage in fraudulent activity. Indeed, the citizens of Macedonia and potential foreign investors view public procurement as corrupt in the worst cases and incompetent in the best cases.

With the assistance of the EAR and the World Bank, a new and improved PPL should be passed by the Parliament by the end of March. This alone will not be sufficient. Concise and clear enabling regulations for the PPL must be drafted and disseminated to relevant GOM officials and potential bidding companies. After the PPL is enacted and the enabling regulations are promulgated, training for public procurement officials must take place without delay. The GOM

must ensure that companies that are not selected for Government contracts are able to appeal procurement decisions to an independent and impartial body. Because Macedonian courts are unable to effectively and speedily carry out their duties, lawsuits or court appeals are not a viable option. Finally, a communications campaign directed at all citizens of Macedonia must be implemented to (1) inform citizens of the improved public procurement procedures, (2) encourage Macedonian SMEs to fully engage in competitive bidding for Government contracts and (3) show the GOM's commitment to preventing corrupt practices and the improvement of its handling of Government funds.

## **INVESTIGATION OF FINANCIAL CRIMES**

The GOM is receiving scattered international and domestic support in investigating and prosecuting fraud within the GOM. Nevertheless, it must be clearly understood that, while equipment and training for investigations and prosecutions of fraud can be provided to the GOM, this is a law enforcement function that primarily depends on the GOM's willingness to reduce and punish corrupt Government practices. There is certainly a perception that the GOM is rife with corruption and the GOM, if it is serious about addressing this type of criminal activity, must work towards changing Government officials' and private citizens' attitudes about corruption and fraud.

The Financial Police and the Anti-Money Laundering Units work within the Ministry of Finance. Both are incapable of doing their jobs because they lack staff, equipment and, most likely, GOM support for their functions. The Customs Administration, which also works under the Ministry of Finance, appears to be making significant progress to ferret out corruption within its ranks. USAID should concentrate its resources on equipping and training the Anti-Money Laundering Unit. This Unit is technical in its approach to detecting fraud and corruption by monitoring financial transactions in Macedonia. Sophisticated and relatively expensive hardware and software will allow the Unit to monitor financial transactions in Macedonian banks. The Unit would then provide relevant information on suspicious transactions to law enforcement officials, including the Prosecutors' Office. While USAID can provide the necessary training for the Unit's staff, it is incumbent upon the GOM to provide the Unit with competent staff.

## **PARLIAMENTARY BUDGETING CAPABILITIES**

Parliament's capacity to develop the Government's budget, review its execution and oversee follow-up of audit recommendations is hampered by, at least in part, a lack of staffing support. The ability of North American and Western European legislators to carry out their legislative duties rests heavily on their staff. These government employees carry out a plethora of needed work for legislators. Among other things, they vet draft legislation, research and draft proposed amendments, answer legislators' queries on legislative issues and make recommendations on improving draft laws. Staffers also serve as a liaison between the Parliament and the citizens of the country.

Instead of focusing on providing staffing support to the entire Parliament of Macedonia, USAID may empower the Parliament's twelve member Committee for Budget and Finance by contracting with a local NGO or think tank to carry out two important tasks in, say, a one year period: (1) provide the aforesaid Committee with expert economic and legislative support and advice and (2) train a select group of current Parliament interns or clerks on the techniques an

procedures necessary for effective staffing support of the Committee. At the end of the contract period, the contracting NGO or think tank should leave behind a small core of staffers who can carry on this support activity and pass on their expertise to new or existing Parliament staffers.

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## ACRONYMS

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CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CIC	Citizen Information Center
CMU	Treasury Central Management Unit
DAI	Development Alternatives, Inc.
DFID	UK Department for International Development
EAR	European Agency for Reconstruction
EBF	Extra Budgetary Fund
EU	European Union
FBI	Federal Bureau of Investigation
FOSIM	Foundation Open Society Institute Macedonia
GDP	Gross Domestic Product
GOM	Government of Macedonia
IBTCI	International Business & Technical Consultants
IFMS	Integrated Financial Management System
IRS	Internal Revenue Service
IT	Information Technology
LGRP	Local Government Reform Program
MOF	Ministry of Finance
MSE	Macedonia Stock Exchange
NDI	National Democratic Institute
NGO	Non-governmental Organization
OSCE	Organization for Security and Cooperation in Europe
OTA	US Treasury Office of Tax Analysis
PHARE	Poland and Hungary: Action for the Restructuring of the Economy.
PIP	Public Investment Program
PPL	Public Procurement Law
PRO	Public Revenue Office
SAO	State Audit Office
SAP	Systems, Applications & Products in Data Processing (A German software vendor)
SAP	Stabilization and Association Program
SME	Small and Medium Size Enterprises
TSA	Treasury Single Account
UNDP	United Nations Development Programme
VAT	Value-Added Tax
ZELS	Association of the Units of Self Government of Macedonia
ZPP	Directorate for Economic-Financial Audit of the Social and Accounting Payment Service

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# PUBLIC SECTOR FINANCE ASSESSMENT IN MACEDONIA

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## I. INTRODUCTION

### OBJECTIVES AND METHODOLOGY

On February 28, 2004 Development Associates was awarded a task order to carry out a general review and assessment of the Government of Macedonia's capabilities in a number of areas relating to financial management, budgeting and planning, procurement and detection and prosecution of financial crimes. The assessment was to include efforts by USAID and other donors and to make recommendations as to USAID's future priorities.

Since its creation in 1991, Macedonia has been the recipient of a considerable amount of foreign aid, much of it directed at building the institutions that the new country required after independence. One foreign advisor interviewed by the Assessment Team described Macedonia as "awash in donor money." Macedonia is indeed an overconsulted country, but in spite of this, there has been a reasonable level of coordination between donors and Macedonia has thus far avoided the wasteful duplications of effort seen in other countries that emerged from the breakup of centralized socialist societies.

The challenge presented to the Assessment Team was to quickly assimilate the vast volume of relevant documentation produced by the efforts of bilateral and multilateral organizations that have worked in Macedonia over the last 13 years and then proceed to interview government officials and representatives of these institutions to identify trends and see what has changed since the publication of the reports. In addition, it was necessary to understand each donor's future plans in light of the needs of each of the mainstream line ministries that are responsible for steering Macedonia's economic future.

The main purpose of the assessment was to assist USAID in targeting its future assistance in ways that will be most useful in promoting effective and responsible financial management practices that will serve to reduce the incidence of corruption and enhance Macedonia's image in the eyes of potential investors.

In order to achieve this, the Assessment Team conducted extensive interviews with many of the major players involved in financial management, budget, taxation, audit, legislation, media, decentralization and local government finance.

The Assessment Team arrived in Skopje on Sunday, March 7, 2004. The following day they proceeded to meet with officials at USAID. During the weeks that followed, they met with officials from the Government, donor agencies, development projects, NGOs and other organizations conducting over 50 interviews. At the same time, they also read more than 30 relevant background documents. The Team was in country for a total of three weeks. During the third week, they held a preliminary meeting to brief USAID on the major findings and recommendations. On March 26, their final day in country, the Assessment Team made a formal presentation at the USAID Mission in Skopje.

## **II. FINDINGS**

### **A. TREASURY**

#### ***Present State***

The Treasury Department is a unit of the Ministry of Finance. USAID's project with Bearing Point has enjoyed some notable successes in its efforts to improve the Treasury's ability to control, forecast, and disburse cash effectively. The Treasury has successfully made the transition from the old central clearance and payments system of the Former Socialist Federal Republic of Yugoslavia to a Treasury Single Account (TSA) that is now able to cover all revenues and expenditures from the central budget. In this regard, the ability to account for all government expenditures has improved significantly in the past few years. However, at this point, a substantial portion -- about 40% -- of total government spending is done by Extra-Budgetary Funds (EBFs), which are largely beyond the control of the Ministry of Finance. The MOF presently tracks the gross expenditures and revenues of the Road Fund, the Health Fund, the Pension and Disability Insurance Fund, and the Unemployment Fund, but does not exert direct control over their financial management practices.

#### ***Cash Management***

Over the life of Bearing Point's project at the MOF, there has been significant progress in the area of cash management. The Cash Management Unit of the Treasury (CMU) is no longer engaging in cash rationing like in the past, when there was a focus on weekly distributions of cash with no attempt at planning for a longer period of time. That has changed over the last year and the CMU is now moving to a system of monthly cash forecasts. Eventually this will be extended out to a quarterly projection and will allow the Treasury to move to liquidity analysis of a short-term nature. In fact, in early 2004, this analysis was used to plan the issuance of short-term treasury bills by the government. The ability to issue these bills has resulted in a lot more flexibility for the Treasury.

#### ***Investment Instruments***

In spite of the fact that the issuance volume of bills was relatively low, this was an important achievement for the Treasury. The bills were sold directly to the commercial banking system without using a primary dealer system, although other legal persons are able to participate by placing an order through the banking system. Spreads have been fairly wide in the first few auctions, but there appears to be a trend towards narrowing the range in the most recent auctions.

For the time being, only a modest volume of short-term bills will be issued, but eventually as the cash planning capability of the MOF improves, there is the possibility of longer-term bills being issued. This represents a major improvement over the last two years.

#### ***Arrears***

The system of cash rationing in effect until this year has resulted in the accumulation of a substantial volume of arrears. These are government liabilities for goods or services that have been delivered but not yet paid for. This is a long-standing problem and the Treasury was able to

compile a figure on non-disputed arrears that showed a total of nearly 600 million Denars (US\$ 12 million) as of December 31, 2002. It has been encouraging to note that in 2003, total arrears decreased to approximately 280 million Denars. These arrears are from first line budget users and are 60 days or older, but the total does not include subordinate spending units. Also, the accuracy of the data submitted by the first line budget users has not been verified and this capability needs to be developed.

A plan has now been put in place to eliminate the non-disputed arrears within the next two budget cycles. The MOF is moving to develop a database of arrears that identifies the size of the stock and age of the payables. Additional work is required here, but the overall situation is improving. The biggest risk is that there is no way to ensure that the earmarked funds are used to pay down the arrears.

### ***Commitment Accounting***

There has also been progress at the Treasury in the implementation of commitment accounting. Formerly, longer term commitments made by first line budget users at line ministries were not tracked and occasionally caused severe cash squeezes as larger payments for non-recurring items came up. At the end of last year, the development of a commitment accounting process was undertaken and completed. A financial analysis of the longer-term commitments showed that only 10% of all expenditures accounted for 90% of forward commitments. The threshold level for commitment identification was found to be about 2,600 Euros. This threshold was adopted, permitting budget units to avoid the burden of reporting on thousands of low value transactions. Budget users are now preparing documents which detail the timing of expenditures and these are submitted to the Treasury where they are recorded for future payment. This has been a significant advance in the past year.

### ***Treasury Budget and Management Information System***

The Treasury is presently operating on a custom designed system that only partially meets its needs. Recognizing the shortcomings of this system, the Government decided to procure a more advanced integrated Treasury Budget and Management Information System that would address all of the Treasury's requirements. This effort was initiated in late 2002 and has had a long and difficult history. Originally, the purchase was to have been financed by the World Bank, but the Bank was ultimately not able to provide the funds, so it was necessary to allocate the government's own resources. The original amount of the procurement was to be 1.5 million Euros.

Bearing Point provided assistance in determining the specifications for the new system, but it would appear their recommendations were not taken into account. Instead, a tender was prepared based on a series of abbreviated specifications and was put out to the public with a very short response deadline which gave potential bidders very little time to prepare their proposals.

The winner of the tender was a Croatian IT consulting company called b4b (Business for Business) that partnered with a local Macedonian hardware firm, ComTrade. On their website, b4b asserts to be the largest consulting company in the region for SAP integrated business solutions. SAP is a German-based mainstream provider of Enterprise Resource Planning (ERP) software for the private and public sectors and is a competitor to firms such as Oracle,

Peoplesoft, J.D. Edwards, Baan and other ERP vendors, and is the third largest independent software vendor in the world. Initially, as the successor to SAP's Croatian subsidiary in the early 90s, b4b catered primarily to private sector firms in industries such as pharmaceuticals, chemicals, food processing and other manufacturing areas. However, in 2001, b4b ventured into public sector administration consulting and set up SAP-based state treasury systems for the governments of Croatia, Bulgaria and Montenegro.

These three state treasury systems are listed under the "References" section of b4b's website, but it is not altogether clear whether they have actually been completed and made operational. In July 2003, the World Bank's Country Financial Accountability Assessment expressed concern that these other treasury systems might not have been successfully implemented. (p.13, #46)

Ultimately, the implementation in Macedonia was not successful. There were problems with the development server and other issues and the project did not move forward. Although the efforts had not been under way for very long, the Government seized the performance bond and terminated the contract.

The system upgrade was abandoned and plans were made to continue indefinitely with the old custom system, which was designed by ULTRA, a local IT solutions provider in Skopje. ULTRA's website lists the MOF among its "Success Stories" and describes the application as follows:

*State Budget is an application originally developed for the requirements of the Ministry of Finance, the place where the budget is created. It provides information necessary to control the financial execution of the budget for the most productive use of government funds. It covers debt and cash management functions, gives daily, weekly and periodical reports on government receipts and expenditures and statistical data necessary to forecast government receipts and expenditures. This application is designed to be part of the Treasury Information System in the future.*

The failed tender did not actually involve SAP in the contract. Rather, the Croatian firm of b4b was acting as a representative and distributor of SAP's products and a provider of installation, customization and support services. As such, b4b purchased the SAP application software licenses and the licenses for the back-end database. Although the project failed, the Government presumably still owns those licenses. They may still have significant value, although this will erode over time as the manufacturers release newer versions of their products.

The methodology whereby an authorized distributor of a major software company performs the installation and customization is not at all an unconventional arrangement. However, it could be argued that in this special instance, the effort might have had a better chance for success if the implementation work had been performed directly by SAP Consulting. The disadvantage to that alternative is that it is likely to have been much more expensive.

At present, there is a need to move forward with a new tender to involve competent outside suppliers, with more transparency in the procurement process. Prior to issuing the tender document, a comprehensive set of specifications should be developed with the assistance of experienced outside consultants. When the tender is ready for release to the public, a reasonable period of time should be allowed for potential bidders to prepare their proposals.

The Assessment Team was quite concerned about the present application and data hosting arrangement with ULTRA, whereby official and highly confidential government information resides on a third-party contractor's server. This is highly irregular and opens the door to potential corruption and malfeasance. Anyone with a proper password authorization can theoretically access and misuse or alter sensitive data. This represents a serious deficiency of internal controls. Furthermore, the very fact that the data is not under the government's direct control means that there is a possibility that backups are not being performed properly or on a regular basis. If off-site storage procedures are not in effect, a fire at the contractor's premises could result in permanent loss of irreplaceable data.

An immediate IT field audit of the ULTRA relationship by an independent source is indicated as soon as possible. This audit should focus on physical access, electronic security, backup procedures as well as the contractual obligations between the Government and ULTRA. Remedial action should be taken immediately if negative findings result from the field audit.

### ***Key Issues and Needs***

- An IT field audit of the system managed by ULTRA should be done on an expedited basis.
- A training center for the MOF needs to be established and equipped.
- Specifications for the new integrated Treasury and Budget and Management Information System should be developed and put out to tender.
- The inputs from macroeconomic units to the Treasury should be expanded.
- Continued development of cash management area and extension of control period.
- All Treasury auction information should be on the public websites. As auction spreads narrow, the yield curve should be moved out to 6 months.

### ***Relevant Donor Interventions***

- USAID Fiscal and Budget Reform Process
- US Treasury OTA Budget Advisor in MOF (see referenced TOR)
- World Bank – preparing program on training in MOF in internal audit.
- USAID Project on Local Government Financing

### ***Priorities for Future Assistance by USAID***

- Training in accounting and budget preparation for all first line ministries.
- Assistance to the MOF in developing standardized reporting formats and information exchange protocols for line ministries and other budget users.
- Assistance in accelerating the transfer of all major extra-budgetary funds including the Health Fund into the TSA and establishing the oversight and audit of EBF expenditures.
- Training to support the process of direct issuance of treasury bills by the MOF and development of the secondary market through the MSE. Training, instruction manuals, and reports need be created to accompany this secondary trading.
- Support in performing a comprehensive review of the potential weaknesses and risks associated with the present contractual relationship between the Government and ULTRA, the contractor responsible for hosting the MOF's budgetary software and data.

- Support for current efforts for extension of cash planning from monthly and quarterly forecasts to an annual plan.
- Assistance in training the staff responsible for extending commitment accounting to a multi-year framework. The separate group in the MOF working in this area needs to receive help in developing instructions and training materials for commitment accounting and the staff should be trained before anyone else.

### ***Benchmarks and Indicators of Success***

- Basic accounting training for all financial managers at MOF and first line budget users should be finished by end of the first quarter of 2005. Additional training for existing staff in budget preparation, costing, internal audit and classification of revenue and expenditure items should follow with a goal of completion by the end of 2005.
- Movement of local government balances into the Treasury Single Account should occur by March 31, 2005.
- Variances between planned cash outlays and actual cash expenditures for any given period should not exceed 10%
- Arrears reduction for non-deferred arrears should move to zero
- Narrowing of spreads in government bill auction should approach 50 basis points with an ultimate goal of achieving a spread of less than 25 basis points
- RFP for new IT system issued.....
- Installation of new Budget and Financial Management System

## **B. INTERNAL AUDIT AND CONTROL**

### ***Present State***

The Internal Audit Department at the Ministry of Finance was created in November 2002. There are seven full-time auditors presently on staff, as well as four part-time auditors. Two of these auditors are at a junior level. About 80 audits were conducted last year. The only other functional internal audit unit in the government is at the PRO. None of the first line budget users have their own in-house internal audit function. The same is true for the municipalities.

The World Bank has set as a conditionality for the disbursement of the first tranche of its structural adjustment loan that internal audit departments be created in at least three line ministries.

Like the State Audit Office (SAO), the Internal Audit Unit focuses on compliance auditing and reviews of internal controls. There is a EU proposal that provides for performance audits by 2007 and IT and financial audits by 2010. In order to prevent duplication, the Internal Audit Unit and the SAO are working together to harmonize the tasks they perform. There will be a plan of rotational audits to ensure complete coverage of all units subject to audit.

The Law on Internal Audit is being drafted and should be sent to the Government in June of this year and is anticipated to undergo a first reading in the Parliament by November 2004.

The future evolution of the Internal Audit Unit will take place in three phases:

- The first phase will be completed by March 31, 2004 and involves 10 days of training of 23 auditors from 17 major institutions with budgets in excess of \$500 MM Denars
- The second phase will involve the training of 50 to 60 auditors from all state institutions and will be completed by the end of 2005.
- The third and final phase is scheduled to conclude in March 2006 and will involve training of municipal financial personnel at all of the municipalities.

The 245-page Internal Audit Handbook that was originally produced by the EU-PHARE a few years ago has been updated as of March 2004 by the World Bank and is being used as the basis for the training of auditors conducted under the first phase.

The Internal Audit Unit at the Ministry of Finance stated that they have been very satisfied with the assistance received from Bearing Point.

### ***Key Issues and Needs***

- The Draft Law on Territorial Organization of the Country has been submitted to Parliament, but debate has not yet begun. It will be difficult to initiate many of the planned technical assistance activities for fiscal strengthening and internal control at the local level until such time as this legislation is passed.
- The current employment freeze is a problem for strengthening the capabilities of local government staff involved in financial management and control.
- A formal meeting between representatives of the State Audit Office and the MOF Internal Audit Unit should be held for the purpose of establishing a protocol for collaboration and the exchange of information.
- The Internal Audit Unit does not employ International Auditing Standards.

### ***Relevant Donor Interventions***

- USAID/Bearing Point
- World Bank/Dutch Government
- European Agency for Reconstruction

### ***Priorities for Future Assistance by USAID***

- There is a need for specialized auditors with skills such as performance auditing and computer auditing. There are several donors interested in this area, but the timing of the assistance is on a longer time scale.
- Introduction of audit case studies that are illustrative of typical problems in this part of the world, from neighboring countries such as Slovenia, which has a similar background and is soon to attain EU membership.
- There is currently a project within the Central Unit of Internal Audit at the Ministry of Finance to develop the internal audit capability at the municipalities. The State Audit Office is cooperating with this effort. However, at present no donors are associated with this effort.

## ***Benchmarks and Indicators of Success***

- Passage of the new law
- Specialized auditor training

### **C. EXTERNAL AUDIT**

#### ***Present State***

The State Audit Office (SAO) is the Supreme Audit Institution in Macedonia that is responsible for auditing all government entities including local government units. It was created in May of 1998 as a constitutional body subsequent to the enactment of the Law on State Audit in 1997, which appointed the first Auditor General for a term of 10 years. It has been operational since February 1999, when most of the staff from the Directorate for Economic-Financial Audit of the Social and Accounting Payment Service (ZPP) was transferred to the State Audit Office.

When the SAO originally recruited its staff, it did not publish any public vacancy announcements. Rather, personnel were recruited from other institutions. Of the 9 auditors, two were originally trained as lawyers and the others are economists. The core staff of the SAO is made up of individuals who have 15 or 20 years of relevant experience.

In 2000, the SAO developed an operational plan that envisioned a full complement of the staff required to cover the planned annual audit program. At present, the SAO has only about 50% of the staff required to complete a proper audit cycle. This, combined with other factors, has resulted in an audit coverage of only 5% or 6% of all entities subject to examination. There is said to be a plan in effect to add new 20 to 30 staff in 2004, but this has not yet occurred.

The senior auditors are the team leaders and they are responsible for the on-the-job training of junior auditors. On a typical audit, 3 or 4 auditors are deployed for a period of two to three weeks, depending on the nature of the organization under review.

Initially, the SAO audits focused on compliance with the laws governing public expenditure, which in many instances was unproductive, because spending units often have to force expenditures into inadequate account classifications. The Bearing Point project is working to reform the government chart of accounts into a more flexible three-digit structure, which should result in more flexibility and fewer technical violations of public expenditure laws. Under the World Bank/IBTCI project, the SAO has begun to perform financial audits, and in this regard is more advanced than the MOF's Internal Audit Department.

The SAO does not have investigative capabilities. In the event suspected fraud is detected during the course of an audit, the SAO collects the evidence and forwards it to the Public Prosecutor or the Ministry of the Interior. There is little feedback on the status of these cases once they have been referred away.

The SAO prepares an annual submission to Parliament that contains all of the audit reports issued during the year. These are said to have raised interest in the last session of Parliament and in fact resulted in several days of debate. It is anticipated that ultimately, these collections of reports will be published on the SAO's website.

The State Audit Office is cooperating with the Central Unit of Internal Audit at the Ministry of Finance in creating internal audits at local government, but there is currently no donor assistance here.

The International Standards for the Professional Practice of Internal Auditing, a manual published by the Institute of Internal Auditors, has been translated into Macedonian and is available for distribution in booklet form.

### ***Key Issues and Needs***

- The SAO has not been given sufficient resources to do its job. Additional staff is required, but the government hiring freeze has prevented increasing the staff. There may not be enough qualified auditors available for hire, as many have been attracted away to the private sector, where salaries and opportunities are said to be better. However, international technical advisers have suggested that SAO's salary scale is not that far out of line with the private sector.
- Although the SAO is a constitutional body, the Ministry of Finance determines its budget. This compromises the SAO's independence, because the SAO is responsible for auditing the MOF.
- Parliament receives the SAO's audit reports, but may not fully understand or appreciate their purpose, especially as they relate to formulating legislation.
- The public would benefit from the publication of the SAO's reports, preferably on the Internet.
- The system for follow-up on recommendations from previous audits requires strengthening.

### ***Relevant Donor Interventions***

- Article 83.2 of Macedonia's Stabilisation and Association Agreement (SAP) with the EU states that: *"The Parties shall co-operate with the aim of developing efficient audit systems in the Former Yugoslav Republic of Macedonia following the harmonised Community methods and procedures. Co-operation shall focus on:*
  - *Technical assistance to the Office of Auditors.*
  - *The establishment of internal audit units in official agencies.*
  - *The exchange of information with regard to auditing systems.*
  - *The standardisation of audit documentation.*
  - *Training and advisory operations.*"

However, there is presently no significant activity at the SAO on the part of the EU

- Since November 2003, the consulting firm IBTCI has been implementing a project designed to provide institutional strengthening at the State Audit Office. The effort is financed by the World Bank with funds provided by a grant from the Dutch Government. The project is staffed by a single international consultant who has an extensive background in audits and investigations. It is scheduled to run for another year, concluding in March 2005. This World Bank/ Dutch Government effort represents the most important donor presence at the SAO. The Dutch Government has also earmarked funds for IT development, but these have not yet been disbursed.

### ***Priorities for Future Assistance by USAID***

- Training of staff in General Accepted Audit Standards
- Leadership training for senior management
- Translation and interpretation services
- Funding to send staff to the GAO Fellowship Training Program
- The SAO needs to maintain financial and operational independence, as guaranteed by the Constitution. There is a need for legislative changes that stipulate that the SAO's budget should be determined by a Parliamentary budgetary commission, not the Ministry of Finance.
- There is a need for better cooperation between the SAO and the Public Prosecutor's Office, especially in the exchange of information. The SAO would benefit from better information regarding the status of ongoing investigations.

### ***Benchmarks and Indicators of Success***

- Number of staff trained
- Increased audit coverage beyond the current 5% or 6% of all entities.

## **D. BUDGET CAPACITY AT THE MINISTRY OF FINANCE**

### ***Present State***

In general, the Budget Department within the MOF has not made as much progress as the Treasury Department, although the capacity of the MOF to control and account for budget expenditures has improved somewhat over the past couple of years. The MOF provides little leadership in any aspect of budget preparation and their capacity generally must be generally regarded as poor. The first line ministries are not fully involved in a collaborative way in the planning process and their capacity to prepare proper budgets is very low. The Budget Department and indeed the MOF should play a larger role in annual budget development. However, at present, instructions and support for first line budget users are virtually non-existent. The Organic Budget Law gives the MOF responsibility for accounting and auditing of budget execution. This law requires the MOF to develop financial management units in the line ministries. In spite of this, there would not appear to be any financial policy units in the ministries and or any supporting IT systems for budget users.

There is a lack of coordination between budget policy and the actual execution of the budget. Budget execution is still poor, both due to the significant amounts of EBFs beyond the MOF's effective review as well as a lack of capacity among first line budget users to produce a fully costed programmatic budget. There will be a serious attempt to introduce program budgeting in the 2005 budget. Internal controls are below standards at the MOF that should be exercising a leading role in financial management in the government and almost non-existent in other budget users. The EBFs have been brought into the budget process only in a gross sense, but audit and oversight capabilities are nonexistent.

Nevertheless, the Assessment Team was encouraged by the installation of a US Treasury advisor in the MOF with direct access to financial managers.

### ***Budget Policy***

The GOM is responsible for the large gap which exists between government policy and priorities and the budget itself. The fact is that many of the policy norms are specified in existing legislation. This reduces flexibility and makes any changes more difficult and expensive. Sectoral policies are not under the control of the line ministries. First line budget users in this scheme act more like disbursing tellers than managers of programs. Program budgeting is very difficult in this environment as there is little in the way of policy guidance, costing, or instructions from the MOF as the budget users struggle through the year. The capacity of budget users to develop their budgets, implement their programs and understand their costs is very low.

### ***Macroeconomic Projections***

In addition, the budget is formulated without a backdrop of macroeconomic projections. There are some estimates developed by the Cabinet, but these are approved at the same time as the budget and the budget is not prepared within this framework. This does not lead to appropriate sector ceilings. The consequence is a shifting of funds between ministries and changes in the level of approved spending over the course of the budget year. Revenue and spending estimates are not arrived at through consultations between the MOF and the first line users early in the process and very little analysis of spending priorities is done by the first and second line budget users. Again, the MOF should be helping the budget users with policy analysis and costing. The Assessment Team did not see evidence of a meaningful effort in these areas. The results are telling. The Team was told by one donor that only 60% of planned expenditures were made in the first 10 months of 2003 and that there was a scramble to increase spending as the year drew to a close.

### ***Multi-Year Framework***

The Budget process should take place within a one-year time frame. The Assessment Team was unaware of any significant efforts to develop a multi-year framework although it was claimed that this is taking place in the commitment area. There also appears to be great difficulty in budget execution by first line users as they attempt to implement the budget without support, instructions, training and ceilings from the MOF. The users are not developing adequate costing information on programs and procurement and the Ministry of Finance cannot help them in this effort at this time.

### ***Key Issues and Needs***

- The MOF needs to educate the users and issue clear instructions to them. The MOF should issue detailed directives on budget preparation, prepare training sessions for users and then subsequently monitor their compliance.
- Local government units should be recording all revenue in Treasury Single Account sub-accounts by 1-1-05 or 3-31-05
- Development of the three-digit chart of accounts and aiding first line users in submitting budgets
- Capacity to aid budget preparation in local governments is low and there is need for support from the MOF in the critical transition months ahead.
- Accounting and internal audit training needed for local government finance people.

- Significant hardware needs and IT support needed for local government and finance units.
- Significant hardware needs and IT support for PRO offices in municipalities.

### ***Relevant Donor Interventions***

- USAID – fiscal assistance through Bearing Point and DAI
- USAID – Local Government Reform project – DAI
- US Treasury – some budget assistance to devolution
- UNDP – Citizens Information Initiative

### ***Priorities for Future Assistance by USAID***

- Provide local government units and local PRO offices with needed desktop computers and other hardware and software necessary to support revenue and expenditure control at the local level. Develop a plan for electronic communication with local government units at MOF under the National IT Strategy of Macedonia.
- Establish a Training Center at the Ministry of Finance. The primary users will be budget planners and executors, although others will benefit as well. Beginning accounting courses for all MOF employees and first line budget users would be of considerable value. Government accounting manuals and course modules are also required to support the training efforts.
- Train local financial officials in budget preparation and give them instructions for execution of budget. The electronic delivery and exchange of standard forms and blanks over the internet should be facilitated
- After accounting training is finished, internal audit instructions for MOF employees and first line budget users must be completed to build capacity for government wide budget execution.
- The US Treasury can address key issues such as budget support and enhancement with short-term support should be maintained in the future.

### ***Benchmarks and Indicators of Success***

- Key Local government financial officers trained in budget preparation needed to be in place by 1-1-05. There should be at least one trainee in each municipality.
- Increase in the number of persons trained in specific government accounting methodology from a handful to 30 by the end of 2004 and 100 by the end of 2005.
- Move to three-digit budget classification in all budget reports including those from first and second line budget users.
- All local governments and local PRO offices supporting the devolution should have requested hardware by the end of 2004

## **E. CAPACITY OF BUDGET USERS**

### ***Present State***

At present, budget users have a very low capacity to develop their budgets and relate them to programs supporting specific GOM policies. This is attributable not only to their inability to cost their activities, but also a lack of support from the MOF, which is the very organization that should be taking a leading role in developing instructions for budget execution. The MOF should be assisting the first and second line budget users by providing clearer instructions and uniform report formats for both commitments and arrears.

There are no clear linkages between policy formulation in the Government and implementation of the annual budget. First line users do not produce useful management reports and are incapable of costing out their programs and setting priorities based on the availability of resources. This translates into bad cash planning and poor execution of the budget.

### ***Key Issues and Needs***

- The proposed Ministry of Finance training center should continually train the budget staffs of other ministries in basic accounting and budget accounting
- Budget users need to develop their internal staffs with the help of training and instructions from the MOF
- Budget preparation units in the first line ministries should receive timely instructions and guidance from the MOF staff. Assistance and knowledgeable help should be available as needed.
- First line budget users should have a mechanism such as an inter-ministerial task force for regular exchange of information with the MOF as well as electronic exchange capability.
- First line users should have sufficient information to be able to cost out their budgets. Current donor assistance does not provide sufficient support in this area.

### ***Relevant Donor Interventions***

- The Bearing Point Fiscal Reform project touches on this area
- The US Treasury OTA touches on this area

### ***Priorities for Future Assistance by USAID***

1. Aid in developing a standard accounting manual and related training materials for the Ministry of Finance and first line budget users.
2. Using the newly prepared accounting manual and training materials, train first line ministry budget staff in a) basic accounting b) budget accounting.
3. Help first line users execute and monitor the budget by developing instructions for all users.

### ***Benchmarks and Indicators of Success***

- Number of persons certified in basic international accounting, budget accounting, and cost accounting at first line ministries.
- Number of line ministry budget personnel trained in each of the following areas against desired staffing a) basic international accounting b) budget accounting c) cost accounting
- Completion of the process of development, production, circulation of an accounting manual for basic accounting and budget accounting.

## **F. PROCUREMENT**

### ***Present State***

The Public Procurement Law (PPL) is inadequate. It is contradictory in parts and misunderstood by GOM procurement officials and the businessmen and women who bid for Government contracts. The public procurement process lacks transparency in the bidding and selection process; there is no consistent timetable for submission of bids and the criteria for the selection process is often a mystery to those outside the system. In sum, the Macedonian public procurement process is viewed, and rightly so, as unwieldy, disjointed and prone to corrupt practices.

### ***Key Issues and Needs***

- A new and better PPL is needed. Once the new law is in place, enabling regulations for the effective application of the law must be drafted and promulgated by the Government. This could be done by decree from the Ministry of Finance.
- A countrywide training program should then commence for all GOM procurement officials and a communications campaign that is directed at the public in general, and business community in particular, must disseminate information on the new public procurement procedures.
- This communications campaign should not just inform citizens of the new procurement procedures, it should educate citizens of the fact that these new, transparent and internationally accepted procurement procedures will result in more responsible spending of GOM funds and a revitalization of Macedonian businesses.
- The largest source of spending in Macedonia is the GOM's procurement of goods and services. Nothing else comes close to the enormity of GOM's yearly purchases of everything from hospital supplies to uniforms for the military to pens and pencils for GOM offices. A transparent and efficient public procurement process will accomplish two distinct and significant things: (1) it will cut the GOM's bloated budget and (2) it will energize existing Macedonian SMEs and spawn new SMEs, thereby reducing unemployment.

### ***Relevant Donor Interventions***

- The EAR set aside EUR 1.5 million for assistance to the GOM's efforts to increase capacity and efficiency in public procurement and, along with Dutch funding administered by the World Bank, these two organizations funded two foreign experts to

assist the GOM's Working Group in drafting a new PPL. That draft is now completed and it will most likely be adopted by the Government in the latter part of March 2003. The World Bank has conditioned the release of \$30 million on the Parliament's passing of this draft into law by March 31, 2004. A large portion of the funds earmarked by EAR for public procurement assistance is unspent and could be used for future activity, although the exact amount is unknown by the EAR officials interviewed by the Assessment Team.

### ***Priorities for Assistance by USAID***

- Organize a study trip by PPO officials to a regional capital that has an effective, functioning public procurement process, e.g., Slovenia, and receive direct training from these regional counterparts. The new Public Procurement Law requires enabling regulations that will instruct officials and bidders on the implementation of the law.
- An internet website should be set up with the law and regulations set out for bidders, as well as GOM public procurement officials. Bidders should be able to submit bids by email.
- Hold a conference for GOM procurement officials and relevant members of Macedonian business community for the purpose of disseminating information on new procurement procedures. Informational material should also be provided. The Macedonian Chamber of Commerce stated in a meeting that it had assisted the GOM in drafting the new PPL and it would be willing and eager to assist in drafting the enabling regulations for the new law. USAID may consider offering the Chamber of Commerce an honorarium if the Chamber participates, with GOM consent, in the drafting of these enabling regulations.

### ***Benchmarks and Indicators of Success***

- By May 2004, the GOM will have passed a new Law on Public Procurement.
- By October 2004, the law's regulations will have been drafted, promulgated by the Government and disseminated to all GOM public procurement officials.
- By December 2004, the GOM will commence a countrywide communications program on radio, television and with town hall meetings with the message that "the new Macedonian public procurement process is now efficient, transparent and beneficial for all citizens of Macedonia."
- By December 2005, the GOM should reduce public procurement expenses by at least 10% with no discernable reduction in the provision of government goods and services.

## **G. INVESTIGATION AND PROSECUTION OF GOVERNMENT FRAUD**

### ***Present State***

GOM laws on fraud, corruption and other related criminal acts are adequate. There is a strong and detrimental impression that corruption is endemic within the GOM. GOM officials are poorly paid and their salaries are disproportionate to the cost of living in Macedonia. Although the Financial Police and Anti-Money Laundering Unit have been established under the MOF, neither is fully staffed nor properly equipped. There is a lack of coordination between Financial Police and Ministry of Interior and this is a significant issue that, if unresolved, will render the

Financial Police useless even if staffing and equipment problems are adequately met. There is also a lack of coordination and cooperation between prosecutors and police, including the Financial Police. Judges, who are also poorly paid, are reputed to be prone to corruption and criminal trials can take years to finish. The aforesaid problems serve not only to render the Anti-Money Laundering Unit and the Financial Police as incapable of performing their duties; it makes it plain that there is a wide and detrimental gap between police and the courts and this causes law enforcement officials to doubt the utility of actively pursuing investigations into financial crimes.

One bright spot in the GOM's fight against fraud within the Government is the Customs Administration. Customs falls within the Ministry of Finance. Under the leadership of the Director General, in November 2003 Customs introduced a "Corruption Hotline" and, over the past four months, approximately 16,000 complaints against customs officers have been received through the Hotline. These complaints have resulted in the dismissal and/or prosecution of approximately 10% of the Customs Administration's 880 officers. Criminal prosecution is, as set out above, slow and unpredictable. Thus, only a relatively small percentage of the 88 customs officers who were found to have engaged in corruption or fraud ultimately faced criminal prosecution. Nevertheless, in the current environment in Macedonia, the loss of one's job, especially the highly sought after positions within the Customs Administration, is in and of itself, a serious consequence for malfeasance or criminal activity. Lastly, the Customs Administration has attempted to address the fact that customs officers receive relatively low salaries and are often faced with bribes for ignoring their obligations to enforce customs laws and regulations. Customs officers are eligible for "bonuses" of up to \$1,000 for significant confiscations of illegal shipments of cigarettes, alcohol and drugs.

### ***Key Issues and Needs***

- GOM's goal is to modernize and fully train the Anti-Money Laundering Unit, with a view to joining the Egmont Group of Financial Intelligence Units and the Financial Crimes Enforcement Network.
- Closer coordination and cooperation between law enforcement and prosecutors must be established.
- Banks must be directly linked with the Anti-Money Laundering Unit via secure Internet connection for the purpose of transmitting relevant information on financial transactions.
- The Anti-Money Laundering Unit will process information from all banking transactions and forward information on suspicious transactions to the police and prosecutors.

### ***Relevant Donor Interventions***

- Compared with other areas of assistance to the GOM, donor activity in this area has been slight. Bearing Point has provided a modicum of support to the Financial Police with some training programs. However, the Financial Police and the Anti-Money Laundering Unit have, to date, failed to receive needed computer equipment, office space, computer software and sustained training in criminal investigation practices and procedures.

### ***Priorities for Future Assistance by USAID***

- Although both the Anti-Money Laundering Unit and the Financial Police are within the Ministry of Finance and they carry out complimentary tasks to thwart and punish financial crimes, the two units are distinct and the lack of past or future success by the latter should have no bearing on the importance of the former. The Anti-Money Laundering Unit, if it were functioning, would carry out a unique mandate within the GOM. The Financial Police, despite having jurisdiction for financial crimes such as tax evasion, is not, ipso facto, the only unit within the GOM that could carry out financial crime investigations. The Ministry of Interior, where all members of the Financial Police originally worked, is the primary law enforcement agency within the GOM and serious consideration by competent GOM officials should be given to the utility of continuing to divide law enforcement functions among Government ministries. However, if the current jurisdictional separation continues between the Ministry of Interior and the Ministry of Finance, decisive action by the Prime Minister should be taken to ensure that the Ministry of Finance's Financial Police are able to carry out their duties with the full cooperation of the Ministry of Interior.
- Equipment and training are essential to bring the Anti-Money Laundering Unit up to a level of professionalism that will allow it carry out its mandate. The Unit needs sophisticated software that will monitor and vet suspicious transactions. This software is available in various countries and is used by Interpol and the FBI. Study trips to countries with more modern and efficient criminal detection programs are needed and the FBI or the IRS could provide this training. In order to ensure that all law enforcement officials work seamlessly, seminars and training programs should commence that bring prosecutors, police officers, including the Financial Police, and Anti-Money Laundering staff together for professional development and, perhaps more importantly, allow these Government officials to understand each other's respective duties and dilemmas.
- The history of the Financial Police Unit is a bleak one and its future does not appear bright. Nevertheless, the task of investigating financial crimes, and particularly tax evasion, is a high priority for the GOM and some GOM law enforcement body must be both professionally and legally competent to carry out this work. The Assessment Team's recommendation is the USAID allow partner European agencies to concentrate on the Financial Police Unit and concentrate USG resources on the Anti-Money Laundering Unit.

### ***Benchmarks and Indicators of Success***

- By July 2005, the GOM will have a fully equipped, functioning and effective Anti-Money Laundering Unit that is efficiently and professionally vetting financial transactions and providing relevant information to competent GOM law enforcement bodies.
- By December 2005, the GOM is admitted as a member of the Egmont Group.
- In its 2003 Index of Economic Freedom and Corruption, World Audit ranked Macedonia 94 out of 161 countries surveyed. In World Audit's 2005 Index, Macedonia will be ranked at least 89 out of the 161 countries surveyed or, if more or less countries than 161 are surveyed, Macedonia will rank at equal or better than 89/161.

## **H. PARLIAMENTARY CAPACITY FOR BUDGET AND AUDIT OVERSIGHT**

### ***Present State***

Parliament's ability to legislate on budget matters and oversee the execution of the budget is practically nonexistent. The parties vote on the budget along party lines and there does not appear to be a wide understanding of budget issues among MPs. The Committee for Budget and Finance, consisting of twelve parliamentarians, review budget and finance issues before these matters are taken up by the full Parliament.

### ***Key Issues and Needs***

- Parliamentarians have no proper research facilities, e.g., journals, books, etc.
- Parliamentarians have no competent, GOM funded staffers to provide them support, including researching capacity and critical analysis of draft legislation. Parliament has approximately two-dozen "clerks" who work for the parliamentarians, but these clerks are not trained to research or analyze draft legislation for the parliamentarians.
- The parliament has very few computers and these are not equipped with modern modems and software.

### ***Relevant Donor Interventions***

- National Democratic Institute has provided assistance to Parliament in two areas that impact on this institutions ability to legislate and oversee budget matters: NDI has funded several study trips for parliamentarians to other regional capitals that allowed GOM parliamentarians to learn legislative best practices. NDI also provided short-term interns to the Parliament and, by all accounts, these interns provided limited research capabilities for parliamentarians. Unfortunately, it is unlikely that any of these interns will remain with the Parliament because of a lack of funding.
- In addition, the European Commission in its May 2003 CARDS Regional Annual Action Programme/Financing Proposal suggested funding the "training and advise to parliamentarians on the functioning of parliaments, EU integration and stimulating international contacts" in the amount of EUR 1 million.

### ***Priorities for Future Assistance by USAID***

- Fund a select parliamentarians' visit to D.C. to allow Macedonian parliamentarians to study US Congress' practices and procedures in overseeing and legislating on U.S. budget matters.
- The Macedonian Parliament lacks staffing support generally, and although some are university graduates in economics or law, they have no GOM funded expert assistance in the field of economics and law. Because of constraints on time and resources, parliamentarians are therefore largely unable to vet draft legislation submitted by the Macedonian Government on, inter alia, budget matters. This expert assistance void can be remedied by contracting with a local NGO that is an expert in economics to (1) provide the Parliament's Committee for Budget and Finance with expert legal and economic advice for a one-year period and (2) during that one-year, train a select group of Parliament interns and/or clerks on economic analysis and best practices in researching

economic issues. The Skopje-based NGO, The Center for Economic Analyses is highly regarded by GOM officials, the NGO community and international partners. Ideally, the contractor will be made up of members of various NGOs and/or think tanks so that the contractor is not viewed as favoring any one political party. During this one-year period, the contractor will be primarily responsible for providing parliamentarians with objective analyses of draft economic legislation, including the Government's budget proposal(s). In addition, the contractor will respond to queries from parliamentarians on economic matters and train Parliament's core staffers. NDI, who has sponsored an intern program for the Parliament, could serve as the implementing partner in this one-year contract and NDI should be responsible for overseeing the efficient implementation of the contract. The provision of "staffing support" in the field of economics and law to Parliament will not only empower an important branch of the Macedonian Government and diminish the overwhelming power of the executive branch; it will allow Parliament to make better decisions, thereby producing better legislation and more realistic and manageable Government budgets. Properly carried out, this endeavor could result in significant savings of GOM funds and better legislation that in turn will foster economic growth.

### ***Benchmarks and Indicators of Success***

- By December 2005, the Parliament and, in particular, the Committee for Budget and Finance, will qualitatively improve its ability to legislate on the GOM's budget proposal and it will effectively and efficiently oversee budget spending and audit recommendations relating to GOM spending.
- By December 2005, the members of the Committee for Budget and Finance will have significantly improved, professional researching assistance in budget and other economic matters. At least two professional and highly trained Parliament staffers will be dedicated to assisting Committee members in researching and analyzing draft legislation. The staffers will also assist Committee members in drafting amendments to proposed budget and economic legislation.
- By December 2005, the Committee will have trained selected Parliament staffers and/or interns in modern and professional methods of research and analysis of economic and legal issues, including commenting on Government draft legislation and drafting proposed amendments for pending legislation within the Parliament. These Parliament staffers and/or interns will serve as a catalyst and example for other Parliament staffers and/or interns and the level of support to Parliamentarians will be greatly enhanced.

## **I. PUBLIC ADMINISTRATION REFORM**

### ***Present State***

An important issue that overlies all other issues and prevents the effective functioning of the GOM in a large number of areas is the capacity of the government to absorb and sustain reform initiatives. In fact, in many of the Assessment Team's meetings and readings, this is the prime issue, and at times, the only issue. Since there is a hiring freeze on all new government hiring, personnel policies that will permit intelligent salary administration and transfer policies are critical. DFID has been working on a public administration reform project for several years and is scheduled to leave in 2005. They are working with the Agency for Civil Service, which reports to Parliament, to develop personnel policies for the government service. There is currently

significant salary compression in government service that prevents new areas like audit and finance from being properly staffed. Training is a problem in the government and the head of the DFID project emphasized that he does hope that the MOF will be able to run a training center for the ministry, but also for first line budget users. He also felt that inflexibility on salaries was a larger problem than staffing levels. There is no formal performance appraisal system and DFID was trying to introduce one. Employees of the GOM tend to regard themselves as employees of the ministries or entities for which they work, not for the government as a whole. These people are under the general Labor Law. The current personnel system stifles innovation, discourages bright, effective people from joining new functions in need of staffing, creates arbitrary employment rules, does not allow for differential in performance among employees, and virtually eliminates flexibility in work and assignment. In short, many of the major problems concerning limited capacity in the ministries and organizations visited stem from the inability to reform or change public sector administration. Indeed, while the scope of work of the assessment touches on this modestly, it may be the largest issue facing government reform in Macedonia. It leads to large and very shallow ministries in terms of capacity. Only a few people in the organizations visited are capable of leading reform, yet they are called upon to lead initiative after initiative. This situation could lead to a significant delay in EU accession and will draw out the reform process by many years. It should be addressed.

### ***Key Issues and Needs***

- Reform government personnel practices by a complete overhaul of public sector management policies.
- One central donor should manage this aspect of the change, which is the most important one for the future of the reform movement in country. The World Bank appears the most likely for this intervention.

### ***Relevant Donor Interventions***

- DFID is currently working on many aspects of the public management. However, progress is very difficult to achieve due to the large number amount of vested interests.

### ***Priorities for Future Assistance by USAID***

- The reform of all aspects of personnel management is one of the most important capacity building challenges in the Government. When the DFID project concludes in March 2005, there is no clearly identified successor project to carry on its efforts.
- There may be an opportunity to create an integrated, government wide Personnel Information System such as the one described later on in the section entitled Applications Development.

### ***Benchmarks and Indicators of Success***

- Removal of all government employees from the General Labor Law.
- Decompression of the salary scale and increase in mid and upper level pay grades.
- Implementation of a performance measurement system and career path outline for employees in government.

- Meaningful and accurate job descriptions for every employee.
- Manuals and procedures for all human resource policies are produced
- Flexibility in assignments applicable to all employees
- Establish severance and downsizing procedures for overall efficiency.

## **J. DECENTRALIZATION**

### *Present State*

The most significant reform initiative currently being implemented resulted from the Ohrid Agreement that required the GOM to devolve authority, responsibility and funds to local governments in the Republic. The law on Local Finance is most relevant to the assessment, although other enabling legislation such as the law setting the new municipal boundaries is part of the initiative. This decentralization will require that the municipalities eventually become self-financing entities with some block grants from the central government. The final legislation has not yet been enacted, but it would appear that the arrangements being contemplated will leave the local governments underfunded. Local governments don't do much right now, but they will have responsibilities for municipal finance and education as well as local roads after January 1, 2005. There is widespread recognition by both local officials and the donor community that there will be serious financial problems after January 1. National and local politics are also delaying the proper degree of attention to this issue.

Employees of the national government at the MOF and other ministries will be sent to the municipalities to fill local government finance slots. There will be a huge capacity gap as devolution takes place. The MOF needs a discrete unit for local financing, but none exists at present. The budget officials at the MOF contacted by the Assessment Team had done no planning nor seemed to have any sense of urgency. Rather, they felt they could wait until after the local and national elections to plan for the transition. There are no internal audit capabilities in any of the local units although a large training program will start next week to train local officials on accounting standards, reporting formats, and data collection. It is a positive step that DAI has partnered with Bearing Point on the training and other tasks related to the financial devolution. However, the fact remains that local governments are starting from a very low knowledge base in these areas and lack personnel, procedures, instructions, and equipment to implement devolution successfully. The short time remaining leaves the Assessment Team with great concern about the eventual success of the process.

The sources of local revenue are the property tax, inheritance tax, building permit tax, and block grants from the central government. In addition, local communities are entitled to 1% of the VAT collected nationally plus 3% of the income tax, all of which will be distributed according to a formula to be developed later in the process. The property tax is self-assessed and is not expected to bring in significant revenue. The PRO cannot currently provide the breakdowns between the various sources of local revenue that are required for planning purposes.

The local governments will likely be underfunded. They have no idea what their costs are or how to prepare local budgets. As problems arise, the inflexible approach to legislation will prevent amendments from passing easily to correct obvious mistakes. Needless to say, this may all be further complicated as a result of the politicization of the procurement and personnel recruitment process,

### ***Key Issues and Needs***

- Train existing MOF personnel who will be transferred to local units in local financial management and procedures.
- Local governments units need assistance with preparations to have their accounts placed in the Macedonian Treasury single account.
- Support PRO effort to increase mechanization in local offices with computer hardware and software.
- Increase size and funding to e-government initiative. Local government budgets and information must be posted on accessible websites.
- Training program sponsored by MOF should be held in internal audit for local units. Without proper controls, fraud will follow the devolution.
- Overlap of assistance could be a major problem in this area must coordinate with all donors, especially EU and DFID.

### ***Relevant Donor Interventions***

- UNDP – IT Support for Citizens Centers (local government)
- USAID – Local Government Reform Project

### ***Priorities for Future Assistance by USAID***

- Monitor local self-government units to see if financial personnel and systems are in place as required as by the Law on Financing of Local Self government.
- Develop accounting standards, budget classifications and reporting formats to assure uniform reporting from municipalities.
- SAO should develop capacity to audit local units – procurement issue key in the transfer.
- Train local officials in budget preparation, finance, and budget preparation, basic accounting training for new personnel at MOF training center.

### ***Benchmarks and Indicators of Success***

- Number of audits conducted of SAO of municipalities after devolution.
- Physical verification to ensure that complete budget instructions and uniform reporting standards are available in each local unit.
- Number of officials trained in all budget and treasury training modules for local government per local government unit.

## **K. APPLICATIONS DEVELOPMENT**

### ***Present State***

There are a number of areas where the development of software applications could lead to increased transparency, better control over expenditures and an overall improvement in the efficiency of the operation of government.

### ***Strengthening the Public Revenue Office***

The main Tax and Customs Administration software applications used by the Public Revenue Office are operating on older platforms and their functionality and lack of integration do not properly serve the organization's needs. The IBM RS-6000 hardware is dated and will be expensive to maintain and repair in the future.

The PRO's main software applications are developed and maintained by ULTRA, a local IT solutions provider in Skopje. ULTRA describes these applications on their website as follows:

***Tax Information System (TIS)** is developed for the requirements of the Public Revenue Board - functional division of the Ministry of Finance that assesses, collects and monitors public revenues. The system covers the complete revenue collection process. It includes four functional sub-systems: Entity registration, Assessment of tax payables, Monitoring of payments and Tax auditing. TIS covers all types of revenue: income tax, property tax, land tax, estate tax, sales tax, profit tax, etc.*

### ***Personnel Information System***

At present, there are a number of distributed databases that contain information on civil servants and government employees. However, there is no formal national database that is capable of maintaining all of the information on a employees on a consolidated basis. This includes things such as grade, salary history, posting history, benefits, health, training, disciplinary actions, continuing education and pension accrual.

### ***Contingent Liability Control System***

Contingent liabilities represent a serious threat to financial stability because of their unpredictability and materiality. The sudden appearance of unfunded contingent liabilities can draw away funds from essential government services. Contingent liabilities can be either explicit or implicit. Explicit liabilities are those that the government is legally obligated to honor, such as a guarantee for debt incurred by a public enterprise for the purchase of machinery. An implicit liability arises when the government is called upon to perform functions that typically are the obligation of government, although compelled by law. For example, a government may chose to respond in an instance of moral hazard, such as providing relief to the victims of a natural disaster.

### ***Public Investment Program***

The PIP is the instrument that is used to plan and forecast the financial implications of the country's annual investment plan. It ties in to the Medium Term Expenditure Framework and serves not only to quantify and program the country's capital investments, but also their recurrent cost implications. A number of the organizations interviewed expressed the feeling that this function is not well developed in Macedonia. The Ministry of Finance website shows the composition of the Public Investment Program in considerable detail, but is not clear to what extent it serves as a forecasting and management tool.

## ***Key Issues and Needs***

### **Strengthening the Public Revenue Office**

- Computer hardware is obsolescent or obsolete
- The software does not fully meet the organization's needs
- Training of personnel is required

### **Contingent Liability Control System**

- The sudden appearance of unbudgeted contingent liabilities can have a serious detrimental effect on the government's ability to meet its obligations to the citizenry. A World Bank study in 1999 stated that the total of known contingent liabilities could increase future deficits by between 2 to 4 percent of GDP.

### **Personnel Information System**

- There would not appear to be a reliable central database of all government posts and personnel that can be searched for the purpose of extracting budgetary and managerial information. This represents a potential weakness in the control over personnel movement and funding and possibly the inability to produce useful management reports.

### **Public Investment Program**

- In the absence of proper planning for capital projects, there is a risk of overcommitting scarce resources and foreign exchange. More seriously, the failure to forecast the recurrent cost implications of a capital project can lead to competition for funds with other key areas of the budget, like social services. A typical example of this is the case where a new road is built, but insufficient monies are provided for weeding, pothole repair and periodic resurfacing. When these problems become too serious to ignore, monies have to be found in other budget line items. Further work is required to determine the current capabilities of the existing system.

## ***Relevant Donor Interventions***

### **Strengthening the Public Revenue Office**

- The USAID Bearing Point project is the major source of technical assistance for the PRO.

### **Contingent Liability Control System**

- The Assessment Team is not aware of any formal donor interventions in this area.

## **Personnel Information System**

- The DFID Support for Public Administration Reform project is working in the area of Civil Service reform, but is not specifically tasked with the responsibility of creating a formal Personnel Information System or Post Management System.
- The World Bank is planning a future project in the Human Resource Area, but it is not clear at this time whether a comprehensive Personnel Information System will be included as part of the technical assistance to be provided.

## **Public Investment Program**

- The consultants are not aware of any formal donor interventions in this area.

## ***Priorities for Future Assistance by USAID***

### **Strengthening the Public Revenue Office**

The PRO requires new hardware such as production and development servers and user workstations; networking equipment, and printers to develop and deploy new applications. There will be new database software licenses required like Oracle or perhaps DB2, if the PRO chooses to upgrade its Informix licenses by following IBM's convergence strategy. There is a requirement for training of PRO revenue collection personnel, especially at the municipal level.

### **Contingent Liability Control System**

A software database application could be easily created to track the magnitude and timing of all official government guarantees that have been duly registered with the Central Bank. Also, the potential risk from moral hazards can be estimated and reserved for. The application would take into consideration the likelihood and timing of the occurrence of each potential contingent liability.

## **Personnel Information System**

A well-designed web-enabled national Personnel Information System would help increase the efficiency of the government's human resource function and inhibit the growth of government. One of the benefits of transforming a database of government employees into a formal National Post Management System is the ability to identify posts that have been vacant for a long time and that can be abolished. Furthermore, the possibility of integrating this system with an Integrated Payroll System would go a long way towards improving control over personnel costs to the Government.

## **Public Investment Program**

A formal forecasting application containing the all of the country's investment projects on a sectoral basis would be very useful to the Ministry of Finance. In addition, once developed and fine-tuned, the application could be distributed to the municipalities, and this would help them in the preparation of their own investment plans and standardize the format in a way that would facilitate coordination between local governments.

Under this system, each budget user would be required to submit a prioritized list of investment projects. These projects are consolidated into a master plan, taking into account intersectoral linkages and the overall ceilings on sectoral allocations established by government policy. The lower priority projects that cannot be accommodated within the constraints of the budget are placed on a reserve list, which can be accessed in the event that a project is dropped out of the core list. When a project is dropped, the application can be used to select the most desirable projects to replace it, based on sectoral funds availability and predetermined priorities.

### ***Benchmarks and Indicators of Success***

#### **Public Investment Program**

- Fewer delays in the project planning and execution cycle
- Fewer budget overruns on capital investment projects
- Fewer transfers between budget line items in order to provide for unanticipated expenditures from the recurrent budget
- Faster and more accurate preparation of the Public Investment Program.

#### **Personnel Information System**

- Number of ghost employees identified and eliminated
- Number of vacant posts abolished
- Reduction in the time required to transfer an employee
- Ability to forecast and accrue pension liabilities more accurately
- Reduction in the incidence of errors in benefits delivery

#### **Contingent Liability Control System**

- Few unanticipated claims against the government
- Better adequacy of reserves to fund unanticipated claims

#### **Strengthening the Public Revenue Office**

- Improved collection of tax revenues
- No system down time attributable to hardware failure or software problems

## **L. CITIZEN ACCESS TO INFORMATION**

### ***Present State***

The issue of access to information is crucial to open governance on both national and local levels. The Macedonia Office of Transparency International drafted a Law on Access to Information with the assistance of national and international experts. The Draft Law, together with the comments on the Law from the Council of Europe, has been submitted to the Agency for Information. There is significant pressure on the part of the media for the adoption of this Law since it regulates free access to relevant, non-classified information to all interested parties. The Draft Law is said to be in line with EU Personal Data Protection Directives.

Access to information on a local level needs to be viewed within the framework of decentralization as a means to the democratization of society. Hence, local government reform implies the development of democratic procedures and mechanisms for citizen input and an increase in the capacity of citizens to participate, negotiate and influence the institutions responsible for the quality of life. The Law on Local Self-Government that was adopted in January 2002 is a systemic law, i.e. it lays down the general framework and mandates that all other laws should abide to the basic principles incorporated, including the principles of local democracy. Article 5 stipulates that citizens exercise the right of local democracy directly through municipal bodies. The Law provides for public information and specifies that municipal bodies, council commissions and municipal public services are obliged to inform citizens, free of charge, on matters related to their work, plans and programs for the development of the municipality.

For the first time they have an obligation to ensure that other laws must stipulate penal provisions for violations and public response. These measures must be determined within the Municipal Statutes. The Law includes an entire chapter on direct civic participation in decision-making.

- Article 25 defines the forms of citizen's participation - citizen initiatives, civic gatherings and referendums - and establishes that the costs stemming from direct citizen participation are to be covered by the budget of the municipality.
- Article 26 covers citizen initiatives, stipulating that citizens have the right to propose to the Council the adoption of an act or to request the resolution of a certain issue. The Council is obliged to debate the proposal if it is supported by at least 10% of the electorate of the municipality within 90 days, and to inform the citizens on the decision taken, explaining why such a decision was made.
- Article 27 covers public gatherings and stipulates that a public meeting can be convened for the entire municipality or just a neighborhood unit. The Mayor convenes the meeting upon the request of the Council or upon the request of at least 10% of the electorate of the municipality. The municipal bodies are also obliged within 90 days to review the findings arrived at during the public gathering and take them into consideration in decision-making, adopting the measures related to that specific issue, and informing the citizens about the outcome.
- Article 28 covers referendums and specifies that citizens can make decisions of local competence by means of a referendum. The Council is obliged to announce the referendum upon the request of at least 20% of the electorate of the municipality. The Law provides for filing citizens' complaints and proposals related to the work of municipal bodies. In such cases, the Mayor is obliged, within 60 days of the submission of the complaint or proposal, to reply with a rationale. This Chapter also deals with public debates, polls and proposals. It specifies that the drafting of municipal regulations can be subject to public debates, polls or requests for proposals convened by the Mayor or the Council. The Law also provides for the protection of consumers, i.e. the Council can establish a commission for reviewing requests and proposals related to the quality of public services. The Consumer Protection Council can be composed from representatives of larger groups of public service beneficiaries.

### ***Key Issues and Needs***

- A Law on Access to Information is in the pipeline. Once adopted, enabling regulations will be needed to implement the Law effectively.
- The Law on Local Self-Government already stipulates civic participation. The new municipalities will have to draft new Municipal Statutes and provide for mechanisms for that to happen.
- Municipal Consumer Protection Councils can become the focal point of improving civic participation and quality of life on a local level.

### ***Relevant Donor Interventions***

- The Finnish government is assisting Transparency International-Macedonia with analyzing similar laws from other countries and the actual drafting of the Law.
- Apart from USAID, many other donors such as EAR, FOSIM, UNDP, Swiss Agency for Development, OSCE, the Dutch Government etc are working in the field of decentralization and open governance. The Ministry of Local Self-Government is trying to identify the municipalities that have benefited most from donor interventions and to design the "model municipality" that will serve as a benchmark.

### ***Priorities for Future Assistance by USAID***

- The Draft Law on Access to Information provides for the establishment of an Appeals Commission (the draft gives two options). USAID could consider assisting the setting up of the Appeals Commission as well as drafting enabling regulations.
- On a local level, USAID could help the new municipalities draft their new Municipal Statutes. This could be done in cooperation with ZELS and LGRP.
- Consumer Protection Councils could be set up in the "model municipalities" identified by the Ministry of Local Self-Government and the members of the Councils trained to make sure that citizens have access to information to make an informed judgment on matters that impact their life. USAID could partner with the Macedonian Consumer Protection Association and the Ministry of Economy since consumer protection is an area that the ministry has an obligation to improve as part of EU rapprochement (Competition Policy).

### ***Benchmarks and Indicators of Success***

- Number of Appeals submitted and decided upon by the Appeals Commission;
- Number of initiatives launched by citizens and responded to by local governments in compliance with their new Municipal Statutes;
- Sufficient number of Municipal Consumer Protection Councils set up to make a difference in improving quality of life on a local level.

### **III. RECOMMENDATIONS AND LESSONS LEARNED**

#### **A. CROSS-CUTTING RECOMMENDATIONS**

##### ***GOM Training Center***

The Assessment Team's analysis and recommendations on the tasks set out in the Task Order suggest the establishment of one primary training center that will conserve resources and unify and standardize the various training programs that are recommended in this report.

Common training needs exist with GOM officials in computer software and Internet technology, be they officials in the field of public procurement, anti-money laundering, Parliament or the State Audit Office. More sophisticated and specialized information technology training, e.g., for the Anti-Money Laundering Unit, will follow basic IT training.

The Assessment Team recommends that the GOM provide suitable premises for the establishment of "The Government of Macedonia's Information Technology Training Center" and this Center be located in Skopje. USAID should lead the donor community to pool its resources and equip the Center with modern computers, Internet access, furniture and other items needed for training needs. UNDP recently established approximately seventeen Citizen Information Centers (CICs) throughout Macedonia. These CICs have computers and Internet access and the CICs can be electronically linked with the Government's Training Center in Skopje so that GOM officials outside Skopje receive the same training as their colleagues in the capital.

Certainly there exists the potential for the Training Center to serve not only training needs, but it could also be the Internet portal for a variety of the GOM's Internet websites, including the soon to be established website for public procurement. Internet technology and this new, sophisticated hardware should also be used as a tool in to deliver a more effective communications strategy directed at the citizens of Macedonia and potential foreign investors on the GOM's efforts to increase its efficiency, root out corruption and provide high quality government services.

#### **B. PRIORITIZED RECOMMENDATIONS**

The Assessment Team offers the following recommendations. The number of each recommendation reflects its priority within each respective group.

##### ***Capacity Building***

The highest priority for USAID assistance in terms of capacity building is to coordinate and support the creation of the Information Technology Training Center described above. Prior to the establishment of this facility, there are some areas where USAID can move in with immediate assistance in training.

1. **Local Government** Because so much of the country's future hinges on a successful effort to decentralize critical service delivery and contain the spread of corruption at local levels, the highest priority for USAID assistance in capacity building is strengthening the

staff at municipalities through training in the areas of budget, financial management, audit and information technology.

2. **First-Line Budget Users** Central government institutions such as MOF Internal Audit Unit and State Audit Office require continued support and strengthening as well. However, these two institutions are likely to be the continuing focus of the major multilateral institutions, especially the EU and the World Bank and in this sense may be less than optimal targets for immediate USAID assistance. There may be opportunities nevertheless for USAID to provide relevant training to some of the first line budget users, all of whom have virtually no budget preparation or audit capability whatsoever.
3. **NGO Support to Parliament** It would be highly beneficial to contract with NGOs and think tanks with expertise in economics and law to train Parliamentary interns and clerks on economic analysis and researching economic issues, as described earlier in the report under the heading “Parliamentary Capacity for Budget and Audit Oversight.” During the period of a year, these organizations would also provide parliamentarians with analyses of draft economic legislation and respond to queries from parliamentarians on economic matters
4. **Study Tours** There are several areas where Macedonian officials could benefit from study tours abroad to observe and interact with officials who are running more developed systems.
  - Auditors from the State Audit Office would benefit from participation in the GAO Fellowship Training Program.
  - Officials from the Public Procurement Office would benefit from a study to a country in the region like Slovenia where they could receive direct training from their counterparts.
  - A select parliamentarians’ visit to D.C. to allow Macedonian parliamentarians to study US Congress’ practices and procedures in overseeing and legislating on U.S. budget matters would be useful in helping them develop a more effective methodology of their own.
  - Members of the Anti-Money Laundering Unit could be sent on study trips to countries with more modern and efficient criminal detection programs. In the United States, the FBI or the IRS could provide this training.
5. **Conferences and Seminars**
  - USAID could sponsor a conference for GOM procurement officials and members of Macedonian business community for the purpose of disseminating information on new procurement procedures. This could be done perhaps under the auspices of the Macedonian Chamber of Commerce.
  - Seminars and training programs could be organized to bring prosecutors, police officers, including the Financial Police, and Anti-Money Laundering staff together for professional development and, perhaps more importantly, allow these Government officials to understand each other’s respective duties and dilemmas.

### ***Drafting of Regulations and Legislation***

USAID could assist with the drafting of the following regulations and legislation:

1. Legislation that is needed to transfer responsibility for the State Audit Office’s budget from the Ministry of Finance to a Parliamentary budgetary commission.

2. The enabling regulations for setting up the Appeals Commission under the Draft Law on Access to Information
3. The new Municipal Statutes for local governments, which could be done in cooperation with ZELS and LGRP.
4. Provide translation services to help translate existing legislation and official documents, including the SAO's audit reports.

### ***Information Technology***

The area of information technology is going to be very important in the future development of Macedonia as a modern economy. There are some functions that are working in a way that satisfies the organization's basic needs for information, but there is considerable room for further improvement and modernization. Furthermore, some of the applications are running on aging hardware and obsolescent software platforms.

1. **Treasury Application** The recent efforts to upgrade the Treasury's Budget and MIS software were not successful, and the need to modernize it and replace it something with greater functionality is more urgent than ever. In addition, the Assessment Team is concerned with the Government's heavy reliance of the local software development contractor, ULTRA. USAID could assist the government in two ways:
  - Assistance with initiating and managing a comprehensive review of the Government's relationship with ULTRA, focusing on mutual obligations under the contract, security and backup of data and the cost of hosting and support services.
  - Writing a comprehensive set of specifications that reflect the Treasury's current and future needs and preparing a proper public tender.
2. **Hardware and Software** A number of different organizations require computer equipment and software
  - The Anti-Money Laundering Unit requires computer hardware and sophisticated software that will monitor and vet suspicious transactions, such as that used by Interpol and the FBI.
  - The State Audit Office needs desktop computers and standard productivity software.
  - The Public Revenue Office requires financing for new hardware and software as well as technical assistance with the development of a new generation of applications to improve the efficiency of the tax collection system.
3. **Procurement Website** USAID could assist with the creation of an Internet website that would contain the law and regulations for bidders, as well as GOM public procurement officials. This secure site should be capable of accepting, time-stamping and confirming bids by email.
4. **Contingent Liabilities** The Ministry of Finance could benefit from software that manages all of the potential contingent liabilities that could pose financial risks to the Government. This simple database application would contain information regarding the potential claimants, amount of the risk, possibility of realization, extinction date and other information necessary to calculate a reserve to be carried on the Government's books.
5. **Personnel Information System** As part of numerous urgently needed reforms to the civil service, it would be highly desirable to have a centralized Personnel Information System that tracks all of the people in the employ of the Government and the posts they occupy. This larger effort that could take a year to complete. It should be possible to accomplish

using local Macedonian consultants with short-term inputs from one or two international consultants.

6. **Public Investment Program** The Ministry of Finance has already developed a comprehensive database of capital investment projects on a sectoral basis. However, it is unclear as to what extent it serves a proper medium-term planning budgeting and cash flow tool. There might be an opportunity for USAID to help in this regard, but further study is required before this can be determined.

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## APPENDICES

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## APPENDIX A

### STATEMENT OF WORK

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#### I. TASKS

A) **Task 1:** The Contractor shall assess the overall situation of public resources management in Macedonia focusing on the institutional capacity of government at all levels to manage its resources and the current and potential sources of vertical and horizontal oversight for this function.

The Contractor shall address the following questions:

- What is the capacity and what are the needs of the State Audit Office?
- What is the capacity and what are the needs of the internal Audit and Control function at the central and local levels?
- What is the capacity of Parliament to develop the budget, review its execution and oversee follow-up of audit recommendations?
- What is the capacity of the MOF to control and account for budget expenditures?
- What integrity does the procurement process have?
- What capacity does the GOM have to investigate and prosecute cases of fraud within the Government?
- What capacity do the budget users have to develop their budgets, articulate their programmatic priorities and cost them out?

B) **Task 2:** Identify what other donors intend to do over in the period 2005 to 2008 in the areas investigated in Task1.

The Contractor will answer the following questions:

- What gaps exist in planned donor assistance?
- Where and how can USAID partner with other donors to leverage its assistance?
- Are there or can there be created any private sector or NGO partners in improving the accountability for public sector management?

C) **Task 3** Recommendations for Follow-On Assistance

Based on the results of the assessment, and building on what has been accomplished and lessons learned, what recommendations can be made for future USAID support in improving the government's capacity to manage public resources?

- Identify the main approaches anticipated to achieve proposed results.

- Recommend Intermediate Results and performance indicators for the results to be achieved.
- Identify the roles Macedonian partners should have in the implementation of the activity, paying particular attention to the receptivity and absorptive capacity of each potential counterpart.
- Present a vision of sustainability and clearly identify how activities can be made more sustainable.
- Identify meaningful changes that USAID can use as targets.
- Identify the avenues for citizen review and input into the management of public resources and recommend ways of increasing the role of civil society, the business community and the media in holding the government accountable.
- Research the legal right of citizens to have access to the information necessary to make an informed decision on the quality of the government's management of public resources and recommend needed changes.

## **II. METHODOLOGY**

An outside assessment team consisting of four expatriate experts with expertise in the areas of budgeting/treasury systems, internal/external government audit, and investigation of complex financial crimes and three Macedonian experts (see section VII below for team skills required) will conduct this assessment.

The assessment team is expected to review existing monitoring and evaluation data collected by implementing partners, primarily BearingPoint. The team will conduct interviews with USAID staff, partners and stakeholders in Macedonia, both governmental and non-governmental (including NGOs, the media and the business community). The contractor will identify and interview government agencies receiving support from both USAID funded programs and other donors as well as non-donor supported local governments, ensuring geographic and ethnic diversity.

USAID Macedonia envisions a highly participatory process with our Macedonian customers and partners to be involved to the maximum extent possible in order to provide direction on the vision for future assistance, and to identify their ongoing role in the implementation, monitoring and evaluation of said assistance. The team will be joined by a person from the MOF, if possible. In any event the team will, through the USAID activity manager, seek input from the MOF on its findings and recommendations. Participation by the MOF may, in certain circumstances, constrain the openness of those interviewed and the frankness of findings critical to the MOF. The Team Leader should be vigilant to this possibility and exercise sound judgment in deciding when participation by the MOF may not be wholly beneficial and take appropriate measures in consultation with the Activity Manager. The assessment team will spend approximately three weeks in Macedonia carrying out this Scope of Work. Before arrival in country the team members shall familiarize themselves with previous and current documentation about the relevant sectors. USAID Macedonia will ensure that this documentation is available to the team prior to their arrival in Macedonia. The literature includes at a minimum:

- USAID/Macedonia Amended Strategic Plan 2001-2006
- BearingPoint Fiscal Project SOW, Task Order and annual reports

- Project description for Public Sector Reform for Financial Management in Line Ministries
- IBTCI Project Description for Development of State Audit Office
- WB Mission Aide Memoire on Public Sector Management Adjustment
- WB September 2002 Country Assistance Strategy
- 2002 BearingPoint Report on Tax Evasion

### **III. QUALIFICATIONS**

#### **Assessment Team Members**

The assessment team should comprise four Expatriate team members, four Macedonian team members, one translator and required administrative/logistic staff. The team will be joined by a staff member from the MOF if USAID can make arrangements for it.

One Expatriate Team Member/Team Leader: Should have at least 10 years experience of relevant experience in budget and treasury systems support programs. Prior experience in conducting assessments of and/or implementing development programs desired. Professional experience in Macedonia or similar transitioning countries is desirable. He/she must be fluent in English and have excellent writing and presentation skills.

Second Expatriate Team Member/Team Leader: Should have at least 10 years experience of relevant experience in anti-corruption work, including civil society oversight. Prior experience in conducting assessments of and/or implementing development programs desired. Professional experience in Macedonia or similar transitioning countries is desirable. He/she must be fluent in English and have excellent writing and presentation skills.

Third Expatriate Team Member: Should have at least 10 years experience in internal and external government audit assistance programs. Prior experience assessing and/or implementing development programs desired. Professional experience in Macedonia or similar transitioning countries is desirable. He/she must be fluent in English and have excellent writing and presentation skills.

Fourth Expatriate Team Member: Should have at least 10 years experience in investigating complex financial crimes (tax evasion, organized crime, bank fraud, money laundering). Prior experience in conducting assessments of and/or implementing development programs desired. Professional experience in Macedonia or similar transitioning countries is desirable. He/she must be fluent in English and have excellent writing and presentation skills.

Four Macedonian Team Members: They should have a very strong understanding of one of the four relevant sectors (Budget/Treasury, Government Audit, Anti-Corruption, including civil society oversight or Financial Crimes investigation). Strong links into the Macedonian business and research community is desirable. Knowledge of donor assistance in the relevant areas desired. They should be fluent in Macedonian and have very good written and spoken English.

All team members should understand that they will be meeting with high level officials in the GOM. They must have the requisite diplomatic skills and should carefully take into account the priorities for assistance as identified by the Macedonians.

Logistics/Administrative Staff: One translator for the translation of important studies in Macedonian on the relevant government sector may also be required. In addition, a logistics person to organize and coordinate meetings, make hotel reservations, organize transportation, etc. may be required.

#### **IV. SCHEDULE AND LOGISTICS**

The assessment should commence as soon as practicable. The Expatriate Team Members should arrive in Skopje, Macedonia and be prepared to begin work no later than the end of February.

USAID Macedonia will provide the team with input and guidance in setting up a schedule of interviews and site visits, but the responsibility for the schedule resides with the Contractor. The schedule should be defined as much as possible before the Expatriate Team Members arrival in country and should be finalized as soon as possible after the full Team is assembled in Macedonia. The draft schedule should be ready for review and discussion at the initial team planning meeting with USAID which should take place within three days of the team's arrival in Macedonia.

Prior to fieldwork commencement, the U.S. team members will review background program documents to gain better understanding of the situation in Macedonia and activities supporting the development of public sector management.

The Expatriate Team Members will spend three weeks in Macedonia. The Contractor will interview key USAID and Project staff; local government bodies that have received USAID assistance, representatives of other donor organizations providing assistance to the local government sector, researchers who have conducted research on local government issues in Macedonia, and other program stakeholders. The following is an illustrative list of those to be interviewed by the team:

- Relevant USAID staff
- Central Government Officials (Ministries of: Local Self-Government, Finance, PRO, Customs, Ministry of Interior, State Audit Office etc)
- Relevant USAID Projects (Local Government Reform, Court Reform, WTO accession, Financial Sector Strengthening, Fiscal Reform, etc.)
- Other Donors providing assistance to public sector reform (EAR, World Bank, Dutch Government, British Know-How Fund, EU, ect.)
- Think tanks, academicians and other research institutions
- NGOs, businesses, business associations and media with a history of critical oversight of government

The Contractor is encouraged to identify and visit additional Macedonian organizations and groups both formal and informal, based on its review of materials and its determination of where useful examples might be found.

An initial team planning meeting will be held with USAID no later than the third day the team is in country. The goal of this meeting is to establish clear expectations about the outcomes of the assessment and go over the goals, schedule and methodology of the assessment. The assessment team will be required to meet with USAID Macedonia at the end of their second week in country to brief USAID orally on their progress and findings to date. Three days prior to departure, the team will be required to submit a draft of the assessment report for discussion and comment. The team will also be required to debrief USAID orally on the key findings and recommendations prior to its departure from country. USAID/Macedonia will provide oral comments at the debriefing, and may follow up with written comments after the team members return to the United States. USAID will provide the Contractor with final comments within 10 working days of the draft assessment report's submission. The Contractor shall incorporate all comments and submit a final report within 5 working days of receiving USAID's final comments. The USAID Macedonia Cognizant Technical Officer (CTO) will be responsible for review and approval of the final assessment report. The report belongs to USAID not the consultants or Contractor and use of any material in the report is expressly prohibited.

## **V. DELIVERABLES**

The team will prepare in the field a draft assessment report. The following sections shall be included in the report:

- An Executive Summary — (3- 5 pages) a document containing a clear, concise summary of the most critical elements of the report, including the recommendations.
- A Table of Contents.
- An Assessment Report (no more than 40 pages), which discusses the major findings and the related issues and questions raised in Section IV. In discussing these findings, the assessment shall also address the following:
  - Briefly stated conclusions drawn from the findings (including lessons learned); and recommendations based on the assessment's findings and conclusions.
  - The recommendations for follow-on assistance as provided in Task 3.
  - Assessment Report Appendices, including:
    - Team composition and study methods (1 page maximum);
    - A list of documents consulted, and of individuals and agencies contacted; and
    - More detailed discussions of methodological or technical issues as appropriate.

The Contractor shall be responsible for providing the final deliverable to USAID/ Macedonia on a diskette (in Microsoft Word 97) and in hard copy. The Contractor shall provide 3 copies to PPC/CDIE/DI in accordance with normal AID/W requirements.

## **VI. PROPOSED LEVEL OF EFFORT**

### Expatriate Experts

3 days in the U.S. for preparation  
15 days fieldwork in Macedonia  
3 days follow up and report preparation  
2 days of travel  
=23 days total

### Macedonian Experts

10 days preparation in Macedonia  
15 days fieldwork  
3 days follow up and report preparation  
28 days total

### Translator

15 days fieldwork in Macedonia  
= 15 days total

### Logistics/Administrative

10 days preparation in Macedonia  
15 days fieldwork in Macedonia  
3 days follow up  
28 days total

A six-day workweek is authorized.

## **VII. SPECIAL PROVISIONS**

### Duty Post

Skopje, Macedonia

### Access to Classified Information

The Contractor shall not have access to any Government classified material.

### Logistical Support

The Contractor is responsible for providing all logistical support. Office space shall not be provided by USAID. The Contractor will be responsible for providing office supplies,

equipment, computers, copiers, printers, etc. Translation services and vehicle rentals are the responsibility of the contractor.

Supervision

The team will work under the direct supervision of the USAID/Macedonia Cognizant Technical Officer (CTO). The CTO will be under the general direction and coordination of the USAID Macedonia SO 1.3 Team Leader.

Performance Period

The Assessment will be carried out during a three week period beginning on or about February 15, 2004.

## APPENDIX B

### PERSONS INTERVIEWED

<b>USAID Skopje</b>			
#	Name	Position	Date
1	Geoffrey Minott	Private Sector Advisor	8-Mar-2004
2	Stephen Gonyea	Economic Growth Officer	8-Mar-2004
<b>Bearing Point (USAID/Fiscal Reform Project)</b>			
1	Lester Sweeting	Chief of Party	8-Mar-2004
2	Mark Silins	Treasury Advisor MOF	10-Mar-2004
3	Dean Browne	Budget Advisor MOF	10-Mar-2004
4	Tamara Dimovska	Lawyer	15-Mar-2004
5	Peter Moore	IT Advisor	25-Mar-2004
<b>PAI/PEI (DFID/Support for Public Administration Reform)</b>			
1	David Falcon	Team Leader	10-Mar-2004
2	Michal Ben-Gera	Lead Consultant	10-Mar-2004
3	Magdalena Shaldeva	Local Consultant	10-Mar-2004
<b>State Audit Office</b>			
1	Blagoja Ilievski	Deputy State Auditor	11-Mar-2004
2	Tanka Blazevska	Assistant General State Auditor	11-Mar-2004
<b>City of Skopje</b>			
1	Krste Andonovski	Secretary of Financial Department	11-Mar-2004
<b>Member of Parliament</b>			
1	Nikola Gruevski	Former Head of Finance and Budget Commission in Parliament	11-Mar-2004
<b>Financial Police</b>			
1	Zdravko Vasilevski	Coordinator	12-Mar-2004
<b>State Anti-Corruption Commission</b>			
1	Mihajlo Manevski	Public prosecutor	12-Mar-2004
<b>OSCE</b>			
1	Michael Larker	Rule of Law Officer	13-Mar-2004
<b>Ministry of Finance</b>			
1	Trajko Spasovski	Internal Audit	15-Mar-2004
2	Toni Dimovski	Head of Budget	16-Mar-2004
3	Vukica Saveska	Head of Local Government Budget	16-Mar-2004
4	Dimitar Todevski	State Advisor	16-Mar-2004
5	Marija Kostovska	Training Advisor	16-Mar-2004
6	Ljubinka Miteva	Advisor in Budget Department	16-Mar-2004
7	Mende Micevski	Head of Treasury Department	19-Mar-2004
<b>National Democratic Institute</b>			
1	Elvis Zutic	Parliamentary Program Director	15-Mar-2004

<b>International Monetary Fund</b>			
1	Kevin Ross	Resident Representative	15-Mar-2004
<b>Central Bank</b>			
1	Vanco Kargov	Vice Governor; Former State Secretary of MOF	16-Mar-2004
<b>European Agency for Reconstruction</b>			
1	Elizabeta Georgieva	Task Manager - Enterprises	16-Mar-2004
<b>World Bank</b>			
1	Evgenij Najdov	Research Analyst	16-Mar-2004
<b>DAI (USAID/Local Government Reform Project)</b>			
1	William Althaus	Chief of Party	17-Mar-2004
2	Liljana Ristevska	Policy Director	17-Mar-2004
<b>Public Revenue Office</b>			
1	Petra Miteva	General Director	17-Mar-2004
2	Marija Leova Dimeska	Assistant Director Operational Policy and Education	17-Mar-2004
3	Vesna Levkova Damjanovska	Head of ICT Department	17-Mar-2004
<b>Booz Allen &amp; Hamilton (WTO/Compliance Activity)</b>			
1	Gordana Toseva	Senior Legal Advisor	17-Mar-2004
<b>Economic Chamber</b>			
1	Aco Spasovski	Secretary of Economic Chamber	18-Mar-2004
2	Pavlina Karaeva	Economic Policy Advisor	18-Mar-2004
3	Slobodanka Kuzmanovska	Assistant General Director OHIS	18-Mar-2004
<b>Royal Dutch Embassy</b>			
1	Evert Jan van Vrouwerff	Financial Attache	18-Mar-2004
2	Arlinda Abazi	Senior Financial Advisor	18-Mar-2004
<b>UNDP</b>			
1	Zoran Velickov	ICT Support to Municipalities	18-Mar-2004
2	Zoran Janevski	Local e-governance	18-Mar-2004
<b>Transparency International - Macedonia</b>			
1	Zoran Jacev	President	19-Mar-2004
<b>IBTCI (World Bank/State Audit Development Project)</b>			
1	James Bonnell	Team Leader	24-Mar-2004
<b>Customs Administration</b>			
1	Zlatko Veterovski	Advisor to the Director General	24-Mar-2004
<b>Lobi Weekly (Albanian Language Weekly)</b>			
1	Iso Rus	Journalist and Editor	24-Mar-2004

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## APPENDIX C

### DOCUMENTS REVIEWED

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**Stabilization and Association Report**

European Commission  
March 31, 2003

**First Annual Report**

USAID/Macedonia Fiscal Reform Project  
Bearing Point  
November 1, 2002

**First Annual Report**

USAID/Macedonia Fiscal Reform Project  
Bearing Point  
November 1, 2003

**Memorandum on Budget Priorities**

Bearing Point  
November 14, 2003

**Memorandum: Response to the IMF Aide Memoire June 2003**

Bearing Point  
January 7, 2003

**International Standards for the Professional Practice of Internal Audit**

Institute of Internal Auditors  
(Translation by the Ministry of Finance)  
June 17, 2000

**Plan of Acts in Authority of the Ministry of Finance That Should be Adopted by the GRM in 2004**

Ministry of Finance  
January 1, 2003  
December 2003

**Terms of Reference - Technical Assistance to Support the Development of the State Audit Office**

World Bank  
Undated

**Memorandum: Priorities for 2004**

Bearing Point  
December 18, 2003

**Quarterly Progress Report to the Ministry of Finance**

Macedonia State Audit Office Development Project

IBTCI (World Bank)

December 31, 2003

**Ministry of Finance and National Bank**

Strategy for Development of Government Securities Market

June 1, 2003

June 2003

**Public Sector Management Adjustment Loan Preparation**

Administration Reform Activities Supervision

World Bank

July 12, 2003

**Evaluation of the Local Government Reform Project in Macedonia**

Development Associates, Inc.

January 1, 2002

May 2002

**Memorandum: Budget Priorities**

Bearing Point

August 14, 2003

**Memorandum: Financial Reform Priorities for 2004**

Bearing Point

November 17, 2003

**Aide Memoire (Draft)**

**Further Development of the Public Expenditure Management System**

International Monetary Fund

June 1, 2003

June 2003

**FYRM Country Financial Accountability Assessment (Draft)**

World Bank

July 1, 2003

July 2003

**Treasury System of the Ministry of Finance of the FRM**

Bearing Point

2002

**Budget System Reform in Transitional Economies: The Case of the Former Yugoslav Republics**

IMF Working Papers

December 1, 2003

December 2003

**Project Proposal: Financial Management and Budget Process Reform**

Government of the Netherlands (administered through the World Bank)

June 1, 2003

June 2003

**Cards Assistance Programme - Former Yugoslav Republic of Macedonia 2002-2006**

European Commission

2002

**Multi-Annual Indicative Programme (MIP) 2002-2004**

European Commission

2002

**CARDS Regional Annual Action Programme Financing Report**

European Commission

May 21, 2003

**Tax Evasion, Identification & Prosecution**

Creation of the Financial Police

KPMG (USAID)

2002

**Action Plan for the Implementation of the Recommendations from the Stabilisation and Association Report of the European Commission for the Republic of Macedonia - 2003**

GRM Sector for European Integration

June 1, 2003

June 2003

**Draft Terms of Reference for Internal Audit Training FYRM**

Dutch Trust Fund Credit

June 18, 2003

**Progress Report for the Dutch Grant for Strengthening Public Sector Performance in Macedonia**

Dutch Trust Fund Credit

December 31, 2003

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## APPENDIX D

### ORGANIZATIONAL LINKS

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<b>Government of Macedonia</b>
<b>Government of Macedonia Portal (GOM)</b>
<a href="http://www.gov.mk/English/">http://www.gov.mk/English/</a>
<b>Ministry of the Interior (MOI)</b>
<a href="http://www.moi.gov.mk/en/DesktopDefault.aspx">http://www.moi.gov.mk/en/DesktopDefault.aspx</a>
<b>Ministry of Finance (MOF)</b>
<a href="http://www.finance.gov.mk/gb/index.html">http://www.finance.gov.mk/gb/index.html</a>
<b>State Audit Office (SAO)</b>
<a href="http://dzt.gov.mk/default.htm">http://dzt.gov.mk/default.htm</a>
(Macedonian Language Only)
<b>Bilateral and Multilateral Organizations</b>
<b>European Agency for Reconstruction - Macedonia (EAR)</b>
<a href="http://www.ear.eu.int/macedonia/macedonia.htm">http://www.ear.eu.int/macedonia/macedonia.htm</a>
The European Agency for Reconstruction, which established an operational centre in Skopje in March 2002, is responsible for the management of the main EU assistance programmes in the former Yugoslav Republic of Macedonia. It was given responsibility for €3 million of EC assistance funds in FYR Macedonia in 2003, and now manages a cumulative total portfolio of some €19 million in different projects and programmes across the country.
<b>Delegation of the European Commission to the Former Yugoslav Republic of Macedonia</b>
<a href="http://www.delmkd.cec.eu.int/en">http://www.delmkd.cec.eu.int/en</a>
<b>UNDP office in Macedonia</b>
<a href="http://www.undp.org.mk/">http://www.undp.org.mk/</a>
<b>The World Bank office in Macedonia</b>
<a href="http://www.worldbank.org.mk/">http://www.worldbank.org.mk/</a>
<b>Audit and Anti-Corruption</b>
<b>The Egmont Group</b>
<a href="http://www.egmontgroup.org/">http://www.egmontgroup.org/</a>

A group of Financial Intelligence Units from 84 countries that exchange information and share expertise on money laundering
<b>European Organisation of Supreme Audit Institutions (EUROSAI)</b>
<a href="http://www.eurosai.org/">http://www.eurosai.org/</a>
A group of 45 Supreme External Control Institutions on the European continent. that promotes cooperation among SAI members, exchange of information promotes the teaching and study of public audit, and ensures standardization of terminology in the field of public audit.
<b>European Court of Auditors (ECA)</b>
<a href="http://www.eca.eu.int/index_en.htm">http://www.eca.eu.int/index_en.htm</a>
The mission of the European Court of Auditors is to audit independently the collection and spending of European Union funds and, through this, to assess the way that the European institutions discharge these functions.
<b>Financial Crimes Enforcement Network</b>
<a href="http://www.fincen.gov/">http://www.fincen.gov/</a>
A US Dept of the Treasury effort to provide informational and analytical support for law enforcement in connection with the Bank Secrecy Act
<b>International Organization of Supreme Audit Institutions (INTOSAI)</b>
<a href="http://www.intosai.org">http://www.intosai.org</a>
A Vienna-based professional organization of supreme audit institutions (SAI) in 170 countries, publisher of <u>Auditing Standards</u> and <u>Guidelines for Internal Control Standards</u> .
<b>RESPONDANET</b>
<b>Anti-Corruption Without Borders</b>
<a href="http://www.respondanet.com/english/index.htm">http://www.respondanet.com/english/index.htm</a>
RESPONDANET, founded under a USAID project, calls itself "the most complete information about worldwide anti-corruption efforts ."
<b>Transparency International - Macedonia</b>
<a href="http://www.transparency.org.mk">http://www.transparency.org.mk</a>
<b>NGOs</b>
<b>National Democratic Institute (NDI)</b>
<a href="http://www.ndi.org/">http://www.ndi.org/</a>
A nonprofit organization working to strengthen and expand democracy worldwide
<b>WorldAudit</b>
<a href="http://www.worldaudit.org/">http://www.worldaudit.org/</a>

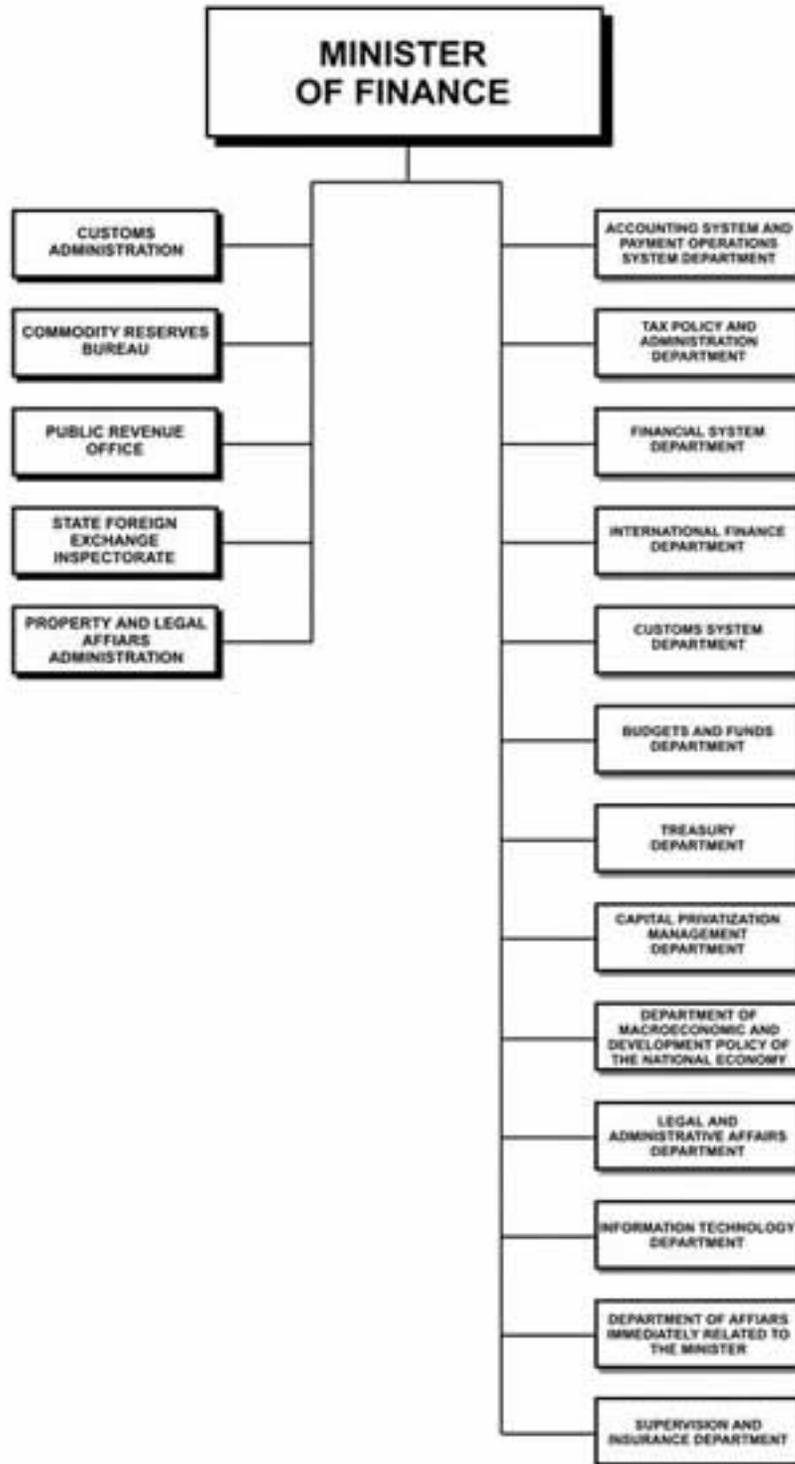
The primary objective of WorldAudit is to educate and inform on democracy, human rights, press freedom, corruption and the rule of law.
<b>Programs and Projects</b>
<b>Community Assistance for Reconstruction, Development and Stabilisation (CARDS)</b>
<a href="http://europa.eu.int/comm/europeaid/projects/cards/index_en.htm">http://europa.eu.int/comm/europeaid/projects/cards/index_en.htm</a>
An EU program to support the participation of the countries of the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, Serbia, Montenegro and the former Yugoslav Republic of Macedonia) in the Stabilisation and Association Process
<b>Local Government Reform Project (USAID/DAI) (LGRP)</b>
<a href="http://www.lgrponline.com/">http://www.lgrponline.com/</a>
The Macedonia Local Government Reform Project (LGRP) is helping Macedonia develop more effective, responsive and accountable local government. The Project's technical assistance and activities are divided into four major components: Policy Reform, Citizen Participation, Municipal Management and Association Development.
<b>Support for Improvement in Governance and Management (SIGMA)</b>
<a href="http://www.sigmaweb.org/">http://www.sigmaweb.org/</a>
A joint initiative of the EU and the OECD to assist partner governments in Central and Eastern Europe in modernising their public management systems SIGMA is active in anticorruption and has working groups on audit manuals and internal control systems.
<b>MOF Treasury Financial Management Software Firms</b>
<b>b4b</b>
<a href="http://www.b4b.hr">www.b4b.hr</a>
Business for Business, a Croatian IT consulting company
<b>ComTrade</b>
<a href="http://www.comtrade.com.mk">www.comtrade.com.mk</a>
A local firm in Skopje specializing in computer hardware
<b>SAP</b>
<a href="http://www.sap.com">www.sap.com</a>
A German provider of Enterprise Resource Planning (ERP) software
<b>ULTRA</b>
<a href="http://www.ultra.com.mk">www.ultra.com.mk</a>
A local IT solutions provider in Skopje

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## APPENDIX E

# MINISTRY OF FINANCE ORGANIZATION CHART

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## **APPENDIX F**

# **STABILIZATION AND ASSOCIATION PROGRAM PRIORITIES**

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Every year the Government publishes a document that describes the current political and economic situation in the country and reports on progress regarding the Stabilization and Association Process that is fulfilling the conditions for EU accession.

Accompanying this document is a list of tasks that the government has established in order to move the Stabilization and Association Process forward. These are presented in spreadsheet form and are organized according to 36 different prioritized recommendations. Each task lists an implementing agency and one or more donors who have committed resources or who might be receptive towards funding these items. Many tasks are currently without any identified sources of financing.

The Assessment Team converted the spreadsheet into a relational database format that allowed them to sort the tasks by donor. They also assigned a theme or subject to each task, and sorted them accordingly. Both of the reports that appear below shed some light into the nature of the government's priorities and the status of their funding.

The following reports appear below:

1. Stabilization and Association Process by Topic
2. Stabilization and Association Process by Donor

## *Stabilization and Association Process by Topic*

### *Concept Anticorruption*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Enactment of a Strategy for the fight against corruption of the GRM lili	GRM and other bodies designated in the Strategy	April 2003	
Enactment of a National Programme for prevention and repression of corruption.	State Commission for the Fight against Corruption and bodies designated in the National	June 2003	Council of Europe, OSCE, SOROS
Enactment of a Law on the Financing of Political Parties	MJ	End of 2003	
The establishment of a programme fo fight against the grey economy - Raising the public awareness	ME, MF, MLSP, MC	March 2004 November 2003	

### *Concept Audit and Control*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Strengthening inspection and supervision, the status and role of the state audit and the independence of the authorised state auditor in the enforcement of anti-corruption measures	MF,NAO	On-going	WB
Enactment of a new law on state inspection	ME, MH, MAFWM, MLSP	January 2004	
Strengthening the capacities of the inspection services and training for the enforcement of the new regulations	ME, MH, MAFWM, MLSP, MC	On-going	
Enactment of a new law on public procurement	MF	November 2003	CARDS, SIGMA
Establishment of an independent body for enforcement of the law on public procurement	MF	March 2004	CARDS

## *SAP by Topic*

### *Concept Budgetary Reform*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Reform of public expenditures management PSAL (a)	MF, MLSP, PIIF, MH, HF, NEO,DR	According to the Matrix (agreed with the WB)	WB
Strengthening the Budget Unit and the MF Unit for salaries		On-going	
Realisation of the project for registering the obligations of the beneficiaries and the individual beneficiaries of the Budget		September 2003	
Introducing control mechanisms regarding the take-over of commitments by the budget beneficiaries lil		April 2003	
Direct on-line connection with budget beneficiaries		December 2005	

### *Concept Census*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Re-activation of the State Census Commission lil	GRM	May 2003	
Realisation of the activity plan of the high-expert group for the final phase of international monitoring of the census	SSO		PHARE
- Planning of activities for the final stages of the census ll		May 2003	CARDS, USAID
- Input and checking of data		September 2003	
- Announcement of the final results according to certain characteristics		November 2003	

### *Concept Civil Service*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Amendments to the Law on Civil Servants	MJ,CSA	June 2003	

## *SAP by Topic*

### *Concept Civil Service*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Support of the implementation of the public service system established by the Law on Civil Servants on local level	CSA	On-going	UNDP and bilateral donors
Establishment of a training centre for civil servants	Minister-coordinator, MLSG, coordination body, MF, bodies designated in AP, MC, CSA, (in cooperation with the donor	March 2004	CARDS, UNDP
Amendments to the Law on Civil Servants: Agency control & grading system.	ARM, CSA	December 2003	DFID
Establishing a system of prior control for securing the consistent application of the employment procedure	CSA,MF	July 2003	
Preparation of documents for training of civil servants and coordination mechanism	CSA, GRM, ARM, courts, other state bodies, relevant institutions	December 2003	DFID
Analysis of the organisational structure and available human resources	GRM-SEI, CSA	September 2003	
Increasing the number of employees with appropriate qualifications in ME, MAFWM, MI, MEPP, MJ, MF, MC, SSO, GRM-SEI, MFA,	GRM-SEI, MF, authorized ministries, LS, ARM, NSO	June 2004	
Enactment of an Operational Plan for the training of civil servants 2003-2004	SEI, CSA, MFA	June 2003	
Internships of civil servants in the European Commission	GRM, in cooperation with the EC	March 2004	
Internships in the European Parliament	ARM in cooperation with the EP and national parliaments	March 2004	
Internships in Candidate Countries	GRM, ministries	March 2004	

## *SAP by Topic*

### *Concept Civil Society*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Amendments to the Law on Citizens' Associations and Foundations	MJ,MC	July 2003	
Introduction of tax reductions for citizens associations	MF	November 2003	CARDS, USAID, SOROS
Enactment of a strategy for the development of a civil society and NGOs	GRM	January 2004	USAID, CARDS
Enactment of a programme for cooperation with NGOs	GRM	January 2004	CARDS 2002
Establishment of a GRM office for cooperation with the non-governmental sector	GRM-GS	March 2004	CARDS
Establishment of a centre for support of NGOs	GRM in cooperation with NGO's	January 2004	CARDS
Passing a Decision for the support of NGOs	GRM	July 2003	
- Implementation	GRM, ARM	On-going	

### *Concept Decentralization/Local Government*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Enforcement of the Operational Programme for Decentralisation	Minister-coordinator, MLSG, MF, coordination body, bodies included in the Programme	Anticipated in the Programme	Bilateral donors, EU, USAID, OSCE, UNDP
Realisation of the Operational Programme for Decentralisation	Minister-coordinator, MLSG, coordination body, MF, subjects designated in the AP, MC (in cooperation with the donor	Anticipated in the Programme	
Establishing a central mechanism for coordination of the decentralisation process IV		March 2003	

## *SAP by Topic*

### *Concept Decentralization/Local Government*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Development of partnership with the units of the local self-government in accordance with the signed Memorandum for cooperation between the GRM and the AULSG		On-going	GTZ
Enactment of a new Law on the Ombudsman establishing regional offices and strengthening the position of the Ombudsman	MJ	July 2003	Bilateral Donors OSCE, Council of Europe
Establishment and operation of the regional offices	MJ,00	April 2004	Bilateral Donors, OSCE
Enactment of a new law on financing of the local self-government	MF	According to the OPD	USAID

### *Concept Defense and Security*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Enactment of a National concept document for security and defence	MD, MI, MFA	May 2003	
Increasing the number of the members of the communities employed in the Army of the RM - employment of 582 members of the Albanian community	MD	December 2003	
Continuation of the training of the newly employed members of the security forces	MI	On-going	OSCE
Take-over of the line security by MI from MD	MI,MD	In stages up to 2005	CARDS 2000
Enactment of a law on the fight against terrorism	MI,MJ	Up to the end of 2004	

### *Concept Economic Policy*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Enforcement of the Memorandum on Economic and Financial Policies supported by a stand-by arrangement laid down by the	MF,NBM	According to the Matrix	

## *SAP by Topic*

### *Concept Education and Training*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Law on elementary education l\l	MES	June 2003	
Law on secondary education lil			
Enactment of a Law on Culture	MC	June 2003	
Legal regulation of the status of the Centre for Continuing Education of the Judges and Public Prosecutors	MJ	January 2004	CARDS, USAID
Resolution for awarding scholarships for post-graduate European studies and concluding contracts for employment in public	GRM	July 2003	

### *Concept Employment/Job Creation*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Enactment of a programme for job creation	MLSP	December 2004	CARDS

### *Concept EU Integration*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Establishing a Working group for coordination/harmonization with the EU policies injustice and home affairs.	GRM	July 2003	CARDS
Introduction of a National Strategy for integration of RM into the EU	GRM-SEI	December 2003	DFID-PAI
Changes in the composition of and intensifying the work of the Working Committee for European Integration 111	GRM	March 2003	

## *SAP by Topic*

### *Concept EU Integration*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Intensifying the work of the working groups for approximation to EU legislation by screening chapters	GRM	June 2003	
Enactment of a National Programme for Approximation of Legislation for 2003 lil	GRM	April 2003	
Introducing a monitoring mechanism for enforcement of the Programme lil	GRM	April 2003	
Submission of quarterly reports	GRM-SEI and the ministries	Every three months	
Introduction of IT support to the process of the Approximation of Legislation lil	GRM-SEI	April 2003	DFID-PAI
Advancement of the procedures for the translation of EU legislation	GRM-SEI	June 2003	
Translation of 10.000 pages of EU legislation	GRM-SEI	March 2004	CARDS
Issuing an on-line dictionary on EU legislation terminology	GRM-SEI	July 2003	
the Mission in Brussels, Legislation Secretariat and the Parliamentary Service in the organisational Units that deal with SAA			
Amendments to the Rules of Procedure of the GRM	GRM	June 2003	DFID-PAI
- Introducing a mandatory statement of compliance with EU legislation			
Creating capacity within the Legislation Secretariat for the enforcement of the new provisions from the Law on GRM that oblige the LS to check compatibility of the acts with the whole EU legislation	LS	March 2004	
Amendments to Rules of Procedure of the Parliament	ARM	October 2003	
Passing a Parliamentary Resolution for a Commission on European Affairs /i/	ARM	April 2003	

## *SAP by Topic*

### *Concept EU Integration*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Establishment and the commence of the work of the Parliamentary Commission for European Affairs	ARM	July 2003	
Enforcement of the Action Plan for realisation of EU Blueprints	MF-CO	On-going up to April 2005	CARDS
Enactment of an action plan for the approximation of the visa regime with the EC, that especially anticipates:	MFA, MI	December 2003	
New law on asylum with the implementation of EU standards	MI	October 2003	CARDS 2002-2003, UNHCR
Passing of by-laws	MI	April 2004	

### *Concept Framework Agreement*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Enforcement of the Implementation Plan for the Framework Agreement	Minister-coordinator, MLSG, DPMGRM, bodies anticipated in the AP	Anticipated in the Plan	Bilateral donors

### *Concept Freedom of the Press*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Amendments to the Law on Broadcasting aiming at the independence of the broadcasting system, political independence of the regulatory body, protection of copyright on broadcast television and cable networks, new types of regional of broadcasting operators	MTC, MC	October 2003	PS, OSCE, CARDS regional

### *Concept Human Rights*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Strengthening the cooperation with the civil sector	GRM, MI, MJ	On-going	CARDS 2002, 2003

## *SAP by Topic*

### *Concept Human Rights*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Establishment of a legal framework and implementation of provisions, according to the European Convention on Human Rights	MJ	On-going	
Enactment of a new law on personal data protection	MI	December 2003	CARDS
Establishment of an independent body for enforcement of the Law on personal data protection	GRM	March 2004	

### *Concept Immigration/Emigration*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Finalisation of the process of returning the IDP	Minister-coordinator, MD, MI, MLSP, ME, MAFWEM (in cooperation with the donor community)	May 2004	Bilateral donors, EU, UNHCR
Introduction of a strategy for integrated border management	MI in cooperation with authorised ministries	October 2003	CARDS 2000
Enactment of an Action Plan for the implementation of the Strategy	MI in cooperation with authorised ministries	December 2003	CARDS 2001
Implementation initiation of the Action Plan (capacity-building, training, equipment)	MI in cooperation with authorised ministries	January 2003	CARDS 2001
Consolidation of the coordination mechanism for integrated border management	GRM, authorised ministries	June 2003	CARDS
Changes in the negative list of countries that need a visa for entry into the RM	MFA	December 2003	
Abolition of issuing visas at the border crossings according to the EU standards I\l	MFA	January 2003	
Introduction of a new sticker for visas that meets EU requirements	MI	Up to the end of 2004	

## *SAP by Topic*

### *Concept Immigration/Emigration*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
- Introducing reliable statistics for issued visas, especially refused applicants list			
- Establishment of a central database and network interfacing of MI with the border crossings, providing an IT connection between the consular representative offices and the MFA		Up to the end of 2004	CARDS
- Simplification and improvement of the procedures for issuing visas		Up to the end of 2004	
- Strengthening the prior control and checks on visa applications		On-going up to the end of 2004	
Enactment of a new law on the movement and residence of aliens	MI	Up to the end of 2004	
Enactment of a national action plan on migration and asylum	MI	December 2002	PS - Initiative for migration and asylum, RDS, CA
Strengthening the institution capacity of the Unit for Migration and Asylum	MI	On-going	CARDS
Incorporation of the issues of asylum into integrated border management	MI, coordination body for IBM	Up to the end of 2005	
Providing conditions for the acceptance and temporary accommodation of asylum applicants	MLSP, MI, MF	December 2004	
Establishment of an independent second-instance appeal authority	GRM		

### *Concept Information Technology*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Realisation of the strategy for IT support for the judiciary	MJ	December 2004	CARDS 2001
Finalisation of the project for computerisation of the judiciary			

## *SAP by Topic*

### *Concept Information Technology*

#### *Activity*

Direct on-line connection of the NAO with the treasury in the MF and the computer databases for financial and accounting data of budget beneficiaries and individual beneficiaries

#### *GOM*

MF, NAO, MES

#### *Start Date*

When it will be technically possible

#### *Donor*

### *Concept Institutional Strengthening*

#### *Activity*

Enhancing the institution capacity of the CSA

#### *GOM*

CSA

#### *Start Date*

On-going

#### *Donor*

DFID and bilateral donors

Strengthening the institution capacity of the law enforcement institutions and of the judiciary

GRM

On-going

CARDS, USAID, SOROS

Introduction of a mechanism for monitoring the proceedings of administrative bodies according to the recommendations of the Ombudsman and the establishment of responsibility for inappropriate proceedings

GRM

September 2003

Increase staff at the NAO, continuing education of the authorised state auditors, introduction of mechanisms and legal basis for an independent budget for the state audit and establishment of constitutional grounds for securing the independence and autonomy

NAO, MF, MJ, ARM

On-going

Launching a web-page

GRM-SEI

July 2003

UNDP

- Strengthening the institution capacity, intensifying the existing training

On-going

- Strengthening of the institutional capacities of public administration, public prosecutors and the courts

November 2003

- Provision of adequate equipment. Strengthening of international and regional cooperation

Provision of the necessary conditions for the work of the independent body

GRM,MF

March 2004

## ***SAP by Topic***

### ***Judicial Strengthening***

<b><i>Concept</i></b>	<b><i>Activity</i></b>	<b><i>GOM</i></b>	<b><i>Start Date</i></b>	<b><i>Donor</i></b>
	Amendments to the Criminal Code, Law on Criminal Procedure and the Law on Public Prosecutor's Office	MJ	September 2003	
	Interfacing of the judiciary with the other justice institutions and the police		December 2004	
	Introducing a legal obligation for 2% of the independent Court budget for training of judges and prosecutors	MJ	January 2004	
	Introduction of a programme for the continuing education of judges about the EU	Centre for continuing education of judges and public prosecutors	February 2004	CARDS
	Changes in the provisions of the Constitution of the RM in order to enhance the independence of the judiciary	MJ	December 2003	
	- Amendments of the relevant laws	Relevant ministries	March-April 2004	
	Enactment of a Law on an Independent Court Budget	MJ,MF	September 2003	
	- Initiation with the application of the Law on the Independent Court Budget	MJ,MF	January 2004	

### ***Concept Labor Relations***

<b><i>Concept</i></b>	<b><i>Activity</i></b>	<b><i>GOM</i></b>	<b><i>Start Date</i></b>	<b><i>Donor</i></b>
	Enactment of a Law on Labour Relations	MLSP	June 2003	
	Provision of working conditions (premis, equipment, staff) laid down by the Institute for Standardisation and Accreditation and the Metrology Office	ME, MF, IS, IA, MO	September 2003	CARDS

***SAP by Topic***

***Concept***

***Law Enforcement***

***Activity***

***GOM***

***Start Date***

***Donor***

Enactment of a strategy for police reform	MI	July 2003	CARDS
Enactment of a law regarding the Police Academy l\l	MI	June 2003	CARDS 2003
Establishment of a Police Academy	MI	October 2003	CARDS 2003
Finalisation of the training of the last group from the totally planned 1116 members of the communities	MI	August 2003	
Enactment of a Law on the Voluntary Hand-over and Collection of Fire Arms, Munitions and Explosive Materials and the legalisation of weapons lil	MI	May 2003	
- Law enforcement	MI	December 2003	
Amendments to the Criminal Code (increasing the penalties for the illegal trade of weapons)	MI, MJ, MC	June 2003	
- Three priority police stations: Matejce, Aracinovo and Tearce	MI	April 2003 June 2004	Bilateral Donors
Finalisation of the projects and completion of construction work			
Dismantling of the former police forces which displayed paramilitary behaviour l\l	MI		
Training of officials who enforce the law on human rights issues (with OSCE, CE)	MJ,MI	December 2003	OSCE
Enactment of a strategy for the prevention of and fight against organised crime	MI	October 2003	CARDS

## *SAP by Topic*

### *Concept Law Enforcement*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Enactment of an action plan for the prevention of and fight against organised crime, that anticipates the:  - Creation of an appropriate institution framework for the efficient monitoring, implementation and enforcement of the legislation			
Amending Article 17 of the Constitution of the RM (legalisation of special investigation techniques)	GRM, ARM	September 2003	
Enactment of a Law on special investigation techniques	MI	January 2004	
Enactment of a national plan for the fight against drugs	National Commission for the Fight Against Drugs	October 2003	CARDS 2001, 2002
Intensification of the activities of the State Commission for the Fight against Drugs	GRM	June 2003	
Providing institution support for the work of the Commission	GRM	September 2003	

### *Concept Political Representation*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Regular dialogue between the political parties represented in Parliament	PrRM, ARM, GRM	On-going	
Enactment of a programme for equitable representation of members of communities	Ministerial committee, coordination body for appropriate and equitable representation	July 2003	
-Activities for improving the appropriate and equitable representation of the communities in the public administration and public enterprises - document passed by the Government HI		April 2003	
Improving the representation of all members of communities in the public administration (582 in the army, 1116 in the police force).	MI, MD, MF	December 2003	

## *SAP by Topic*

### *Concept Private Sector*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Amendments to the law on the prevention of competition limitations	ME	December 2003	CARDS, USAID
Functioning of the independent Monopolies Commission	ME	September 2003	GTZ
Enactment of law on state aid I	ME	March 2003	GTZ
Formation of a State Aid Commission	gRM	July 2003	
Resolutions for establishing an Institute for Standardisation and an Institute for Accreditation I\I	GRM	February-March 2003	
Strengthening the capacities of the newly-formed institutions (IS, I A, MO)	ME, MF, SI, AI, MO	On-going	CARDS
The establishment of an Action Plan for the transposition of the directives from the new approach (technical regulations)	GRM-SEI, ME, SI, AI, MO	December 2003	GTZ
Enactment of a new law on consumer protection	ME,MC	November 2003	GTZ, CARDS
Amendments to the law on copyright and neighbouring rights	MC	November 2003	GTZ, CARDS
Establishment of a coordination body for the preparation of a programme for copyright and neighbouring rights	MC	June 2003	
Enactment of a programme for the improvement of a regime for protection of copyright and neighbouring rights, education and sensibilisation	MC	November 2003	CARDS 2002
- Action plan for prevention of piracy	MC	January 2004	

## *SAP by Topic*

### *Concept Private Sector*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Increasing the number of employees in the MC in inspection and supervision and their training	MC,MF	March 2004	
Amednments to the legal provisions relating to customs measures and suspension procedures against the export, import, re-import and entry of illigal and counterfeit goods	MC,MF	April 2004	
Harmonisation of by-laws in the industrial property area in accordance with relevant EU measures	ME-IPPO	September 2003	
Implementation of a strategy for small and medium-sized enterprises, programme for support of entrepreneurship and creating competitiveness in small and medium-sized businesses	ME	On-going	
Enactment of a law on the support of the development of small and medium-sized enterprises and the stimulation of entrepreneurship with which the principles of the European Charter for small and medium-sized enterprises are accepted	ME	September 2003	
Establishment of an agency for support of entrepreneurship	GRM	November 2003	
Establishment of a bank for micro-financing	MF	July 2003	EIB, EBRD
Strengthening the organisational Unit for small and medium-sized enterprises in ME	ME, MF	January 2004	
Law on forming a guarantee fund	ME	November 2003	
Establishment of an agency supporting foreign direct investments	ME	December 2003	
Establishment of an agency for technological development	ME	December 2003	
Establishment of an agency for energy development	ME	December 2003	

## *SAP by Topic*

### *Concept Public Administration Reform*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Revision and update of the Strategy for Public Administration Reform and the Action Plan for the Implementation of the Public Administration Reform	GRM, ministries, CSA, other state bodies and institutions	June 2004	
Creation of a sector for public administration reform within the General Secretariat of the GRM	GRM	December 2003	
Preparation of the gap analysis of all the ministries	GRM - General Secretariat	March 2004	DFID - PAI
Realisation of the programmes for the separation of non-essential functions (according to the Matrix - IMF)	MI, MD	December 2003	
Enactment of plans for downsizing public administration	GRM, ministries	July 2003	WB
Realisation - downsizing public administration		December 2003	
Further realisation of the Plan for Reform and Strengthening the General Secretariat of the GRM (a)	GRM - General Secretariat	On-going	
The commitments deriving from this recommendation are extremely difficult to fulfil especially according to the conditions imposed by international financial institutions.			
The measures and activities for all the commitments deriving from this recommendation are anticipated in the specific recommendations related to specific aspects. The realisation of these recommendations will also depend on appropriate and timely			
Plan for improving and enhancing the capacity of the relevant sectors	GRM-SEI, CSA	October 2003	

## *SAP by Topic*

### *Concept Public Procurement*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Preparation of a feasibility study for Public Procurement	MF	June 2003	SIDA, SIGMA, CARDS, WB
Enactment of an Action Plan for Public Procurement	MF	July 2003	WB +SIDA, SIGMA
Enactment of a new Law on Public Procurement	MF	November 2003	CARDS+ SIGMA
Regular dialogue within the coalition partners in the Government	GRM	On-going	
Strengthening the role of the Unit for internal revision of public procurement	MF and all budget beneficiaries	On-going	CARDS

### *Concept Reconstruction*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Complete reconstruction and rehabilitation of the damaged buildings.	Minister - coordinator, (in cooperation with the donor community)	April 2004	Bilateral donors, EU, UNHCR
Reconstruction of the damaged religious sites in Matejce	MC	March 2004	
Reconstruction of the damaged religious sites in Lesok	MC	December 2004	
Reconstruction of damaged buildings and construction of new police stations in the former crisis areas (with donors) -11 stations	MI, MTC, MF	June 2005	Bilateral Donors

## *SAP by Topic*

### *Concept Regional Cooperation*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Intensifying bilateral and multilateral regional cooperation	MFA in cooperation with the other ministries	On-going	
Continuation of proceeding for signing the conventions for regional cooperation within the SAP (SAA Art. 12)	MFA	On-going	
Contribution towards the strengthening of the process for cooperation in South-East Europe	MFA	On-going	
Participation in the Stability Pact and other regional initiatives	MFA, ME	On-going	
Promotion of cross-border cooperation	GRM-SEI, MFA, ME, MLSG, MC	On-going	CARDS
Promotion and support of cooperation within the Euro-region	MLSG, units of local self-government and MFA	On-going	PS, Council of Europe, East-West, University
Initiation of bilateral and multilateral cooperation between national security systems of the region: prevent/fight against the organised crime, border security, management and military cooperation. IM	MI, MD, MFA	May 2003	Regional CARDS
Active participation in projects from the CARDS Regional Programme	GRM-SEI in cooperation with all the ministries, CSA	According to the Programme	Regional CARDS
Development of the sectoral cooperation on bilateral and multilateral level	MFA in cooperation with the ministries	On-going	
Regulation of the cooperation in the area of European integration with the countries from the region	GRM-SEI	2003-2004	
- Memoranda for Cooperation with Croatia and Slovenia IM			
Strengthening regional inter-parliamentary cooperation	ARM, MFA	On-going	

## *SAP by Topic*

### *Concept State Owned Enterprises*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Amendments to the Law on Public Enterprises lil	MJ	June 2003	
Resolving the problem of the loss-making enterprises in accordance with FESALII	ME,AP	End of 2003	
Resolving the problem of the remaining loss-making enterprises		March 2004	

### *Concept Trade*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Establishment of a coherent trade policy and monitoring mechanism	ME, MAFWM, CO	October 2003	CARDS
Preparations for application of the system for pan-European diagonal cumulation of origin	ME, MFA, CO	According to the EC Resolution (Decision)	
Abolition of different import charges for different importers of oil and oil derivates and the abolition of quantitative restrictions lil	ME	March 2003	
New law on trade companies	ME	November 2003	CARDS
Enactment of a new law on trade	ME	November 2003	

### *Concept Transparency*

<i>Activity</i>	<i>GOM</i>	<i>Start Date</i>	<i>Donor</i>
Law on free access to administrative documents	MJ	November 2003	Government of Republic of Finland
Introduction of a Strategy and Action Plan for Public Information and Communication /i/	GRM	April 2003	

## *SAP by Topic*

### *Concept Treasury Reform*

#### *Activity*

#### *GOM*

#### *Start Date*

#### *Donor*

Implementation of the 'single treasury account' concept lil

January 2002

USAID

Changes in the accounting system

December 2004

Improving the process for registration and distribution of incomes regarding registration for the units of local self-government

On-going up to December 2004

Improvement of debt and guarantees management of the RM

December 2004

Development of financial planning and liquidity management

December 2004

The Issuing treasury certificates

December 2003

Introducing SAP system for public finance management

June 2004

## *Stabilization and Association Process by Donor*

**Donor** Bilateral Donors

**Activity**

**Acronym** BLD

**StartDate**

**GRM Oversight**

Complete reconstruction and rehabilitation of the damaged buildings.	April 2004	Minister - coordinator, (in cooperation with the donor community)
Finalisation of the process of returning the IDP	May 2004	Minister-coordinator, MD, MI, MLSP, ME, MAFWEM (in cooperation with the donor community)
Enforcement of the Implementation Plan for the Framework Agreement	Anticipated in the Plan	Minister-coordinator, MLSG, DPMGRM, bodies anticipated in the AP
Enforcement of the Operational Programme for Decentralisation	Anticipated in the Programme	Minister-coordinator, MLSG, MF, coordination body, bodies included in the
Support of the implementation of the public service system established by the Law on Civil Servants on local level	On-going	CSA
Enhancing the institution capacity of the CSA	On-going	CSA
Reconstruction of damaged buildings and construction of new police stations in the former crisis areas (with donors) -11 stations	June 2005	MI, MTC, MF
- Three priority police stations: Matejce, Aracinovo and Tearce	April 2003 June 2004	MI
Finalisation of the projects and completion of construction work		
Enactment of a new Law on the Ombudsman establishing regional offices and strengthening the position of the Ombudsman	July 2003	MJ
Establishment and operation of the regional offices	April 2004	MJ,00

**Donor** EC Financial Assistance for Reconstruction, Development and Stabilisation

**Activity**

**Acronym** CARDS

**StartDate**

**GRM Oversight**

Preparation of a feasibility study for Public Procurement	June 2003	MF
Enactment of a new Law on Public Procurement	November 2003	MF

## **SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** EC Financial Assistance for Reconstruction, Development and Stabilisation

**Acronym** CARDS

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
- Planning of activities for the final stages of the census I\I	May 2003	
- Input and checking of data	September 2003	
- Announcement of the final results according to certain characteristics	November 2003	
Establishment of a training centre for civil servants	March 2004	Minister-coordinator, MLSG, coordination body, MF, bodies designated in AP, MC, CSA, (in cooperation with the donor)
Enactment of a strategy for police reform	July 2003	MI
Enactment of a law regarding the Police Academy I\I	June 2003	MI
Establishment of a Police Academy	October 2003	MI
Strengthening the cooperation with the civil sector	On-going	GRM, MI, MJ
Establishing a Working group for coordination/harmonization with the EU policies injustice and home affairs.	July 2003	GRM
Strengthening the institution capacity of the law enforcement institutions and of the judiciary	On-going	GRM
Realisation of the strategy for IT support for the judiciary	December 2004	MJ
Finalisation of the project for computerisation of the judiciary		
Interfacing of the judiciary with the other justice institutions and the police	December 2004	
Legal regulation of the status of the Centre for Continuing Education of the Judges and Public Prasecutors	January 2004	MJ
Introduction of a programme for the continuing education of judges about the EU	February 2004	Centre for continuing education of judges and public prosecutors
Amendments to the Law on Broadcasting aiming at the independence of the broadcasting system, political independence of the regulatory body, protection of copyright on broadcast television and cable networks, new types of regional of broadcasting operators	October 2003	MTC,MC
Introduction of tax reductions for citizens associations	November 2003	MF

## **SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** EC Financial Assistance for Reconstruction, Development and Stabilisation

**Acronym** CARDS

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
Enactment of a strategy for the development of a civil society and NGOs	January 2004	GRM
Enactment of a programme for cooperation with NGOs	January 2004	GRM
Establishment of a GRM office for cooperation with the non-governmental sector	March 2004	GRM-GS
Establishment of a centre for support of NGOs	January 2004	GRM in cooperation with NGO's
Promotion of cross-border cooperation	On-going	GRM-SEI, MFA, ME, MLSG, MC
Initiation of bilateral and multilateral cooperation between national security systems of the region: prevent/fight against the organised crime, border security, management and military cooperation. IM	May 2003	MI, MD, MFA
Active participation in projects from the CARDS Regional Programme	According to the Programme	GRM-SEI in cooperation with all the ministries, CSA
Establishment of a coherent trade policy and monitoring mechanism	October 2003	ME, MAFWM, CO
Strengthening the role of the Unit for internal revision of public procurement	On-going	MF and all budget beneficiaries
Translation of 10.000 pages of EU legislation	March 2004	GRM-SEI
New law on trade companies	November 2003	ME
Amendments to the law on the prevention of competition limitations	December 2003	ME
Provision of working conditions (premis, equipment, staff) laid down by the Institute for Standardisation and Accreditation and the Metrology Office	September 2003	ME, MF, IS, IA, MO
Strengthening the capacities of the newly-formed institutions (IS, I A, MO)	On-going	ME, MF, SI, AI, MO
Enactment of a new law on consumer protection	November 2003	ME,MC
Enactment of a new law on public procurement	November 2003	MF
Establishment of an independent body for enforcement of the law on public procurement	March 2004	MF
Amendments to the law on copyright and neighbouring rights	November 2003	MC

## ***SAP BY ACTUAL AND PROSPECTIVE DONOR***

**Donor** EC Financial Assistance for Reconstruction, Development and Stabilisation

**Acronym** CARDS

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
Enactment of a programme for the improvement of a regime for protection of copyright and neighbouring rights, education and sensibilisation	November 2003	MC
Enactment of a programme for job creation	December 2004	MLSP
Enforcement of the Action Plan for realisation of EU Blueprints	On-going up to April 2005	MF-CO
Introduction of a strategy for integrated border management	October 2003	MI in cooperation with authorised ministries
Enactment of an Action Plan for the implementation of the Strategy	December 2003	MI in cooperation with authorised ministries
Implementation initiation of the Action Plan (capacity-building, training, equipment)	January 2003	MI in cooperation with authorised ministries
Take-over of the line security by MI from MD	In stages up to 2005	MI,MD
Consolidation of the coordination mechanism for integrated border management	June 2003	GRM, authorised ministries
- Establishment of a central database and network interfacing of MI with the border crossings, providing an IT connection between the consular representative offices and the MFA	Up to the end of 2004	
Enactment of a national action plan on migration and asylum \M	December 2002	MI
New law on asylum with the implementation of EU standards	October 2003	MI
New law on asylum with the implementation of EU standards	October 2003	MI
Strengthening the institution capacity of the Unit for Migration and Asylum	On-going	MI
Enactment of a strategy for the prevention of and fight against organised crime	October 2003	MI
Enactment of a national plan for the fight against drugs	October 2003	National Commission for the Fight Against Drugs
Enactment of a new law on personal data protection	December 2003	MI

**SAP BY ACTUAL AND PROSPECTIVE DONOR**

<b>Donor</b> Council of Europe		<b>Acronym</b> COE
<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
<b>Donor</b> Council of Europe		<b>Acronym</b> COE
<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
Enactment of a National Programme for prevention and repression of corruption.	June 2003	State Commission for the Fight against Corruption and bodies designated in the National Programme
Enactment of a new Law on the Ombudsman establishing regional offices and strengthening the position of the Ombudsman	July 2003	MJ
Promotion and support of cooperation within the Euro-region	On-going	MLSG, units of local self-government and MFA
<b>Donor</b> Department Fund for International Development		<b>Acronym</b> DFID
<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
Amendments to the Law on Civil Servants: Agency control & grading system.	December 2003	ARM, CSA
Enhancing the institution capacity of the CSA	On-going	CSA
Preparation of documents for training of civil servants and coordination mechanism	December 2003	CSA, GRM, ARM, courts, other state bodies, relevant institutions
Preparation of the gap analysis of all the ministries	March 2004	GRM - General Secretariat
Introduction of a National Strategy for integration of RM into the EU	December 2003	GRM-SEI
Introduction of IT support to the process of the Approximation of Legislation lil	April 2003	GRM-SEI
Amendments to the Rules of Procedure of the GRM	June 2003	GRM
<b>Donor</b> European Bank for Reconstruction and Development		<b>Acronym</b> EBRD
<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>

**SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** European Bank for Reconstruction and Development

**Acronym** *EBRD*

**Activity**

**StartDate**

**GRM Oversight**

Establishment of a bank for micro-financing

July 2003

MF

**Donor** European Investment Bank

**Acronym** *EIB*

**Activity**

**StartDate**

**GRM Oversight**

Establishment of a bank for micro-financing

July 2003

MF

**Donor** European Union

**Acronym** *EU*

**Activity**

**StartDate**

**GRM Oversight**

Complete reconstruction and rehabilitation of the damaged buildings.

April 2004

Minister - coordinator, (in cooperation with the donor community)

Finalisation of the process of returning the IDP

May 2004

Minister-coordinator, MD, MI, MLSP, ME, MAFWEM (in cooperation with the donor community)

Enforcement of the Operational Programme for Decentralisation

Anticipated in the Programme

Minister-coordinator, MLSG, MF, coordination body, bodies included in the

**Donor** East-West University

**Acronym** *EWU*

**Activity**

**StartDate**

**GRM Oversight**

Promotion and support of cooperation within the Euro-region

On-going

MLSG, units of local self-government and MFA

**Donor** Government of the Republic of Finland

**Acronym** *GRF*

**Activity**

**StartDate**

**GRM Oversight**

Law on free access to administrative documents

November 2003

MJ

**SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** German technical assistance agency

**Activity**

**StartDate**

**GRM Oversight**

**Acronym** GTZ

**Donor** German technical assistance agency

**Activity**

**StartDate**

**GRM Oversight**

**Acronym** GTZ

Development of partnership with the units of the local self-government in accordance with the signed Memorandum for cooperation between the GRM and the AULSG

On-going

Functioning of the independent Monopolies Commission

September 2003

ME

Enactment of law on state aid lil

March 2003

ME

The establishment of an Action Plan for the transposition of the directives from the new approach (technical regulations)

December 2003

GRM-SEL, ME, SI, AI, MO

Enactment of a new law on consumer protection

November 2003

ME,MC

Amendments to the law on copyright and neighbouring rights

November 2003

MC

**Donor** Organization for Security and Cooperation in Europe

**Activity**

**StartDate**

**GRM Oversight**

**Acronym** OSCE

Enactment of a National Programme for prevention and repression of corruption.

June 2003

State Commission for the Fight against Corruption and bodies designated in the National Programme

Enforcement of the Operational Programme for Decentralisation

Anticipated in the Programme

Minister-coordinator, MLSG, MF, coordination body, bodies included in the

Continuation of the training of the newly employed members of the security forces

On-going

MI

Training of officials who enforce the law on human rights issues (with OSCE, CE)

December 2003

MJ,MI

Enactment of a new Law on the Ombudsman establishing regional offices and strengthening the position of the Ombudsman

July 2003

MJ

Establishment and operation of the regional offices

April 2004

MJ,00

## ***SAP BY ACTUAL AND PROSPECTIVE DONOR***

**Donor** Organization for Security and Cooperation in Europe

**Acronym** OSCE

**Activity**

Amendments to the Law on Broadcasting aiming at the independence of the broadcasting system, political independence of the regulatory body, protection of copyright on broadcast television and cable networks, new types of regional of broadcasting operators

**StartDate**

October 2003

**GRM Oversight**

MTC,MC

**Donor** EU technical assistance agency

**Acronym** PHARE

**Activity**

Realisation of the activity plan of the high-expert group for the final phase of international monitoring of the census

**StartDate**

**GRM Oversight**

SSO

**Donor** Initiative for Migration and Asylum

**Acronym** PS

**Activity**

Amendments to the Law on Broadcasting aiming at the independence of the broadcasting system, political independence of the regulatory body, protection of copyright on broadcast television and cable networks, new types of regional of broadcasting operators

**StartDate**

October 2003

**GRM Oversight**

MTC,MC

Promotion and support of cooperation within the Euro-region

On-going

MLSG, units of local self-government and MFA

Enactment of a national action plan on migration and asylum l\l

December 2002

MI

**Donor** RDS

**Acronym** RDS

**Activity**

Enactment of a national action plan on migration and asylum l\l

**StartDate**

December 2002

**GRM Oversight**

MI

**Donor** Swedish International Development Agency

**Acronym** SIDA

**Activity**

Preparation of a feasibility study for Public Procurement

**StartDate**

June 2003

**GRM Oversight**

MF

**SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** Swedish International Development Agency

**Acronym** SIDA

**Activity**

**StartDate**

**GRM Oversight**

Enactment of an Action Plan for Public Procurement

July 2003

MF

**Donor** SIGMA

**Acronym** SIGMA

**Activity**

**StartDate**

**GRM Oversight**

Preparation of a feasibility study for Public Procurement

June 2003

MF

Enactment of an Action Plan for Public Procurement

July 2003

MF

Enactment of a new Law on Public Procurement

November 2003

MF

Enactment of a new law on public procurement

November 2003

MF

**Donor** Soros Foundation

**Acronym** SOROS

**Activity**

**StartDate**

**GRM Oversight**

Enactment of a National Programme for prevention and repression of corruption.

June 2003

State Commission for the Fight against Corruption and bodies designated in the National Programme

Strengthening the institution capacity of the law enforcement institutions and of the judiciary

On-going

GRM

Introduction of tax reductions for citizens associations

November 2003

MF

**Donor** Unassigned

**Acronym** UKN

**Activity**

**StartDate**

**GRM Oversight**

Enactment of a Strategy for the fight against corruption of the GRM lii

April 2003

GRM and other bodies designated in the Strategy

Amendments to the Criminal Code, Law on Criminal Procedure and the Law on Public Prosecutor's Office

September 2003

MJ

## **SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** Unassigned

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>	<b>Acronym UKN</b>
Enactment of a Law on the Financing of Political Parties	End of 2003	MJ	
Regular dialogue within the coalition partners in the Government	On-going	GRM	
Regular dialogue between the political parties represented in Parliament	On-going	PrRM, ARM, GRM	
Reconstruction of the damaged religious sites in Matejce	March 2004	MC	
Reconstruction of the damaged religious sites in Lesok	December 2004	MC	
Enactment of a programme for equitable representation of members of communities	July 2003	Ministerial committee, coordination body for appropriate and equitable representation	
-Activities for improving the appropriate and equitable representation of the communities in the public administration and public enterprises - document passed by the Government HI	April 2003		
Enactment of a Law on Labour Relations	June 2003	MLSP	
Law on elementary education I\l	June 2003	MES	
Law on secondary education lil			
Enactment of a Law on Culture	June 2003	MC	
Amendments to the Law on Public Enterprises lil	June 2003	MJ	
Amendments to the Law on Civil Servants	June 2003	MJ,CSA	
Improving the representation of all members of communities in the public administration (582 in the army, 1116 in the police force).	December 2003	MI, MD, MF	
Re-activation of the State Census Commission lil	May 2003	GRM	
Realisation of the Operational Programme for Decentralisation	Anticipated in the Programme	Minister-coordinator, MLSG, coordination body, MF, subjects designated in the AP, MC (in cooperation with the donor community)	
Establishing a central mechanism for coordination of the decentralisation process IV	March 2003		

## ***SAP BY ACTUAL AND PROSPECTIVE DONOR***

**Donor** Unassigned

**Acronym** UKN

**Activity**

**StartDate**

**GRM Oversight**

Establishing a system of prior control for securing the consistent application of the employment procedure	July 2003	CSA,MF
Enactment of a National concept document for security and defence lil	May 2003	MD, MI, MFA
Finalisation of the training of the last group from the totally planned 1116 members of the communities	August 2003	MI
Increasing the number of the members of the communities employed in the Army of the RM - employment of 582 members of the Albanian community	December 2003	MD
Enactment of a Law on the Voluntary Hand-over and Collection of Fire Arms, Munitions and Explosive Materials and the legalisation of weapons lil	May 2003	MI
- Law enforcement	December 2003	MI
Amendments to the Criminal Code (increasing the penalties for the illegal trade of weapons)	June 2003	MI, MJ, MC
Dismantling of the former police forces which displayed paramilitary behaviour l\l		MI
Introducing a legal obligation for 2% of the independent Court budget for training of judges and prosecutors	January 2004	MJ
Changes in the provisions of the Constitution of the RM in order to enhance the independence of the judiciary	December 2003	MJ
- Amendments of the relevant laws	March-April 2004	Relevant ministries
Enactment of a Law on an Independent Court Budget	September 2003	MJ,MF
- Initiation with the application of the Law on the Independent Court Budget	January 2004	MJ,MF
Introduction of a mechanism for monitoring the proceedings of administrative bodies according to the recommendations of the Ombudsman and the establishment of responsibility for inappropriate	September 2003	GRM
Increase staff at the NAO, continuing education of the authorised state auditors, introduction of mechanisms and legal basis for an independent budget for the state audit and establishment of constitutional grounds for securing the independence and autono	On-going	NAO, MF, MJ, ARM
Establishment of a legal framework and implementation of provisions, according to the European Convention on Human Rights	On-going	MJ
Amendments to the Law on Citizens' Associations and Foundations	July 2003	MJ,MC

## **SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** Unassigned

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
Passing a Decision for the support of NGOs	July 2003	GRM
Intensifying bilateral and multilateral regional cooperation	On-going	MFA in cooperation with the other ministries
Continuation of proceeding for signing the conventions for regional cooperation within the SAP (SAA Art. 12)	On-going	MFA
Contribution towards the strengthening of the process for cooperation in South-East Europe	On-going	MFA
Participation in the Stability Pact and other regional initiatives	On-going	MFA, ME
Development of the sectoral cooperation on bilateral and multilateral level	On-going	MFA in cooperation with the ministries
Regulation of the cooperation in the area of European integration with the countries from the region	2003-2004	GRM-SEI
- Memoranda for Cooperation with Croatia and Slovenia IM		
Strengthening regional inter-parliamentary cooperation	On-going	ARM, MFA
Preparations for application of the system for pan-European diagonal cumulation of origin	According to the EC Resolution (Decision)	ME, MFA, CO
Enforcement of the Memorandum on Economic and Financial Policies supported by a stand-by arrangement laid down by the Matrix IV	According to the Matrix	MF,NBM
Revision and update of the Strategy for Public Administration Reform and the Action Plan for the Implementation of the Public Administration Reform	June 2004	GRM, ministries, CSA, other state bodies and institutions
Creation of a sector for public administration reform within the General Secretariat of the GRM	December 2003	GRM
Realisation of the programmes for the separation of non-essential functions (according to the Matrix - IMF)	December 2003	MI, MD
Further realisation of the Plan for Reform and Strengthening the General Secretariat of the GRM (a)	On-going	GRM - General Secretariat
Strengthening the Budget Unit and the MF Unit for salaries	On-going	
Realisation of the project for registering the obligations of the beneficiaries and the individual beneficiaries of the Budget	September 2003	

## ***SAP BY ACTUAL AND PROSPECTIVE DONOR***

**Donor** Unassigned

**Acronym** UKN

**Activity**

**StartDate**

**GRM Oversight**

Introducing control mechanisms regarding the take-over of commitments by the budget beneficiaries lil	April 2003	
Changes in the accounting system	December 2004	
Improving the process for registration and distribution of incomes regarding registration for the units of local self-government	On-going up to December 2004	
Improvement of debt and guarantees management of the RM	December 2004	
Development of financial planning and liquidity management	December 2004	
The Issuing treasury certificates	December 2003	
Direct on-line connection with budget beneficiaries	December 2005	
Introducing SAP system for public finance management	June 2004	
Direct on-line connection of the NAO with the treasury in the MF and the computer databases for financial and accounting data of budget beneficiaries and individual beneficiaries	When it will be technically possible	MF, NAO, MES
Resolving the problem of the loss-making enterprises in accordance with FESALII	End of 2003	ME,AP
Resolving the problem of the remaining loss-making enterprises	March 2004	
Abolition of different import charges for different importers of oil and oil derivates and the abolition of quantitative restrictions lil	March 2003	ME
The commitments deriving from this recommendation are extremely difficult to fulfil especially according to the conditions imposed by international financial institutions.		
The measures and activities for all the commitments deriving from this recommendation are anticipated in the specific recommendations related to specific aspects. The realisation of these recommendations will also depend on appropriate and timely foreign		
Introduction of a Strategy and Action Plan for Public Information and Communication /i/	April 2003	GRM
Changes in the composition of and intensifying the work of the Working Committee for European Integration 111	March 2003	GRM

## **SAP BY ACTUAL AND PROSPECTIVE DONOR**

Donor Unassigned

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>	<b>Acronym UKN</b>
Intensifying the work of the working groups for approximation to EU legislation by screening chapetrs	June 2003	GRM	
Enactment of a National Programme for Approximation of Legislation for 2003 lil	April 2003	GRM	
Introducing a monitoring mechanism for enforcement of the Programme lil	April 2003	GRM	
Submission of quarterly reports	Every three months	GRM-SEI and the ministries	
Advancement of the procedures for the translation of EU legislation	June 2003	GRM-SEI	
Issuing an on-line dictionary on EU legislation terminology	July 2003	GRM-SEI	
Analysis of the organisational structure and available human resources	September 2003	GRM-SEI, CSA	
Plan for improving and enhancing the capacity of the relevant sectors	October 2003	GRM-SEI, CSA	
Increasing the number of employees with appropriate qualifications in ME, MAFWM, MI, MEPP, MJ, MF, MC, SSO, GRM-SEI, MFA,	June 2004	GRM-SEI, MF, authorized ministries, LS, ARM, NSO	
the Mission in Brussels, Legislation Secretariat and the Parliamentary Service in the organisational Units that deal with SAA implementation			
Resolution for awarding scholarships for post-graduate European studies and concluding contracts for employment in public administration l\l	July 2003	GRM	
- Introducing a mandatory statement of compliance with EU legislation			
Creating capacity within the Legislation Secretariat for the enforcement of the new provisions from the Law on GRM that oblige the LS to check compatibility of the acts with the whole EU legislation	March 2004	LS	
Amendments to Rules of Procedure of the Parliament	October 2003	ARM	
Passing a Parliamentary Resolution for a Commission on European Affairs /i/	April 2003	ARM	
Establishment and the commence of the work of the Parliamentary Commission for European Affairs	July 2003	ARM	
Enactment of an Operational Plan for the training of civil servants 2003-2004	June 2003	SEI, CSA, MFA	

**SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** Unassigned

**Acronym** UKN

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
- Implementation	On-going	GRM, ARM
Internships of civil servants in the European Commission	March 2004	GRM, in cooperation with the EC
Internships in the European Parliament	March 2004	ARM in cooperation with the EP and national parliaments
Internships in Candidate Countries	March 2004	GRM, ministries
Formation of a State Aid Commission	July 2003	gRM
Resolutions for establishing an Institute for Standardisation and an Institute for Accreditation I\I	February-March 2003	GRM
Enactment of a new law on trade	November 2003	ME
Enactment of a new law on state inspection	January 2004	ME, MH, MAFWM, MLSP
Strengthening the capacities of the inspection services and training for the enforcement of the new regulations	On-going	ME, MH, MAFWM, MLSP, MC
Establishment of a coordination body for the preparation of a programme for copyright and neighbouring rights	June 2003	MC
- Action plan for prevention of piracy	January 2004	MC
Increasing the number of employees in the MC in inspection and supervision and their training	March 2004	MC,MF
Amednments to the legal provisions relating to customs measures and suspension procedures against the export, import, re-import and entry of illegal and counterfeit goods	April 2004	MC,MF
Harmonisation of by-laws in the industrial property area in accordance with relevant EU measures	September 2003	ME-IPPO
Implementation of a strategy for small and medium-sized enterprises, programme for support of entrepreneurship and creating competitiveness in small and medium-sized businesses (a)	On-going	ME
Enactment of a law on the support of the development of small and medium-sized enterprises and the stimulation of entrepreneurship with which the principles of the European Charter for small and medium-sized enterprises are accepted	September 2003	ME
Establishment of an agency for support of entrepreneurship	November 2003	GRM

**SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** Unassigned

**Acronym** UKN

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
Strengthening the organisational Unit for small and medium-sized enterprises in ME	January 2004	ME, MF
Law on forming a guarantee fund	November 2003	ME
Establishment of an agency supporting foreign direct investments	December 2003	ME
Establishment of an agency for technological development	December 2003	ME
Establishment of an agency for energy development	December 2003	ME
The establishment of a programme fo fight against the grey economy	March 2004	ME, MF, MLSP, MC
Changes in the negative list of countries that need a visa for entry into the RM	December 2003	MFA
Abolition of issuing visas at the border crossings according to the EU standards l\l	January 2003	MFA
Introduction of a new sticker for visas that meets EU requirements	Up to the end of2004	MI
Enactment of an action plan for the approximation of the visa regime with the EC, that especially anticipates: - Introducing reliable statistics for issued visas, especially refused applicants lil - Simplification and improvement of the procedures for issuing visas  - Strengthening the prior control and checks on visa applications  - Strengthening the institution capacity, intensifying the existing training	December 2003   Up to the end of2004  On-going up to the end of 2004  On-going	MFA, MI
Enactment of a new law on the movement and residenceof aliens	Up to the end of2004	MI
Passing of by-laws	April 2004	MI
Incorporation of the issues of asylum into integrated border management	Up to the end of2005	MI, coordination body for IBM

**SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** Unassigned

**Acronym** UKN

**Activity**

**StartDate**

**GRM Oversight**

Providing conditions for the acceptance and temporary accommodation of asylum applicants

December 2004

MLSP, MI, MF

Establishment of an independent second-instance appeal authority

GRM

Enactment of an action plan for the prevention of and fight against organised crime, that anticipates the:

- Creation of an appropriate institution framework for the efficient monitoring, implementation and enforcement of the legislation

- Strengthening of the institutional capacities of public administration, public prosecutors and the courts

November 2003

- Provision of adequate equipment. Strengthening of international and regional cooperation

- Raising the public awareness

November 2003

Enactment of a law on the fight against terrorism

Up to the end of 2004

MI, MJ

Amending Article 17 of the Constitution of the RM (legalisation of special investigation techniques)

September 2003

GRM, ARM

Enactment of a Law on special investigation techniques

January 2004

MI

Intensification of the activities of the State Commission for the Fight against Drugs

June 2003

GRM

Providing institution support for the work of the Commission

September 2003

GRM

Establishment of an independent body for enforcement of the Law on personal data protection

March 2004

GRM

Provision of the necessary conditions for the work of the independent body

March 2004

GRM, MF

**Donor** United Nations Development Programme

**Acronym** UNDP

**Activity**

**StartDate**

**GRM Oversight**

Enforcement of the Operational Programme for Decentralisation

Anticipated in the Programme

Minister-coordinator, MLSG, MF, coordination body, bodies included in the

## **SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** United Nations Development Programme

**Acronym** *UNDP*

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
Support of the implementation of the public service system established by the Law on Civil Servants on local level	On-going	CSA
Establishment of a training centre for civil servants	March 2004	Minister-coordinator, MLSG, coordination body, MF, bodies designated in AP, MC, CSA, (in cooperation with the donor)
Launching a web-page	July 2003	GRM-SEI

**Donor** UN High Commssion on Refugees

**Acronym** *UNHCR*

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
Complete reconstruction and rehabilitation of the damaged buildings.	April 2004	Minister - coordinator, (in cooperation with the donor community)
Finalisation of the process of returning the IDP	May 2004	Minister-coordinator, MD, MI, MLSP, ME, MAFWEM (in cooperation with the donor community)

**Donor** U.S. Agency for International Development

**Acronym** *USAID*

<b>Activity</b>	<b>StartDate</b>	<b>GRM Oversight</b>
Enforcement of the Operational Programme for Decentralisation	Anticipated in the Programme	Minister-coordinator, MLSG, MF, coordination body, bodies included in the
- Planning of activities for the final stages of the census I\I	May 2003	
- Input and checking of data	September 2003	
- Announcement of the final results according to certain characteristics	November 2003	
Strengthening the institution capacity of the law enforcement institutions and of the judiciary	On-going	GRM
Legal regulation of the status of the Centre for Continuing Education of the Judges and Public Prasecutors	January 2004	MJ

**SAP BY ACTUAL AND PROSPECTIVE DONOR**

**Donor** U.S. Agency for International Development

**Acronym** USAID

**Activity**

**StartDate**

**GRM Oversight**

Introduction of tax reductions for citizens associations	November 2003	MF
Enactment of a strategy for the development of a civil society and NGOs	January 2004	GRM
Implementation of the 'single treasury account' concept lil	January 2002	
Enactment of a new law on financing of the local self-government	According to the OPD	MF
Amendments to the law on the prevention of competition limitations	December 2003	ME

**Donor** World Bank

**Acronym** WB

**Activity**

**StartDate**

**GRM Oversight**

Strengthening inspection and supervision, the status and role of the state audit and the independence of the authorised state auditor in the enforcement of anti-corruption measures	On-going	MF,NAO
Preparation of a feasibility study for Public Procurement	June 2003	MF
Enactment of an Action Plan for Public Procurement	July 2003	MF
Enactment of plans for downsizing public administration	July 2003	GRM, ministries
Realisation - downsizing public administration	December 2003	
Reform of public expenditures management PSAL (a)	According to the Matrix (agreed with the WB)	MF, MLSP, PIIF, MH, HF, NEO,DR