



**e-Government Impact Project  
Fourth Quarterly Progress Report  
July-September 2005**

**USAID/RSC/RCO – Budapest ACA # 165-A-00-04-00102-00  
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COGNIZANT TECHNICAL OFFICER  
USAID MISSION TO MACEDONIA**

Jerker Torngren, Chief of Party,  
e-Gov *Impact* Project  
Dane Krapcev 18, 1000 Skopje  
Republic of Macedonia  
torngren@internews.org

Sarah J. Tisch, Chief of Party, dot-Gov  
1640 Rhode Island Ave., Seventh Floor  
**Internews Network, Inc.**  
Washington DC 20036  
stisch@internews.org

**e-Gov IMPACT Project**

◆ Dane Krapcev 18 ◆ 1000 Skopje ◆  
Tel: 02 32 31 104 ◆ Fax: 02 32 20 636

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**Internews Network**

## GENERAL INFORMATION

The five-year \$4,950,191 Improved Management of Public Administration through Communication Technology (e-Gov IMPACT Project) was awarded by USAID/Macedonia on 14 September 2004 with the signing of Associate Cooperative Agreement No. 165-A-00-04-00102-00 to Internews Network under the dot-GOV Leader with Associates Award (GDG-A-00-01-00009-00). Impact works closely with the Government of Macedonia, (GOM) and is located in Skopje, the Republic of Macedonia. The key staff of the project are: Mr. R. Jerker Torngren, Chief-of-Party and Mr. Jovce Platinovski, Deputy Chief-of-Party.

Impact is helping increase the efficiency and transparency of public sector management by improving the administrative capacity to implement secure e-government solutions and communication within the GOM and between the GOM and Macedonian businesses and citizens. Impact addresses the USAID-Macedonia SO 1.3 Accelerated Development of the Private Sector and IR 1.3.3 Enabling Environment for Investment Improved.

## Introduction

This report reflects activities from 1 July until 30 September 2005 of the *e-government Impact (e-Gov Impact)* Project. The fourth quarter was marked by the following highlights:

- The development of **e-procurement** software application was completed.
- The development of software for the second e-Gov application, civil service **apply-on-line** applications began.
- A software developer for the third application, an **e-Tax** filing system was nominated.
- An Information Technology (IT) Security training workshop was organised.
- The second year work (Y2) program was submitted to the CTO for approval.

## I. Executive Summary

The Program Description mandates *e-Gov Impact* to contribute to the following:

1. Build capacity within the Government of Macedonia, GOM, to develop and implement e-government policy.
2. Develop priority IT applications to improve management within GOM and for delivery of e-services by the GOM.

During the fourth quarter, *e-Gov Impact* concentrated on completion of the e-government applications already undertaken during the previous three quarters; e-

**procurement, e-tax filing and an apply-on-line system for jobs seekers within the public sector.**

The development of the software for the **e-procurement** application was successfully completed during this quarter. City of Skopje staff, slated as the initial users, was trained to use the application. A public awareness event was scheduled for the end of September to launch the application.

However, because a minor modification of relevant legislation did not occur concerning digital signatures, the inauguration of the application and the launching event were postponed.

The development of software for the **apply-on-line** software application for public sector jobs began during the quarter and will be concluded during the fifth quarter.

A tender for the third application for **e-Tax** software was launched and a contractor selected; a Macedonian software developer, "Seavus." This activity, which will provide the interface with business sector tax-payers, will be coordinated with the *UN Development Program (UNDP)* which is, with the *Italian Government*, working on the IT architecture within the Public Revenue Office (PRO).

*e-Govt Impact* had initially budgeted \$200,000 per year to be used for development of e-government applications during its first year of operation. Out of the first year's budget \$67,254 has been paid to subcontractors based on invoices. An additional \$124,856 has been committed but invoices have not yet been received as work is still on-going. Decisions were consequently been taken during the first year to spend \$192,110 on e-government software applications. It is expected that the Project might need to spend more than \$200,000 during the second year, thus using also funds dedicated for later stages of the project.

In addition to proposing legal amendments necessary for the e-procurement application, *e-Gov Impact* has also submitted proposals for legal texts with regard to introduction of Digital Signatures in Macedonia.

A constructive collaboration has been established with Hewlett-Packard (HP) and with Microsoft corporations, both having contributed *in-kind* to the e-procurement application.

## **II. Program Accomplishments**

A significant amount of time is needed to design and develop an e-government application. The first application undertaken by **e-Gov Impact** is the **e-procurement** application for the City of Skopje. The application was scheduled to be in operation during the fourth quarter and the first evaluation of its effect undertaken during the first quarter of the second year (October-December 2005).

Due to unforeseen problems of getting a minor legal modification in the public procurement legislation accepted the launch of the application had to be postponed. For the time being it is unclear when further progress can be made.

However, over its first year the Project did successfully establish a transparent system for developing publishing, and evaluating a tendering process, where applications for specific software application development are received on-line. This process gains greater notice each time a tender is published. The third tender, for an **e-Tax** software application contributed to this credibility. This is an accomplishment in itself, as it has established a positive reputation for the Project and how USAID assistance is perceived.

The Project has successfully contributed to the development of the *National Information Society Policy*, which has been adopted by the Parliament during the quarter. This contribution was welcomed and contributed to a more focused document.

### **III. Activities**

#### **General comments**

Based on discussions with the Government of Macedonia (GOM) and USAID, *e-Gov Impact* decided to concentrate its resources during its first year on three separate applications:

- e-procurement software as a pilot activity.
- One e-citizen related application.
- **e-Tax** filing software, covering the interface between the 100 biggest companies and the Public Revenue Office.

In addition *e-Gov Impact* has spent a significant amount of time on getting digital signatures introduced in the Macedonian public procurement legislation. Recognition of digital signatures is crucial to facilitating the use of almost any e-government application. As a consequence of signing the Stabilization and Association Agreement with European Union (EU), Macedonia has the obligation to fully implement the EU *Aquis Communautaire*, i.e. existing EU legislation, which includes an obligation with regard to digital signatures.

#### **A. e-procurement**

The development of the software for an **e-procurement** system was successfully completed during this quarter and the relevant City of Skopje staff, identified as the initial user of the application, were trained to operate the system.

Space was organised within the *e-Gov Impact* Project office premises for hosting the system server. On a temporary basis, Hewlett-Packard has provided the necessary hardware, initially for a six months period, which can be extended if there is a need. Microsoft generously donated the SQL server. A private company related to Cisco donated the necessary firewall for IT security.

Within a fully fledged **e-procurement** system with a number of contracting institutions there should be a separate institution, normally called System Administrator, which would be responsible for hosting and operating the server, including maintaining and updating the software. This temporarily hosting by the *e-Gov Impact* Project provides time to consider more in depth what could be the most efficient solution suited to the needs and possibilities of the Republic of Macedonia.

At an early stage during the spring the Project noticed the need for some minor modifications to the public procurement legislation to make also bids submitted electronically legally acceptable; the current law recognising only bids submitted on paper. The Minister of Finance is responsible for the procurement legislation and meetings with the Minister have repeatedly been requested to discuss the issue but no progress was made during the first year of the Project.

During the third quarter the Director of the Public Procurement Bureau, (PPB<sup>1</sup>) was replaced and a more active discussion was established with the PPB and its new Director. A number of meetings have been held with the new Director and her team including elaborating possible text for the legal amendments during this quarter. A working group in which all stakeholders were represented was created for the purpose. The Project hired, on a short-term basis, a national expert on procurement legislation to assist with the drafting of legal amendments. A text commonly agreed to within the working group has been submitted to PPB, as the responsible institution to process a request for changes within the Ministry of Finance.

A prototype of the **e-procurement** software application was demonstrated to the PPB staff with the purpose of explaining the similarities between the present procurement system and e-procurement. The Project believes it is now clear to PPB that the previously followed routines regarding decision making and control would be applicable also within the e-procurement.

The Project also discussed intensively with the Secretary General of the Government to seek support for the amendments and with the Committee of Information Technology. Oral support was given by them but no tangible progress made regarding a change this year.

In September, *e-Gov Impact* received information through third parties that the Minister was reluctant at this stage to propose any amendment to the legislation; however no specific reason was given.

The Project guesses that there might be a political issue hereto unknown as to the selection of the City of Skopje as being the first contracting institution to implement the **e-procurement** software. Consequently the Project is actively exploring other possible users.

For instance, a meeting with the Director of the Health-Fund was held, the system was explained and the Fund invited to consider its interest to use it for procurement within

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<sup>1</sup> The State Agency for Public Procurement

the health sector. The Project has offered a demonstration of the system and this will take place at a time convenient to the relevant staff of the Fund.

**B. *Apply-on-line system for employment within the State Administration of the Republic of Macedonia.***

At a meeting with the General Secretary of the Civil Servants Agency (CSA), early March 2005, the Project agreed to create an application that would make it possible for citizens of Macedonia to apply on-line for civil service posts.

The objective is to replace the current paper-based system for recruitment and application for jobs. The existing system is very time consuming and expensive for the applicant and also for the CSA. The new **apply-on-line** system covers all parts of the recruitment process, including the obligatory written test and will create transparency, be inexpensive for CSA to operate and easy for potential applicants to use. The system will significantly reduce the risk of bias in the selection process based on gender or ethnical group. The **apply-on-line** system will also free-up resources within the Agency for essential human resource work.

Given the low penetration rate of personal Internet access in Macedonia, the **apply-on-line** software is being designed in such a way that it can be accessed from publicly available IT centers in Macedonia. The local availability and transparency of the new system will make it easier for women and disadvantaged groups, to apply for jobs and could attract more persons from these groups to apply for state jobs.

A tender for the development of the **apply-on-line** software was initiated during the third quarter and, based on the tender; a contract was signed with the Macedonian company "NextSense" during August. The software development began immediately with close cooperation with the CSA and the Project. The software application will be technically operational by the end of October 2005. Pending on filling a job vacancy, it is expected that the Agency will inaugurate the system during the latter part of November.

During this quarter the Project held extensive discussions with the CSA and the software developer with regard to the organisation of a public awareness campaign. A brochure will be produced and widely distributed across the country which will provide the necessary basic information on the software application to make it easier for people try it out and to describe why it is a better alternative to the former recruitment system.

Discussions have also focused on the creation of a support organisation across the country that should be able to assist applicants to use the new system. A meeting is scheduled with the Director of the State Employment Office to discuss possible support from that organisation.

**C. *e-Tax filing software application***

*Impact* has established a constructive relationship with the Public Revenue Office, (PRO), which has the responsibility of collecting and administering the state level

taxes. During the previous quarter the project agreed to assist PRO to introduce a modern and efficient **e-Tax** filing system. The Project has undertaken to create the software interface between taxpayers and the PRO, which in the first phase are identified as the 100 biggest companies in Macedonia. This interface will cover all state related taxes, including the value added tax. The Italian Government together with *UNDP* has undertaken to upgrade the internal IT system within the PRO with which the Project is coordinating its work on the **e-Tax** filing software development.

The use of the **e-Tax software** for filing of state level taxes will contribute to increased efficiency within the Macedonian public administration. This activity will result in significant savings through a reduced administrative burden on private entities and, in relevant cases, speeds up the refund of taxes. This software application will effectively contribute to the objectives of the e-Gov Impact project. The system will provide more services than only filing and is thus called **e-Tax services**. Additional services can for example be tracking possibilities for taxpayers regarding their tax payments.

A system description was developed in close co-operation with PRO and a tender for the software launched on 26 August. On the closing date of the tender three bids were received and after a careful evaluation process the Macedonian software company “Seavus” was nominated. The application shall be operational in time for the tax filing in February 2006.

#### **D. Public Event**

Very regrettably the public event planned for end of September to inaugurate the very first application the **e-procurement** software, had to be cancelled as no progress was made with regard to the necessary modifications to the public procurement legislation, which currently does not recognize the legality of e-procurement. Tentatively an alternative event could be organised during the fifth quarter to celebrate the inauguration of the second application, the **apply-on-line** software for jobs in the state sector but as yet no decision has been taken.

#### **E. Digital Signatures**

The availability of digital signatures is a prerequisite for many e-government applications. Currently, an adequate and transparent system for issuing such signatures does not exist in Macedonia. Several private entities are prepared to issue signatures and claim to have the necessary competence and capacity but lack the legal right to do so.

The EU Directive 1999/93/EC on electronic signatures provides the legal framework for the issuing and use of digital signatures. The Directive, being part of the *Aquis Communautaire*,<sup>2</sup> as of yet has not been properly implemented in Macedonia. This is a violation regarding the Macedonian EU commitments and seriously deters the

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<sup>2</sup> As a consequence of requesting negotiations regarding a Membership in the EU, Macedonia has the obligation to fully implement the EU *Aquis Communautaire*, i.e. existing EU legislation.

introduction of essential e-Government applications and the use of IT in the local business community.

The Project has identified a set of actions that should be undertaken urgently, primarily by the Minister of Finance. The Minister had repeatedly been informed about the suggestions made by the Project, including the willingness to further discuss the matter.

During this fourth quarter progress was finally made as the Ministry agreed to accept a Project-funded consultant from Slovenia, to assist with the drafting of the still missing by-laws. The work began in close cooperation with the Ministry by the end of this quarter. It is now expected that the legal structure should be in place by the end of the next quarter and thus in time for the e-Tax services to be inaugurated early next year.

#### **F. e-budgeting**

Information was provided in quarterly reports two and three on a potential application for on-line budgeting (“**e-budgeting**”) to be developed for the Ministry of Finance. The report also mentioned the reason why no progress was made. No opening has been noted during this quarter either. A new Resident Advisor has been nominated to the Ministry and the discussions will resume regarding the interest for the Ministry of such an application.

#### **G. Training**

##### *i) Training on the usage of the applications.*

For all the software applications that are developed by the Project, training is included to make sure that the persons using the application understand it and feel comfortable using all the features. Training was completed this quarter for public procurement staff within the City of Skopje regarding the use of the **e-procurement** application.

##### *ii) IT Security Training*

With greater usage of IT, the GOM will insure efficient communication between all institutions and citizens. But with increased data exchange better security mechanisms are needed to insure uninterrupted and secure data communications. This can only be done if the relevant persons within the State Administration have the right understanding and knowledge of IT security.

Therefore, the Project has assisted USAID/Macedonia by organizing two levels of training:

- Basic IT (Security+)
- Senior (CISSP- Certified Information Security System Professional)

The project has also selected the individuals for the two courses.

All candidates for the CISSP training have been required to take a pre-qualification test to demonstrate that they are qualified to attend. The candidates that did not pass the pre-qualification test were offered to attend the Security+ training as a preparation for attending the CISSP course at a later stage.

Thirty candidates have been selected for each of the two courses. The length of the Security+ course is 50 hours and the length of the CISSP course is 60 hours. Both courses started during this quarter and will be concluded during the fifth quarter.

The Project intends to follow up on the training in two ways. First, to request the participants to draft action plans regarding implementing IT security measures in their respective organisations. Second, to get an IT security expert to come to Macedonia several times to conduct seminars/workshops at which the participants can exchange experience and problems they are encountered with. This follow-on activity complements the capacity-building activities that the Project will focus on during its second year of implementation.

#### **IV. Subcontracts**

The following described the subcontracting activities of the project during the fourth quarter.

- i)* Following a tender process a contract was signed with the Macedonian software developer “NextSense” to develop the software for the on-line application for jobs in the public sector.
- ii)* Another tender was organised to select a contractor to develop the **e-Tax** services application. The Macedonian software developer “Seavus” was selected during this quarter and a contract will be signed early in the fifth quarter.
- iii)* An expert on legislation regarding digital signatures has been contracted for 15 working days to assist the Ministry of Finance to conclude the implementing of the legislation regarding digital signatures. This initiative is expected to lead to a successful introduction of such signatures in Macedonia, being essential for the operation of many e-government applications.
- iv)* A short-term national legal expert was hired to assist for a few days with drafting proposal for the amendment of the public procurement legislation to make also e-procurement legally acceptable.

#### **V. External Relations and Meetings**

##### **A. Participation in Conferences**

- i)* The Project Chief-of-Party was invited to participate in the Organisation Board for the *Macedonian Information Society Conference*, held 28<sup>th</sup> September. The

Conference aimed at launching the introduction of the National Information Society Plan for the Republic of Macedonia. The Chief of Party also participated in the conference and gave a presentation on *Inclusive Information Society: brings benefits to all*.

ii) The *HP-INTEREX* held its 8th Annual Conference in Ohrid, Macedonia, during September. The purpose of the Conference was to express the potential of ICT technologies used in domestic companies and institutions; and current news and trends by world leading ICT companies concerning the latest products and future plans. The *e-Gov Impact* Chief-of-Party gave a presentation on *Electronic Communication: a market in transition*. The presentation focused on the possibilities the Internet protocol is providing for new communication methods such as Voice over IP and claimed that this will provide users with significant benefits, entrepreneurs with new business possibilities. The profound negative impact on the incumbent operators with heavy investments in switching was also pointed out. The presentation stressed that the development must be allowed to continue, disregarding the possible negative effect on the incumbent operator.

The Project Deputy-Chief-of-Party gave a presentation on *e-Tax Services - Using IT to improve efficiency*.

iii) The Chief-of-Party and the Deputy Chief-of-Party were both invited to participate in the *e-Government Eastern European Conference*, held in Sinaia, Romania, 12-13 September hosted by the Romanian Ministry of Communications and Information Technology and USAID-Romania via the dot-Gov Romanian Information Technology: Policy Project. The *e-Gov Impact* Chief-of-Party gave a presentation: “*Challenges to introduce e-Government in developing countries: the strategy chosen by the USAID funded e-Government Impact Project in Macedonia.*” The Deputy Chief-of-Party introduced the e-Tax services application.

## **B. Meetings with Macedonian Officials.**

i) Meetings have been held with **Ms. Snezana Stankovic, Secretary General of the Government**. Ms. Stankovic has been asked to support the necessary legal changes for the e-procurement application. The *e-Gov Impact* Chief-of-Party has also offered Project assistance to develop e-Government applications for the GOM and asked for her wishes in this respect.

ii) The Chief-of-Party has met with **the President of the Parliament**. The President has expressed a strong interest in the Project and is supportive of its activities. He also asked for opinions from the Project regarding an Information Technology strategy that was being elaborated within the Parliament. The Chief-of-Party emphasized the desire of the Project to develop an e-government application that meets the needs of the Parliament. It was agreed to await the conclusion of the IT strategy and then identify a suitable application.

iii) The Project team members have had regular meetings with the *Civil Service Agency* during the development of the **on-line application system** and with *Public Revenue Office* regarding the **e-Tax services** application.

iv) Frequent meetings have been held throughout the quarter with *Mr. Jani Makraduli, Chairman of the Information Technology Commission*.

v) Several attempts have been made to schedule meetings with the *Minister of Finance, Mr. Popovski*, to discuss digital signatures and the necessary legal changes for the **e-procurement** application. However, he has not made himself available to the Project.

vi) The *Public Procurement Bureau* changed its Director during the fourth quarter and the Project has established a relationship with the new Director. It turned out that the previous Director had not provided the new Director with any information about the work on the **e-procurement** software application. The new Director has consequently been fully updated and engaged by the project.

vii) A meeting has been held with *the Director of the Health Fund* during which the Chief-of-Party introduced the **e-procurement** software application and asked if the Fund to consider becoming a contracting institution. The Director expressed his interest in using e-procurement. The next step will be a demonstration of the application for relevant staff members within the Fund.

### **C. Coordination with other USAID Projects**

i) The Chief-of-Party discussed with the *Make Decentralization Work. M.D.W.* project synergy possibilities between their e-Tax system to be developed for the local administrations and **e-Tax services** applications being developed by the project. The **e-Tax services** application will cover the interface with the taxpayers while the M.D.W. Project is developing the “back office system” for the local administrations. Consensus was reached that that while it could be that that individual taxpayers need greater motivation to file local taxes on-line yet for some time to come but a co-ordination of the two projects should nevertheless be strived for.

M.D.W is equipping local administrations with computers and connectivity, including setting up several community information centers. Consequently the Chief-of-Party asked if these centers could be used as access points for the **apply-on-line** service being developed by the Project for the CSA. The reply was very positive and this seems to be a possible way forward.

ii) Discussions were held with the *Macedonia Connect* project regarding the availability of Internet access that will be provided through that project. The *e-Government Impact* **apply-on-line** software application for jobs posted by the CSA requires that jobseekers also have access to the Internet in public places, as only a limited number of citizens have private access possibilities. However, the *Macedonia Connect* Project informed the Chief-of-Party that they could not assist in this way because they are concentrating on establishing the network and their access points are restricted to schools.

#### **D. Coordination with Other International Donors.**

i) The Project has initiated coordination with *UNDP and the Italian Government* regarding the **e-Tax services** application, being developed for the Public Revenue Office.

ii) Meetings have been held with *UNDP* to discuss coordination within the international donor community regarding the implementation of the National Information Society Policy.

iii) The *European Agency for Reconstruction, EAR*, is financing a project to assist the GOM with modification of the current public procurement legislation, and is working with Public Procurement Bureau, of the Ministry of Finance. Meetings have been held with the *EAR* Team Leader regarding the legal modifications that are necessary in the public procurement legislation to make e-procurement legal. Some progress has been made but further work is needed to convince the *EAR Project* and PPB about the benefits of e-procurement and facilitate a positive approach to the legal modifications.

iv) The Chief of Party met the *Director of the e-Governance Academy in Estonia, Mr. Ivar Tallo*, in connection with a conference in Skopje. Estonia has managed to make an impressive implementation of IT and e-Governance during a short time period although Estonia is a rather small and poor country. The Chief-of-Party and Mr. Tallo discussed possible ways of using the experience and examples of Estonia also in Macedonia.

#### **D. Cooperation with Private Entities**

i) The cooperative relationship the Chief-of-Party has established with Hewlett Packard is continuing and HP has provided, as a loan, the required hardware for hosting the **e-procurement** software at the premises of the Project. Hewlett Packard also committed to finance the planned public event for launching the **e-procurement** application, which however had to be cancelled due to the lack of necessary legal modifications. Once the legal environment is enabled to accept digital signatures, HP will carry-out its commitment to assist with the public launch event.

ii) Microsoft has donated a SQL Server to the project to be used for the **e-procurement** application.

#### **VI. Administrative and other internal matters**

i) *e-Gov Impact* has budgeted about \$10,000 per year for assistance by an ICT specialist, a Macedonian Professor. However, the Professor has so far not been available to the extent he had originally thought he might. Consequently the amount will most likely not be spent during this year. The Chief-of-Party has raised a discussion with the Professor to sort out the needs by *e-Gov Impact* and the opportunities of the Professor to contribute during the coming year. It is foreseen that a more flexible solution needs to be organised regarding consultancy assistance to *e-Gov Impact*.

*ii)* The budget also contains \$200,000 per year for sub grants to local entities. The amount is used for procuring software for the e-Government applications. Due to the time necessary to prepare each application, to organise the proper tender process and for the software developer to develop the software \$67,254 out of the total amount was spent during the first year. An additional \$124,856 was committed during the year through the three tenders.

The **e-procurement** software application is expected to be expanded during Project's second year. Also the other two applications that were undertaken during the first year will most likely undergo some further expansion. In combination with the rather significant applications to be undertaken during the second year it is expected that the project might need to overspend during the second year and partly use resources for applications budgeted for the coming year. This will be discussed with the CTO and the need for a request for budget modification will be considered.