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Ms. TATJANA MARKOVSKA
COGNIZANT TECHNICAL OFFICER
USAID MISSION TO MACEDONIA

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

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

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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.

www.eGov.org.mk

Introduction

This report reflects activities of the *e-Gov Project* from 1 October to 31 December 2006. The quarter was marked by the following highlights:

- The first two modules of the CEMT (Conference of European Ministers of Transport) license application were very successfully inaugurated by the Minister of Transport and Communication at a public event on 19th November.
- The *Macedonia Surfing* public event, successfully toured 10 locations in Macedonia to promote the usage of ICT, during the first month of the quarter.
- The project initiative *Interactive Macedonia* was presented to the Prime Minister and received his full endorsement.

I. Executive Summary

This quarter was marked by a mixture of positive and negative events. The development and inauguration of the first two modules of the CEMT application is clearly the most prominent. The work was right from the beginning very challenging indeed with only limited time for the development. The first modules had to be completed in time for the distribution of CEMT licenses valid for 2007. Furthermore the Ministry Committee formally in charge of the distribution of the licenses was initially reluctant to take on the work, although having being requested by the Minister of Transport and Communication to do so. The necessary algorithms for calculating the distribution of the licenses were unclear.

Nevertheless the task was accomplished and the result hailed also by the Prime Minister as one of the milestones in fighting corruption in the Republic of Macedonia.

The very constructive relation established with the Prime Minister is also among the very positive factors together with second evaluation of the Apply-on-line application which confirmed that this application is very successful indeed, fully corresponding to the initial targets and expectations.

The total lack of response by and dialogue with the new Director of the Public Revenue Office, PRO, is however among the negative experiences this quarter. The Project had a most constructive co-operation with the previous Director, who resigned after the election. Although some staff members of PRO have confirmed the intention by PRO to fully utilise the e-tax services that was put into operation 1 July 2006 and also expressed their understanding that further services shall be added, no work in that respect could be undertaken or even planned by the e-Gov Project due to the lack of engagement by with the Director.

Furthermore the project was informed during this quarter that the uptake of the services had been by far less impressive compared to what PRO earlier had claimed. However, this too was impossible for the e-Gov project to address without cooperation from the top.

The development of the e-procurement system has also been marred by delays and lack of progress by the Public Procurement Bureau with regard to carrying out the necessary legal reforms.

However, for several other applications the work has progressed very well, such as with the e-Budgeting, which is ahead of schedule and with which the Ministry of Finance repeatedly has expressed its satisfaction. Through the successful road show, *Macedonia Surfing*, the knowledge of and familiarity with ICT services was boosted across the country and the e-Gov project got very positive media coverage.

II. Program Accomplishments

The e-Gov project managed to complete the first two modules of the CEMT application in very short time to be ready for the distribution in November of CEMT licenses for 2007. Many road hauliers expressed their satisfaction with the system, stating that it was the very first time the CEMT licenses had been distributed in a fully transparent and non-corrupt fashion. In a speech by the Prime Minister, highlighting the result of the first 100 days of the new Government, hailed the application as one of the most effective contributions so far in combating corruption.

Through the *Macedonia Surfing* public event across Macedonia thousands of citizens were for the very first time introduced to ICT services. They were helped to use the Internet and use many of the available services, including creating their own e-mail addresses.

III. Activities

General Comments

Although two new Memorandums of Understanding have been signed during this quarter no significant new work could start before the very end of the quarter. The MoU regarding the Accountability through Transparency was signed this quarter with 11 recipient municipalities but the work had begun already during the previous quarter.

On 19th December a MoU was signed with the Central Registry regarding the development of an application for on-line submission by companies of their annual reports. An agreement was also reached the same day with the Customs Office regarding development of some software applications, primarily handling applications for and registration of trade quotas. For both these new tasks the work will begin in earnest early next quarter directly after the Holiday season.

*** e-Procurement**

The usage of the e-Procurement system has been disappointing during this quarter. Although the Public Procurement Bureau and also the contracting institutions so far connected to the system all voice their full support, rather few procurements have been published over the system.

The final IT security audit report was presented by the auditor, Deloitte dooel, to the project early October. It confirmed the preliminary results that the software in general well matched the security requirements but that a few modifications nevertheless were recommended. Furthermore some concerns were directed to the physical protection of the server used by the system.

The e-Gov project invited all stakeholders to a meeting to go through the report and decide on the relevant actions to be taken. Although the number of modifications were not significant and each individual task not particularly extensive the recommendations were not implemented until the beginning of December. A few recommendations, in particularly related to the protection of the server in the premises of the General Secretariat, will most likely not be undertaken by the Secretariat due to financial restrictions. Given that the present hosting of the server is a temporary solution only and should be replaced within the coming year the decision by the Secretariat must be respected.

This period of upgrading the software and the physical infrastructure created in reality a deadlock regarding the usage of the system. The contracting institutions already registered in the system did not submit any tenders during this period and the Public Procurement Bureau waited until the conclusion of the upgrades before the seven new contracting institutions were given their passwords and usernames. However during December these seven contracting institutions collected their user names/passwords from PPB and are expected to publish their first tenders over the system early next quarter.

The Project has also signed a new contract with the software developer - Infinite Solutions - for additional upgrades of the software to fully meet the needs of a system to be used for a majority of all public procurements in Macedonia. Furthermore some additional features, all very important for a well functioning public procurement but not yet recognised by the existing legislation will be incorporated in the software since it is expected that a new public procurement legislation will be adopted sometime during 2007 which will incorporate provisions for these essential features. The features cover issues such as procurements dividable by lots and Dynamic Purchasing Systems.

The e-Gov project has also begun to prepare a detailed estimation about costs for establishment of the hardware necessary for a full-fledged system, including the need for possible investments in high-capacity communication systems. The cost estimation will also cover assumed cost for the long-term operation and maintenance of the system. This cost estimation is requested by the Public Procurement Bureau and will assist the Bureau to prepare for the investments and financing of the long term operation of the system.

The Project has to the extent possible been engaged in the considerations of the Bureau regarding the preparation of a new legislation. The Project argued for a new law to replace the existing one.

However the previous Director of the Bureau had begun a project instead to amend the present law. Obviously a fair amount of time was spent in the Bureau during this quarter to assess the most favourable solution. In the end it was decided to continue with limited amendments and these were submitted to the Government by the end of the quarter. Some modifications essential for e-procurement, such as allowing e-auctioning and the deletion of requirements for vendors to submit some obligatory official documents were not included in the proposed amendments. The Director of PPB has however informed the Project that she expects to submit to the Government before June 2007 a proposal for totally new legislation which will include the modifications requested by the project.

The e-Gov Project has also looked into the previously developed user manual to see if it needs to be modified. As a result the manual has been partly reworked and two different manuals prepared; one specifically for contracting institutions and the other one for vendors. In addition a one-page check list for vendors has been produced, containing the activities that should be undertaken by bidders when uploading their bids.

The new versions will be available on the official e-procurement webpage.

The e-Gov Project and the CTO had a meeting with a public procurement specialist from the World Bank Mr. Hagop Angaladian who is assisting the Health Insurance Fund to prepare and publish an International tender for procurement of drugs for an approximate amount of \$ 50 million. The World Bank expert showed interest in using the e-procurement system and work is ongoing to explore the possibilities.

The e-Gov project is preparing for a study trip for the Director of the Bureau and two of her colleagues during January 2007 to visit the Office of Government Commerce, the Government Procurement Services in London and also the U.K. Home Office, followed by a visit to the EU Commission, Internal market, Public Procurement Policy. It is expected that the study trip will provide information about experience and legislation that will significantly enhance the prospect of a constructive implementation of the e-procurement in Macedonia.

The e-procurement development during this quarter has been seriously disappointing in respect of the utilization of the system. However, significant progress has nevertheless been made in respect of the Public Procurement Bureau and its attitude towards e-procurement. Furthermore statements by representatives of the Government also indicate a commitment to large-scale implementation of the system in Macedonia. It is likely that a good part of 2007 will be needed to increase the acceptance of the system and the full effect can hardly be expected before 2008.

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

The second evaluation of the Apply-on-line system for employment within the State Administration has been concluded and sent to USAID on 14th December. This time a larger number of applicants (70 persons) could be interviewed which increases the validity of the result. The report fully confirms the positive result found already in the first report. The trust in the system by the applicants has been further strengthened and significant administrative savings are confirmed by the Civil Servants Agency. The report is available on the project webpage www.eGov.org.mk.

The handbook for the civil servants on basic IT skills, which has been produced by the e-Gov Project, has been distributed to 40 institutions of the central Government administration and to 80

municipalities. A promotional event with representatives of these institutions was organised on the premises of the Civil Servants Agency on 13th October.

The two e-learning courses the e-Gov project undertook to produce for the Agency to be used in connection with the apply-on-line system have both been completed and are being tested by the Agency.

*** e-Tax services**

The e-Tax services application was taken into service by the Public Revenue Office, PRO, on 3 July 2006, after extensive testing during the spring of 2006. Initially PRO invited the 130 biggest companies to file their tax returns over the system. By the end of the previous quarter 94 out of the 130 invited companies had signed contracts with PRO for using the system and had been registered as users of the system.

The project did encourage the PRO to organise a public event to introduce and inform about the benefits of using the system. The project offered also assistance in organising the event. However, PRO preferred to do this on its own in connection with the launch of their Large Taxpayers Office (LTO). Unfortunately the e-Gov project got the impression that the events organised by PRO concentrated almost entirely on the LTO and rather little time was given to the e-Tax services.

The project repeatedly requested information from PRO about the uptake of the service and was finally informed in November that only 34% of the companies that had signed the contract were using the system. The e-Gov Project then requested LTO to organize a meeting for the e-Gov Project with a few companies that were invited to use the system but nevertheless hadn't done that. It was important to the project to find out the reason for the reluctance by the taxpayers.

A meeting was consequently organised with six companies, five of which had contracts but were not using the system and one that had no contract signed at all. The participating companies were all large entities, including one bank and a major chain of stores. The meeting was interesting. Not a single company had encountered any problems whatsoever with the system. They just hadn't devoted any time to changing their administrative proceedings for tax filing, although they did admit they would have saved significant time had they done so.

During the quarter some additional companies began using the system and 40 % of registered companies are regular users. By 15th December, 103 agreements to use the system have been signed with companies and 2 more were at that stage being processed.

The LTO has informed the Project that a survey has been conducted with three groups of large taxpayers: the ones that are using the system, the ones that have a contract signed but are not using it and the ones that have no contract signed at all. In all, 95 companies have been interviewed. The e-Gov Project is waiting for the result and then intends to plan actions accordingly.

The Chief of Party requested a meeting with the new Director of PRO and a meeting was confirmed for the middle of October. Due to health problems of the new Director the meeting was held only with two of the Director's representatives, The Project's intentions and future plans for cooperation were conveyed to the Director. The Chief of Party has also thereafter requested meetings with the Director but no such meeting has taken place.

However other members of the PRO staff have confirmed the satisfaction of PRO of the system and informed that PRO plans for significant expansion of the services and relies on the assistance by the

Project to do this. The survey now performed also confirms the commitment by PRO to use and further expand the system.

*** e-Learning courses**

The development of the two e-Learning courses for the Civil Servants Agency is finished and the courses were tested at the Agency. During the testing some problems were identified with the e-Learning platform within the Agency. This platform has existed within the Agency for some time and is the responsibility of the Agency. The problems were sorted out by the end of the quarter and the courses will be launched early next quarter directly after the Holidays.

The e-Learning course for the general public, developed on behalf of the Project by the Institute of Informatics, was introduced during the *Macedonia surfing* event. However, the collected statistics show rather disappointing result concerning the usage of the course. The project has thus gone through the course in detail to assess its attractiveness. The project concluded that, although having good content, it is lacking the necessary animations to make it attractive to the users. Some parts of specific importance to a majority of potential users should also be better highlighted upfront. The project has commissioned Semos Multimedia, which on behalf of the project has developed the e-learning courses for the Civil Servants Agency to make the necessary improvements. The work is expected to be finished early next quarter. If the result meets the expectations the project then intends to publicly market the course.

*** e-Health application**

The previous Quarterly report informed about the successful completion of the development of the e-Health application that will assist the health sector to better monitor expenditures on drugs. The report also informed that due to the change of Government and also staff members within the Health sector, the application had not been taken into operation.

In the beginning of this quarter a meeting took place with the new Minister of Health, Mr. Imer Selmani. The Minister informed that he fully supports the system and requested his staff to urgently use it. However some staff members claimed that due to the time elapsed since the conclusion of the development some additional work now had to be done before the system could be taken into operation. Primarily it is a question of updating the information contained in the Registers (drugs, Health care institutions, doctors), new procedures for filling in the prescription forms and printing of the barcode labels.

The Minister appointed a working group to go through the possible further work to be undertaken, all of these entirely within the competence of the Health institutions and outside what could be undertaken by the e-Gov Project. The working group was appointed at the beginning of December, 2006.

The e-Gov Project follows the work but has in reality very limited possibilities to influence it. However, the Project has been assured that the work will be concluded before 15th of January 2007 at the latest.

*** e-Budgeting**

The development of the software for the e-Budgeting application is progressing slightly ahead of schedule. The third module was duly finished on time 15th December and work on the fourth module had progressed ahead of schedule.

The testing version of the first three modules have been uploaded with real data for the Budget 2007 and tested during the very end of the quarter. The testing will continue during January 2007.

*** Electronic Toll Collection system**

The support by the e-Gov Project regarding the introduction of an Electronic Toll Collection system, ETC, was initially stalled during the first month of the quarter, awaiting the Director of the state company operating the motorways, “Makedonija Pat”, to be appointed and available for discussions. The first meeting the Chief of Party had with the Director was successful and he fully endorsed the introduction of an ETC system. However, the Chief of Party got the impression that both the Fund and the company at that stage were reluctant to take on a modern system that would also be convenient for the road users. It was thus decided to organise a study trip for the Director of the company and two persons from the Fund to introduce such systems to them and demonstrate all the benefits thereof.

By the end of November a study trip for two participants from the Road Fund plus the director of the state company thus took place. The trip included visits to three different Toll Plazas all equipped with modern ETC systems, one near Paris and two in Croatia. During the trip discussions were also held with manufacturers of ETC systems and with the Croatian road authorities.

Immediately after the study trip the Road Fund began preparing a proposal for the Government. A draft was sent to the Chief of Party for his comments and additional suggestions, which were duly submitted by him back to the Fund. A meeting was then held between the Director of the Fund and the Chief of Party at which the suggestions submitted by the latter were duly discussed.

The Fund fully endorsed the suggestions to include a transponder-based free flow system (with barrier) but insisted to have in parallel a system for hand-held devices. That will add cost but the Fund focused on the relative low price for those devices.

The Fund especially took into account the recommendations to make careful analyses of how to market the ETC system to the users and to set a high ambition right from the beginning regarding the number of users of ETC. The Fund also took into account the recommendation to explore different options for technical solutions for the communication links between the Toll Plazas and the central data base. They had initially decided to only go for new fibre optical cables, which could be very expensive.

Before the meeting the Chief of Party had heard rumours about some proposals to the Minister for the introduction of a Vignette (road tax sticker) system instead of the ETC. The Chief of Party raised the issue at the meeting and voiced his personal concerns about a Vignette system, which he feared would bring serious enforcement problems and possibly increase fraud and corruption rather than the opposite. The Director listened very carefully indeed and the Chief of Party got the impression that something after all is being discussed although denied by the Director.

*** Automated system for applications for and allocation of CEMT licenses**

The first part of the application for the distribution of CEMT licenses was inaugurated on Sunday 19th November, slightly ahead of schedule. On the request by the Minister of Transport and Communication, Mr. Mile Janakieski, a public event was organised and arranged in such a way that the allocation of the licenses for 2007 could be performed in public in front of all the applicants, who were invited through a number of press advertisements. After the initial speeches by the Minister, the Chief of Party and Mr. Peter Lampesis, USAID, the Minister pressed a button on the computer in front of around 350 truckers and on large screens the truckers could see the entire list of applications and how

the licenses were in real time being distributed in front of their eyes. The text was then significantly enlarged with a few names at the time so that each trucker easily could find their respective application and what they had been allocated.

Previous years there have been chaotic scenes outside the Ministry with truckers desperately trying to find out what they possibly had got, a distribution most of them considered utterly corrupt. This automated public distribution was hailed by all as the very first transparent and non-corrupt process so far. When presenting the result of the first 100 days in power after the election, this application was mentioned by the Prime Minister as one of the best examples of how the Government has taken action to fight corruption.

The development of the remaining modules of the system, including a review of the legislation, will begin early 2007 and be finalised during the spring. The system will then be fully automated, including on-line application of the licenses and an automated check by the system of the information submitted in the applications.

*** Accountability through Transparency.**

The Accountability through Transparency initiative, which aims at improving the possibilities for citizens to be informed about but also engaged in the decision-making process of their respective municipality council, was initially undertaken jointly by the e-Gov Project and the Make Decentralization Work (MDW) project. However, due to other commitments it was not possible for MDW to continue with the initiative and the e-Gov Project thus decided to pursue the task on its own. A tender for procurement of the software resulted in 13 bids. After the evaluation, the Macedonian software developer Seavus was selected and a contract signed.

Although the initial plan was that six municipalities should be pilot municipalities to introduce the software application, five more municipalities requested during the “Macedonian Surfing” event to be included. Hence, the e-Gov Project accepted their interest and on 14th November a Memorandum of Understanding was signed in public with all 11 municipalities.

The e-Gov project normally establishes a working group consisting of the software developer and the recipient organisation(s) to be engaged in the development. The e-Gov project is always active in these working groups as well. The Chief of Party considered that such a working group could not function efficiently with 11 municipalities participating and thus contacted ZELS, which is the association of the Municipalities in the Republic of Macedonia and asked for their cooperation. The organisation agreed to function as the communication point between the developer and all the municipalities.

A couple of meetings will also be organised for all 11 municipalities and the first one was held 7th December. Each municipality was represented and there was a lively and productive discussion about how the application will eventually be used.

The development of the software should be finalised by mid February 2007, followed by testing and training. Public activities will be organised to duly inform the citizens.

*** Interactive Macedonia**

During its first two years the e-Gov project has developed a number of e-Gov applications that have been successfully implemented and utilised by the recipient organisations. Three of these applications, e-procurement, e-Tax services and the Apply-on-line for jobs in the State sector, have companies or

citizens as direct end-users. The ongoing work on developing an automated system for the application for and allocation of so called CEMT licenses is yet another example. All these applications are creating efficiency and savings in addition to bringing transparency and trust.

The bureaucracy and the amount of time and possibly bribes spent by companies and/or citizens when applying for various registrations or certificates/licenses determines to a significant extent how well a country is functioning and perceived. A country with an efficient administration that offers the business community and citizens quick, effortless and transparent services is attractive to and trusted by investors. The applications developed and implemented by the e-Gov project are steps in the right direction but further work must be done to improve the situation in the Republic of Macedonia.

The e-Gov Project has earlier tried to raise acceptance for the development of additional interactive on-line registration services. However, persistent reluctance from the relevant authorities has so far prevented any progress, especially with regard to the necessary interoperability between databases.

Together with representatives of USAID, the Chief of Party met with the Prime Minister on 17th November to discuss the *Interactive Macedonia* initiative. The Chief of Party stressed that a number of intricate issues in addition to the software development would necessarily have to be addressed to implement these interactive services which would require support by the Prime Minister. He confirmed his support and considered all the e-Gov suggestions for applications to be of priority.

Although the Prime Minister directly informed the Government about the e-Gov initiative and requested from all Ministries their priorities, nothing came back.

The e-Gov Project then met with the Head of IT within the Ministry of Interior and discussed the possibilities to introduce a couple of interactive services for the Ministry, such as on-line application for driving licenses and passports. However, the reaction was very negative indeed and focused on construed problems with security issues but also legal constraints, none of which the e-Gov Project considered to be credible.

The Project then approached the Director of the Central Register with a proposal to develop an on-line application system for registration of companies. The project was met by an almost hostile reaction to the proposal, although it was quite clear that the Director had received information from the Prime Minister with encouragement to adopt the proposed interactive on-line services.

A significant amount of misconception of the *Interactive Macedonia* initiative has thus been noticed. Among several concerns voiced has been the belief that it could allow citizens to penetrate the databases of the relevant government institutions. The Chief of Party has thus decided to organise a high-level workshop, possibly in the middle of February 2007, at which precise information can be given about the features of an interactive system and its security measures. An international IT consultant should be present and explain what already is available in other countries and the very positive experience gained. It is hoped that the Prime Minister can participate and thus instruct the institutions to cooperate.

*** On-Line submission of annual reports**

The meeting held with the Director of the Central Register regarding the on-line registration of companies nevertheless resulted in a request from the Director for assistance by the e-Gov Project to develop a software application by which companies would be able to submit their annual reports on-line. A Memorandum of Understanding was then directly discussed.

The Central Register is charging a fee to companies for the submission of the reports, allegedly to cover its administrative costs. The Chief of Party, being convinced that the administrative costs will be significantly reduced for the Central Registry, requested that the registry should commit to a corresponding reduction in the fees. In the end an agreement was reached and a MoU was duly signed on 19th December.

The work started directly, aiming at also identifying a few additional services that could be added simultaneously.

*** Assistance for the Customs Bureau**

The Customs Bureau has requested help by the e-Gov Project to develop some software that would increase transparency and efficiency with regard to import/export procedures and include web-based information regarding these procedures. The software shall also enable for companies to submit various applications and reports on-line.

The e-Gov Project and the Customs Bureau formed on 19th December a small working group that are identifying more clearly what should be undertaken and a Memorandum of Understanding regarding the work is expected to be finalised during the first month of next quarter. The e-Gov Project will then consult a few other USAID-funded projects to assess if cooperation should be established with these projects with regard to assistance to the Customs Office.

*** Introduction of Fixed Wireless Access systems in the Republic of Macedonia**

Radio frequencies for fixed wireless access services is planned to be allocated in the Republic of Macedonia. These radio-based services could contribute to improved competition in the electronic communications market in Macedonia. It is thus essential that the available frequency bands are allocated in such a way that competition also in reality can be promoted. A consultative working group has been established during the quarter to assist the electronic communication regulator to plan the allocation of the frequencies. The e-Gov Project has been requested by the USAID Mission to participate in the work.

The Chief of Party is thus following the work and the project will also assign a US expert to assist. It is expected that the work will be completed during next quarter.

*** IT Security Audit**

During this quarter, the e-Gov project worked on the implementation of the recommendations given in the report on the IT Security Audit of the e-procurement system conducted by the auditing company Deloitte dooel on request by the e-Gov Project. Deloitte presented the report at the beginning of October, 2006.

After the presentation of all findings and recommendations for improving the performances of the e-Procurement system given by the auditing company the e-Gov Project distributed the tables with tasks to be undertaken by the software developer and the General Secretariat that is hosting the server. The Public procurement Bureau, PPB, has also been directly engaged in the implementation of the recommendations. An action plan was prepared with deadlines for resolving all the issues.

During a meeting held on 20th November between the e-Gov Project, the General Secretariat, PPB and the software developer it was concluded that almost all recommendations had been implemented. The only recommendations not implemented were related to the drafting of different procedures for security and maintenance of the network and firewalls, which is the responsibility of the General Secretariat and PPB. The General Secretariat is also unable to make some recommended modifications in the physical protection of the present server. Since a new server has to be installed before a significant expansion of the usage of the e-procurement can begin, it was considered that complying with those recommendations could be postponed.

The general conclusion is that the overall security of the e-Procurement system has been improved as a result of the IT security Audit.

The e-Gov project has recommended to the Director of the Public Revenue Office, PRO, that a similar IT security audit should be conducted for the e-Tax services and has volunteered to commission such an audit. The PRO has tentatively accepted the offer but also stated that the audit should be postponed until some new hardware has been installed at PRO.

* **Public Events**

i) This quarter was marked by a number of public events, starting with the initiative already announced in the previous quarterly report, the *Macedonia Surfing* road show, which took place in 10 cities around Macedonia from 14th to 30th October. The tour was inaugurated in Skopje on 14th October and formally opened by the Prime Minister. He was joined by the Mayor of Skopje, the USAID acting Mission Director and the Chief of Party to cut the ribbon and formally invite the public to join. This event attracted significant national media interest and was very well covered in TV news and the newspapers.

Following the event in Skopje, the *Macedonia Surfing* road show visited nine more towns; Bitola, Ohrid, Shtip, Strumica, Veles, Kumanovo, Kavadarci, Resen and Kocani.

Approximately 10.000 citizens visited *Macedonia Surfing*. Some elderly people opened an e-mail account for the very first time and learned how to use ICT. A couple of Roma children, who previously had never used a computer, sent e-mail with greetings to the President of the Republic.

The *Macedonia Surfing* provided an excellent opportunity to measure the extent of ICT awareness across the country and the findings were very encouraging indeed.

The acceptance by the Prime Minister to open the *Macedonia Surfing* event in Skopje also created an excellent working relationship which will be constructive for the further e-Gov activities.

Macedonia Surfing also provided an opportunity to engage the business community in the promotion of ICT use to the general public. Hewlett-Packard and Microsoft were brought in as sponsors of the road show, which made it possible to have as many as seven brand new computers available for the visitors to surf the net.

ii) The signing of the Memorandum of Understanding with 11 municipalities, agreeing to participate in the pilot phase of Accountability through Transparency was organised as a public event on 14th November in the presence of a large number of media representatives, including the main TV channels. The event began with a video produced by the e-Gov project which explained the features

of the system and had interviews with some citizens expressing their support for this new way of communication with their municipality council.

iii) The automated system for distribution of CEMT licensees was inaugurated at a public event on 19th November to which all 340 applicants had been invited together with media representatives. The event was opened by the Minister of Transport and Communication in front of around 400 participants and the media. As the CEMT distribution in the past has been considered marred by corruption and being performed in a totally non transparent process, the media interest was significant. The event was covered extensively by both TV news and print media.

*** Development of handbooks**

The e-Gov Project has previously prepared three handbooks: ICT Handbook, IT Security and IT Privacy. The handbooks have now been translated into English language for possible distribution to other USAID Missions as well.

*** CISO**

Previous Quarterly Reports have reported on the production of a document containing a draft Terms of Reference for Chief Information Security Officers (CISO) which a number of State Institutions ideally should have. It was planned to promote the document to relevant state institutions during this quarter. The Prime Minister informed publicly in early autumn that he intended to form a new Ministry for IT which would have been the obvious counterpart for the e-Gov project to discuss this issue with. The Chief of Party thus decided to await the formation of the Ministry. Due to various political problems the ministry is still not formed. The Chief of Party nevertheless doesn't think it possible to launch the recommendation on employment of CISO officers until a solution regarding the Ministry has been found. There will not be any willingness by the Government to discuss this issue at this stage.

Brief information about the need for CISO was nevertheless given during the Workshop organized in October to present the ICT Handbook for Civil Servants. IT managers from the national and local authorities thus became aware of the need to have such persons employed.

*** Training**

i) The development of all software applications includes some training for the users within the respective institution. Such training should have been conducted for PRO in relation to the e-tax services but still hasn't been done. PRO has requested the training to be performed by specifically certified trainers and not by the software developer as had originally been agreed to. Using the certified trainers would significantly increase the cost of the training and the e-Gov Project has not seen any need for that training. The Project has repeatedly encouraged PRO to proceed with the training but so far nothing has happened.

ii) All nine e-Gov Project local staff members went through project management training between 18th and 20th October. The training was delivered by the US consultant Mr. Jim Kudzal.

IV. Subcontracts

The following contracts were signed during the quarter:

- 02nd October, an Annex to the previous Contract with Semos Multimedia regarding production of demonstration video

- 20th October with software developer NextSense regarding development of a software application for electronic processing of applications for and issuing of CEMT licenses
- 13th November, an Annex to the previous Contract with software developer NextSense regarding development of software application for electronic processing of applications for and issuing of CEMT licenses
- 17th November with software developer Infinite Solutions regarding upgrade of the software application for electronic public procurements
- 21st November with software developer Seavus regarding development of software application “Accountability Through Transparency”

V. Memorandum of Understanding

- Separate sponsorship agreements were signed with all partners of *Macedonia Surfing* before the kick-off event took place.
- On 14th November MoU were signed with 11 municipalities across the country. Through the MoU the parties committed to jointly work for the development and implementation of the software application "Accountability through Transparency".
- On 19th December an agreement was signed with the Central Register whereby the parties agreed to work jointly on developing and implementing software application for the on-line submission and automated processing of annual accounts and financial reports.

VI. External Relations and Meetings

A. Participation in Conferences

i) The Deputy Chief of Party, Mr. Jovce Plastinovski, gave a joint presentation with Ms. Marta A. Tomovska, CEO of UNet (first Internet Provider in Macedonia), at the Second International Conference; e-Society.Mk, held in Skopje 15th -17th November. The presentation covered “VeriSign Report and the Next Steps” and was part of the Plenary Session on e-Commerce, Cyber-crime and cyber-security legislation.

The Chief of Party participated in a roundtable discussion at the same conference.

ii) Hewlett Packard held its regional IT conference in Ohrid 16th – 18th October. The project coordinated the *Macedonia Surfing* visit to Ohrid with the conference and all conference participants were invited to visit the *Macedonia Surfing* road show.

B. Study trips for Macedonian officials

The Deputy Chief of Party took the Director of the state company Makedonia Pat and two staff members from the Road Fund on a trip to study European experience with Electronic Toll Collection (ETC) systems. The group visited the company Thales in Paris and the Croatian national authority for road maintenance in Zagreb. The study trip was organised to increase the knowledge of such systems in preparation for the planned introduction of ETC in the Republic of Macedonia. The group was joined in Zagreb by the Chief of Party.

C. Meetings with Macedonian Officials.

Through accepting the invitation by the e-Gov Project to formally open the *Macedonia Surfing* the Prime Minister also opened the door for further discussions. A meeting has also taken place with the Prime Minister, focusing on *Interactive Macedonia* but also discussing the e-Gov mandate and

operations in general. The Prime Minister has expressed his gratitude for the work done and supports the initiatives presented to him.

A very constructive relation has also been established with the Head of the Cabinet of the Prime Minister, Mr Martin Protuger. This has become a useful way of communicating with the Prime Minister.

A series of meetings were held with the Director of the Road Fund and the Director of the public enterprise “Makedonija Pat” regarding development of a new Electronic Toll Collection system in Macedonia.

The project has informed the new Minister of Health about the e-Health application. Discussions have also been held with the Minister regarding the possibility for the health sector to use the e-procurement application. Meetings were held with various staff members of that Ministry regarding the implementation of the e-Health application.

A meeting has been held with the new Secretary General of the Government of Macedonia to inform about the previous and ongoing e-Gov activities.

At the meeting with the Director of the Central Registry an agreement was reached for development and implementation of software application for on-line submission and automatic processing of the annual accounts and financial statements of the legal entities in Macedonia.

D. Coordination with other USAID Projects

Discussions were held with the BEA Project on cooperation with regards to the amendments to the Public Procurement law.

During the *Macedonia Surfing* cooperation was also established with the e-Bizz project and Macedonia Connects.

The Making Decentralization Work (MDW) project was involved in initial discussions of the Accountability through Transparency project, though the final implementation is being done by the e-Gov project alone.

E. Coordination with Other International Donors.

Discussions were held with the World Bank on possible mechanisms to provide financial assistance for the Road Fund in implementation of the new ETC system.

F. Cooperation with Private Entities

i) Hewlett-Packard has continued to support the e-Gov project, including by providing a number of computers for the “*Macedonia Surfing*”.

ii) Thales, a French company with headquarter in Paris, one of the world’s leading players in the field of electronic toll systems, kindly hosted series of meetings in Paris with the participants of the study trip from Macedonia.

iii) Regular meetings are held with Microsoft, which also sponsored the “*Macedonia Surfing*” events.

VII. Administrative and Internal Operational Matters

All local project staff members participated from the 18th through 20th October in training provided by Mr. James Kudzal, Brook-Anthony Corporation. The training covered project management fundamentals.

Mr. Kudzal assisted during his visit to Macedonia with the evaluation of bids for the CEMT application. The comments on the bids from Mr. Kudzal improved the objective evaluation of the bids and the Chief of Party thus signed a contract with Mr Kudzal regarding assistance for future evaluations.

Mr. Kudzal also assisted by drafting a Quality Assurance document which will be used by the Project as a standard request to software developers regarding their testing of software before final delivery.

On 1st November the Project renewed the Contract with the entity MAG-MAT for outsourcing certain Accounting and Administrative services. This contract is valid until further notice.

On the same date the Project signed a Contract of Services for outsourcing translation services. This contract also covers English language classes for two staff members (Administrative Assistant and Driver) and is valid until 31st December when it shall be considered for extension.

The Chief of Party has decided to change the e-mail addresses for all staff members due to too many problems with the previously used server. Simultaneously the address to the project webpage was slightly modified to correspond entirely to the domain name for the emails.

VIII. Planned activities for next quarter.

A tender will be launched for the development of on-line applications for the Central Registry.

The development of the Accountability through Transparency application will be finalized and the system inaugurated by the end of the quarter. Information activities will be conducted to familiarise citizens with the system.

The *Interactive Macedonia* initiative will be given a pronounced business-oriented focus, aiming at economic growth and job creation. After consensus has been achieved with the USAID Mission about the individual projects to be included, a workshop will be organized, possibly in the beginning of March, with high-level Government representatives to establish political support for implementation. This will be followed by workshops for relevant staff within the institutions concerned to inform and also discuss issues that will be addressed during the implementation. Information should also be provided especially to the business community to create their support for the implementation.

The application module for on-line submission of the application for CEMT licenses will be developed, complying with and incorporating the foreseen modifications in the Rulebook on the Procedure, Criteria and Manner of Granting Licenses for International Transport of Goods.

The fourth module of e-Budgeting system will be developed and the data for the budget 2007 will be inserted into the system for testing purposes. Related to this application, training for 20 budget analysts including three to four budget users will be organized in this quarter. Information about the new budget system will also be provided to the budget users in general.

The e-Procurement system will be upgraded with new functionalities by the end of January. A study trip to key institutions in London and Brussels will be organized in January 2007 for the Public Procurement Bureau to learn about various features of a fully functional e-Procurement system. After the study trip the e-Gov project will initiate discussions with the Bureau aiming at creating a consensus for actions to be taken to promote the utilisation of the system.

Promotion of the e-Learning courses for the civil servants will be organized during the first part of February.

The e-Learning course for the citizens will be upgraded with interactive images to attract more visitors.

Based on information received from the recipient institutions of the e-Health application it should be taken into operation during the quarter.