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MR. ZDRAVKO SAMI
COGNIZANT TECHNICAL OFFICER
USAID MISSION TO MACEDONIA

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

Persephone Miel
Regional Director, Europe & Eurasia
Internews Network
164 W. 25th Street, 10th Floor
New York NY 10001
pmiel@internews.org

GENERAL INFORMATION

The five-year \$ 4,950,191 *e-Gov 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).

The e-Gov Project works closely with the Government of Macedonia, (GOM) and is located in Skopje, the Republic of Macedonia. The key staff of the project is: Mr. R. Jerker Torngren, Chief-of-Party and Mr. Jovce Plastinovski, Deputy Chief-of-Party.

The *e-Gov Project* 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. *The e-Gov Project* 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 of the *e-Gov Project* from 1 April to 30th June 2006. This quarter was marked by the following highlights:

- Three contracting institutions launched the first tenders over the e-Procurement system.
- The development and testing of the e-Tax services application was successfully completed in time for its inauguration 1 July 2006.
- Contracts were signed with Macedonian software developers regarding the construction of two new e-Gov applications on e-Budgeting and e-Health respectively and the development of both applications have progressed according to plan.
- The Ministry of Finance signed the approval of the first company to issue Digital Certificates.
- A high level public event was held to provide information about the applications already completed by the e-Gov project and those presently under development.

I. Executive Summary

The Program Description requires the *e-Gov Project* 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.

By developing priority IT applications that successfully demonstrate the benefits of using IT the Project assists the Government to invest in e-government applications. The project also focuses on providing adequate training of users of the applications developed by the project. The training is organized when ever possible in the way that the thus trained persons shall be able to train others. Activities are also designed to increase the general knowledge among civil servants to properly use IT. The e-Gov project is hereby actively preparing the State Administration for an efficient utilization of IT.

The **e-procurement** application was finally inaugurated, after several delays, through tenders being published during the middle of April by three municipalities, Karpos, Skopje and Veles respectively. The delay was caused by The Public Procurement Bureau a number of times revisiting a few minor by-laws and requested some further elaborations of them. When these finally were accepted by the Bureau it took additional time before the Minister of Finance was in position to sign them.

The three tenders were also completed during the quarter with very successful public openings of the bids and work began to add further public institutions to the system.

A tender for development of software for an **e-Health application**, to be implemented on the request of the Minister of Health, was completed with a contract being signed with the Macedonian software developer Semos. The development has progressed according to plan.

A tender for the development of software for the **e-Budgeting application** was also successfully completed during the quarter by signing of a contract with the software developer Pexim.

The selection of the developers was done by the project, based on the bids received. Both selections were fully supported by the respective recipient organization.

During the previous quarter the e-Gov Project had assisted with developing bylaws for the introduction of **digital certificates**. These bylaws were finally signed by the Minister of Finance and published in the Official Gazette during the previous quarter. During this quarter the project provided training to the Ministry regarding the administrative obligations the Ministry will have regarding issuing of certificates.

Thanks to numerous interventions by the project the Minister of Finance signed by the end of June a document confirming the first company to be authorized to issue digital certificates.

A high profile **Public Event** was held on Tuesday 16th May to inform interested parties about the progress of the project activities.

II. Program Accomplishments

The positive effects of conducting electronic public procurement were demonstrated by the first procurements carried out over the e-procurement system that was developed by the project.

- An evaluation of the apply-on-line system for jobs in the state sector has confirmed the very positive impression already previously gained. The evaluation confirmed that the foreseen advantages with the system had been met.

At the public event organized on 16th May the Prime Minister confirmed in his speech that the e-Gov project has significantly contributed to the introduction of an ICT Society in Macedonia.

III. Activities

General Comments

The Government published a two page advertisement before the general election to be held early next quarter in which the Government listed, as having been implemented by the Government only, all applications developed by e-Gov as crucial steps in making the Government more efficient by using ICT. Although not giving any credit to the e-Gov project in the advertisement, it demonstrated that the applications are very well received by the Government and considered to be important steps in modernizing the public administration.

Nevertheless some Ministries and administrations are reluctant to implement administrative modifications that could fully utilize the e-Gov applications. One among several examples is connected to the Public Procurement Bureau and some still remaining obligations on bidders to provide some registration documents already at the time of submitting bids. This causes a problem especially for the vendors/bidders. The on-line application of jobs in the state sector is a good example of the opposite and demonstrates the significant achievements that can be gained when regulations are modified simultaneously.

When a new Government is formed after the general election the e-Gov project intends to request a meeting with the new Government to discuss these issues.

A. e-Procurement

The General Secretariat of the Government agreed by the end of last quarter to host the server to be used for the e-procurement system. However, extensive discussions were necessary before an agreement could be signed during this quarter regarding the specific additional commitments to be undertaken by the Secretariat, especially regarding the minimum capacity for the connectivity to the server. A MoU was finally signed. The commitments undertaken by the Secretariat therein are good enough for an introductory period until a significantly larger amount of contracting institutions have been signed up to use the system. The project has together with the software developer estimated that around 10 more institutions can be connected to the system within the present technical restrictions, especially with regard to connectivity. According to the present legislation all bidders must submit scanned documents regarding their formal registration and financial statues. The transmission of these documents requires a significant amount of transmission capacity and would in reality not be necessary at all at the time of bidding. The project has suggested, but so far without success, a legal modification to eliminate this requirement which would reduce administrative burden and direct cost for both the bidders and the contracting institution.

After serious delays by the Ministry of Finance in completing some bylaws to the Public Procurement Legislation – although rather few and uncontroversial – the project was permitted by the Public Procurement Bureau in the beginning of April to inform the four public institutions duly registered in the system that they could launch their first tenders over the system. The City of Skopje and the municipalities of Karpos and Veles respectively published a tender each a few days thereafter. The Mayor of the City of Skopje organized a press conference to announce their first e-tender. The press

conference went well with good coverage from the media. Seven daily newspapers picked up the story and two TV stations and some radio stations reported on the event.

The City of Skopje published its tender on 13th of April for reconstruction and upgrade of computer installation of the local computer network. The public opening of this tender was conducted on 17th of May and was very successfully completed. City of Skopje received four bids, which were electronically submitted by the bidders and downloaded by the public procurement commission at the moment of the public opening.

The Municipality of Karpos published its tender on 17th of April for reconstruction of a street. The public opening of the bids was conducted on 30th of May. Four bids were received here as well.

The Municipality of Veles published a tender for procurement of insurance of property and other fixed assets. The public opening of this tender was conducted on 15th of May, receiving three bids.

The e-Gov Project staff members were present during the public opening to assist if need be. However no assistance was required. Although it is too early for an in-depth analysis and evaluation of the system the first impression was very positive indeed. All three contracting institutions expressed their appreciation and focused on the fact that they found the system very reliable and user friendly. They had no negative comments.

The vendors also found the system attractive and commented primarily on the very transparent public opening. A number of potential vendors had downloaded the documentation but not submitted any bids. On the question why they had not submitted a bid, they all answered that they didn't find the respective tender interesting. No one claimed that the system would have caused problems to bid.

The three published tenders successfully included the procurement of goods, services and works respectively. The system also supported through the tenders both open and restricted call procedures.

The fourth institution, the Services for General and Common Affairs within the General Secretariat of the Government, has not published a single tender over the system during this period. Although asked for the reason, none has been provided.

The Public Procurement Bureau has been assisted by an EU-funded project to draft new public procurement legislation. The project closed its activities in May. Although the work has been going on for some time, no final draft has been agreed on by the Public Procurement Bureau. The EU team has suggested that their draft should lead to the adoption of a completely new law. However the Bureau has expressed its reluctance to adopt a new law and would prefer to amend the present law. The e-Gov project will carefully follow the development and intervene to the extent possible to facilitate the adoption of a new legislation. The present law does not allow some key features in the e-procurement system and also complicates the bidding process both for the contracting institutions and the bidders.

During this quarter the project invited additional institutions to submit their interest in being registered to use the system. After technical discussions with the software developer the project assessed that additional 10 institutions could be added without risking any problems with the system. Seven institutions announced their interest and the project will in cooperation with the Bureau add these to the system early next quarter.

The project will during the next quarter discuss with the software developer which investments in hardware and software would be required in order to implement an e-procurement system in Macedonia for all public institutions.

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

The apply-on-line system has very successfully been in operation for half a year by now. A first evaluation has been conducted and will be submitted to USAID early next quarter. A second evaluation is planned to be conducted after the first year of operation.

In accordance with request from the Civil Servants Agency the e-Gov project will add to the application two on-line courses, one on basic IT skills for civil servants and the other regarding some legal and administrative matters for civil servants. These two courses will be included in the obligatory testing of candidates, which is already part of the on-line application system.

C. e-Tax services

The e-Tax services have been duly tested during this quarter by the following companies:

- Makpetrol
- Macedonian Telecom
- Stopanska Banka
- Alkaloid
- Pivara Skopje
- QBE Insurance Company

A number of additional tax forms have been developed by the Public Revenue Office, PRO, with extensive assistance of the software developer and financed by the project. A number of modifications in the software have also been made as a result of the “live” testing. Weekly check point meetings have been held throughout the testing phase so that the project has been able to closely follow the development and take action when need be.

PRO has as well gone through extensive internal reorganization during this period, which has caused extra strain on their resources. The project, through the software developer, has thus provided extra work especially related to the creation of various tax forms that initially was planned to be done exclusively by PRO.

The testing was completed with all modifications in place by the end of the quarter and thus in time for the full implementation of the system as scheduled for 1 July. Out of the 130 companies that had been selected by PRO as potential users 80 companies had registered before the end of this quarter. It is expected that the number will increase when better information is being provided about the system. Due to the general election to be held 5th July, it has not been possible for the project to conduct any public activities during the last month to attract companies to register.

D. e-Learning courses

The Civil Servants Agency has requested the assistance by the project to develop two e-learning courses to be used by the Agency, one being an IT course and the other a general course regarding various administrative and legal matters of importance to Civil Servants in general. Both courses are intended to be integrated in the apply-on-line system and be used also for the obligatory testing of applicants.

The project has agreed to take on the task and will launch a tender regarding the development early next quarter. The IT Handbook, being developed by the project, will provide most of the needed content.

The project wanted to make the basic IT course available free of charge to anyone and discussed such a possibility with the Agency. However, it was not possible to come to any agreement in that respect due to restrictions in the mandate of the Agency.

The project has thus explored possibilities to develop a separate course to be hosted outside the Agency. Discussions have been held with the Institute of Informatics within the Ss. Cyril and Methodius University, Skopje. The Institute has confirmed its capacity and interest both to develop and to host the course. Detailed discussions are on-going and are expected to be concluded early next quarter with the intention of having also this course developed and launched during the next quarter.

E. e-Health application

The e-Gov project and the Ministry of Health have agreed to design and create a software application that will introduce a system for electronic processing of drug prescription data within the health sector of the Republic of Macedonia. The project and a working group within the Ministry jointly developed a System description that explained the functionality of the system and listed the required software modules.

Five bids were received by the project regarding the tender for the development of the application at the closing of the tender period 14th April. After the internal evaluation process the Macedonian software developer Semos was selected and duly approved by the Ministry as well. A contract was signed with the company on 9th May. A kick-off meeting was directly organized with the contractor and the Ministerial working group at which the format and timetable for the work was agreed on.

The scope of work for the developer had been defined through the System Description, which was developed with prime input from the working group. At an early stage the Ministry working group announced that a crucial module had been overlooked by the working group when preparing the System Description and had to be added as well. An annex to the contract was thus signed with the developer regarding also this module.

The development of the software covered by the original contract was duly completed in June and the testing has begun. The additional modules will shortly thereafter be completed and the system shall be operational during July.

F. e-Budgeting

The e-Gov project and the Ministry of Finance have agreed to design and create an e-Budgeting software application to be used for the preparation of the budget for the Republic of Macedonia. The application shall facilitate the preparation of the budget and will improve the dialogue between the Ministry and the budget users and funds. It will also improve the possibilities for analysis, planning and revision of the Budget.

Five bids were received for the development of the application. Out of these bids a contract was signed on 8th June with the software developer Pexim, in full agreement with the recipient institution, the Ministry of Finance. The Resident Adviser to the Ministry, Ms. Sheila Becket, also supported the choice of developer.

The development has begun. This is the most time-consuming application undertaken so far by the project. The testing of the system will be conducted during the development of the national budget for 2007 and it will be fully operational in time for the preparation of the budget for 2008.

G. Digital Signatures

The project has followed up on previous support provided to the Ministry of Finance with regard to the introduction of Digital Certificates by organizing training for Ministry staff members regarding administrative tasks to be performed by the Ministry. The Slovenian expert/consultant that was brought to Skopje to assist with drafting of some legislation was engaged to provide one week's training.

The project was informed by the Ministry shortly before the training was scheduled to take place that a final, confirmative document had been signed by the Minister, thus allowing the first entity to issue certificates. Consequently the last day of the week had been designated for a public meeting to launch the issuing of the first certificates. However, in the beginning of that week the Ministry regrettably announced that the information was not correct and that further delays had occurred regarding the signing of the document. The event had thus to be cancelled.

After several interventions by the project the confirmation document was finally signed by the Minister at the end of June and digital certificates could thus be introduced in Macedonia.

H. Automated Road Toll System

The Ministry of Transport and Communication has expressed interest to USAID and the World Bank to introduce an automated Road Toll system in Macedonia. The e-Gov project has been asked by USAID to contribute to the work. The Chief of Party has agreed, since such an application would be within the mandate and competence of the project.

The World Bank and the Chief of Party has agreed that the first step should be for the Chief of Party to produce a short inventory of technical solutions already available in other countries that could be suitable also for the situation in Macedonia. The report will be presented in September.

I. e-Session for Municipalities.

The e-Gov project has discussed a possible cooperation with the USAID-funded Make Decentralization Work project, M.D.W. to develop and implement an application for municipalities which would increase the accountability of the municipality councils through transparency. The use of IT would create possibilities for the citizens to be better engaged in council matters by informing the citizens about tasks to be dealt with by the council and have the possibility to submit comments and suggestions thereon.

During the end of this quarter the two projects agreed on a possible concept which will be discussed with a few municipalities early next quarter.

K. Public Events

i) A public event was organized on Tuesday 16th May with the title *e-Gov for a Modern Macedonia*. The purpose of the event was to build support for e-Government among policy makers by demonstrating the innovative international examples already developed by the project. The event was organized through mixture of presentations and demonstrations of the e-Gov applications.

The President of the Parliament, the Prime Minister and a number of Ministers were among the participants. The US Embassy was represented by Mr. Paul Wohlers, Deputy Chief of Mission. Mr.

Wohlers gave the first presentation followed by the Prime Minister. During the break that followed the Chief of Party guided the President of the Parliament, the Prime Minister and Mr. Wohlers around the exhibition. The Chief of Party also moderated the event and gave a presentation on the work of the project. The event was organized in partnership with Hewlett-Packard and Microsoft.

ii) The project has begun to prepare for a series of “Road Shows” that will inform citizens across the country about the benefits of and opportunities for using IT. The first event is scheduled to take place in Skopje around 16th of September. Only the first event will take place in Skopje, in order to generate the necessary amount of publicity.

L. Development of handbooks

The work on the handbook on basic IT knowledge continued during this quarter. The adaptation of the original Romanian handbook to the Macedonian environment took more time and work than originally expected. Nevertheless the project considers the work to be worthwhile in light of the significant demand the project has experienced for the handbook.

Work has also started on developing a basic guide on combating cyber-crime, also this book being based on a guide book developed a couple of years ago by the USAID-funded RITI dot-Gov project in Romania.

The work on a third handbook on IT Privacy and Security has been completed. It is based on the presentations given by a US consultant during the IT privacy workshop held the previous quarter. The handbook was however not printed during the quarter. The Chief of Party decided to wait with the printing until all three handbooks were finalized and only then decide on how to structure them in individual handbooks since some content overlap between the different publications.

M. Training

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

Training has been provided to the Public Revenue Office with regard to the **e-Tax services application**. Further training will be provided during next quarter.

Extensive training was previously provided to the contracting institutions regarding the usage of the **e-procurement application**. That training was deemed necessary primarily to override mental barriers to use the electronic procurement system. However, the Chief of Party considers it impossible for the project to continue providing such extensive training to every new contracting institution. A detailed handbook has been produced and that ought to provide sufficient guidance to use the system. A new institution was registered to use the system during this quarter. In order to test if the handbook would be enough, only that was given to the institution and the staff members were instructed to inform the project of the outcome. Unfortunately no feedback came during the quarter although the institution frequently was reminded.

ii) Training of staff within the Ministry of Finance has been conducted on the administrative process connected to the monitoring of issuers of **digital certificates**.

iii) Training has been provided to administrative staff within the **Macedonian Philharmonic Orchestra** to update their new webpage without external assistance. A new webpage has been designed and developed through assistance of the project.

IV. Subcontracts

The following contracts have been signed during the quarter:

- With MtNet on 5th April to modify the webpage of the Macedonian Philharmonic Orchestra.
- With the Macedonian software developer Semos on 9th May to develop an e-Health application.
- With S&T Hermes Plus, Slovenia, to provide training conducted 21- 26 May for the Ministry of Finance regarding administrative tasks related to issuers of Digital Certificates
- With Trajkovski and Partners, Macedonia, on 2 June to elaborate a draft Terms of Reference for Chief Information Security Officers (CISO).
- With the Macedonian software developer Pexim on 8th June to develop an e-Budgeting system.

V. Memorandum of Understanding

One Memorandum of Understanding has been signed with the General Secretariat of the Government on 6th April regarding the hosting and maintenance of the server to be used for the e-procurement application.

VI. External Relations and Meetings

A. Participation in Conferences

The Chief of Party participated on the request by the Ministry of Transport and Communication in the Macedonian delegation to the EU Ministerial ICT conference held in Riga 12-13 June under the title *ICT for an inclusive society*.

The Chief of Party participated in the 3rd MASIT Open Days Conference, held in Skopje on 12th May, and gave a presentation on *Challenges in implementing e-Gov* within the session called *eGovernment-Best practice*. Following recommendations from USAID, the project sponsored the conference with a donation of \$3,000.

The Chief of Party also participated in the Macedonia Business and Investment Summit, held in Skopje 27-28th April.

B. Meetings with Macedonian Officials.

i) Frequent meetings have been held with **Ms. Snezana Stankovic, Secretary General of the Government**.

ii) The Project held regular meetings with the **Public Revenue Office** regarding the **e-Tax services** application and with the **Public Procurement Bureau** regarding **e-procurement**.

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

iv) Extensive cooperation has taken place with the **Ministry of Finance** on designing the e-Budgeting application and with regard to legislation on digital signatures.

v) Meetings were held with **the Ministry of Health** regarding the development of an e-Health application.

vi) Discussions have been held with the **Ministry of Interior** regarding the development of the guide on how to combat cyber crime

vii) The Chief of Party has been invited to the **President of the Parliament** a couple of times to discuss various ICT issues.

C. Coordination with other USAID Projects

Discussions have been held with the M.D.W project regarding possible coordination of activities, focusing primarily on possible e-Gov applications that could be developed for the 40 municipalities the M.D.W. project is providing with IT equipment.

D. Coordination with Other International Donors.

i) The Chief of Party has discussed with representatives of the **World Bank** possible ways forward to introduce an automated Road Toll system.

ii) **World Bank** representatives have also had preliminary discussions regarding possible ways for the Bank to contribute to a full scale implementation of the e-procurement system. The project is seeking a possibility to follow up with in-depth discussions since the project considers that an active involvement by the Bank could speed up a quick large scale usage of the system.

ii) The **European Agency for Reconstruction, EAR**, has provided assistance to the Public Procurement Bureau to draft new public procurement legislation. The e-Gov project has stayed involved in the work to make sure that legal modifications to fully permit all possibilities of electronic procurement would be incorporated in the new legislation.

E. Cooperation with Private Entities

i) The cooperative relationship the Chief-of-Party has established with **Hewlett Packard** is continuing.

ii) The Project also held frequent discussions with **Microsoft**.

VII. Administrative and Internal Operational Matters

The job descriptions for all local staff members have been modified and updated in accordance with the changes in responsibilities that have taken place so far.

VIII. Planned activities for next quarter.

Out of the planned activities for this past quarter only considerations regarding possible IT legislation has not advanced as foreseen. It is now planned for this coming quarter which would be timely with a new Government to be installed a few months time after the general election that will be held a few days into the next quarter.

During the next quarter both the e-Tax and the e-Health applications will be taken into service.

Work will begin on a few e-learning courses for civil servants and for citizens respectively. One course on basic IT knowledge, to be made available free of charge for citizens, shall be completed.

It is expected that the project jointly with the USAID-funded project, Make Decentralization Work will begin the development of an application, with the tentative name, “Accountability Through Transparency,” initially to be used by some municipalities.

The Government webpage, www.uslugi.gov.mk provides useful information but does not allow any interactive actions. The project will consider which services should be given priority to be made interactive and prepare a proposal for the Government. In light of the elections to be held a few days into the new quarter and the time period necessary before a new Government will be in place it will most likely not be possible for the project to come to an agreement with the relevant recipient Ministry during this quarter. A proposal should nevertheless be finalized.

The e-procurement application will be expanded to cover more contracting institutions.

The Chief of Party will present to the World Bank, Macedonia an inventory of possible road toll systems that might be constructive for Macedonia.

An event will be planned to inform the new Government about work so far conducted by the project and to discuss necessary actions to be taken by the Government in order to facilitate an introduction of further e-Gov applications.

A promotional “Road Show” will take place with the purpose of;

- Increasing the awareness of the benefits of using IT and encourage citizens to use e-Gov applications and other on-line services.
- Facilitating links between the private sector and civil communities
- Encouraging the Government and the business community to provide better on-line services.

The Road Show will visit a number of places around Macedonia and continue into following quarters.