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GENERAL INFORMATION

The five-year \$ 4,950,191 *eGov 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 eGov 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 *eGov 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 eGov 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 *eGov Project* from 1 July until 30th September 2007. The quarter was marked by the following highlights:

I. Executive Summary

During the opening session of the Stability Pact eSEE eGovernance Workshop on Tuesday 25th September the Minister for Information Society informed the participants about the present activities in the Republic of Macedonia to introduce ICT and the commitment by the Government to use IT to increase efficiency and transparency. All e-Gov applications mentioned by the Minister were applications developed by the eGov Project.

The so called Site Builder, which is a software application various State Administrations can modify on their own for their specific needs regarding distribution of various benefits, has been used this quarter for 6 different distributions with in total more than 13.000 applications submitted over the system.

In addition this quarter was marked by the very successful introduction of obligatory on-line application for several licenses or other benefits and the Government has taken steps in direction of creating a centrally located entity that can be responsible for hosting and maintaining e-Gov applications.

II. Program Accomplishments

The development of the necessary modules for the on-line application for licenses for all international road transport of goods has been successfully completed. On-line application of the licenses has been made mandatory as of 2007 and when the period for applying was terminated on 15th October, 936 applications had been submitted, which is more than double the number from previous years. Furthermore the Ministry of Transport and Communication did not receive a single complaint regarding the on-line application system. Before the software system was introduced the process of applying for and distribution of these licenses were marred by complaints and accusations of serious corruption.

Together with equally positive experience from a couple of other obligatory on-line application systems developed by the Project, this also confirms the preparedness by business and citizens in the Republic of Macedonia to use internet to communicate with the State Administration.

Contractors for two more applications have been selected; for employment registration and import/export licenses and quotas respectively and the development of these applications has begun. Both applications are scheduled to be inaugurated early 2008.

The initiative by the Chief of Party to encourage the Minister for Information Society to take on the responsibility to host a majority of the e-Gov applications the Project has developed has been successful and the Minister has already taken the first steps for the implementation. The Project considers this to be an important step to achieve sustainability and to facilitate for the Government to continue the work of developing further e-government applications.

III. Activities related to development of e-Gov applications

General Comments

Evaluation questionnaires were widely distributed early September for the following applications:

- Accountability through transparency
- Distribution of social apartments
- Distribution of student dormitories
- e-Learning
- e-Procurement

It was intended that the result should be available for presentation in this quarterly report. Although much effort was put into the design of the questionnaires to make them attractive and easy to complete, only very few were sent back to the Project in time and are not enough to provide material for conclusive analyses of the effectiveness of the applications. The Project will consider alternative ways of collecting the information, which possibly could be through hiring outside professional assistance.

A. Previously implemented e-Gov applications

The applications are here listed in alphabetical order, which does not necessarily correspond to the importance of the respective application.

- **Accountability through Transparency.**

The Chief of Party visited two municipalities, Resen and Struga, which are using the Accountability through Transparency application to discuss their experience so far and encourage a further increased usage. Both Mayors confirmed their strong support of the

application and are using it extensively. In particular Struga is interested in adding features that could provide additional functions for the local business community. However, it seems to be a limited awareness among the citizens of the services and but few are using them.

The Chief of Party also met with the local NGOs to enquire about their methods of encouraging the citizens to use the possibilities the application provides. The NGOs expressed their strong support but disappointed seriously by their lack of initiative.

The application has a great potential to improve the local engagement by the citizens on issues that have a direct effect on their life and well being. But it is also clear that additional efforts must be made by the eGov Project to inform the citizens about the system and encourage them to fully utilise its potential. The Chief of Party has held a couple of discussions with the Resident Country Director of the International Republican Institute, IRI, to explore if the Institute could assist in “marketing” the application. The discussions will continue next quarter. The project will also explore the possibility to be assisted by OSCE and other international organisations engaged in civil society including the Macedonian office of the National Democratic Institute, NDI.

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

The latest and possibly last upgrade of the Apply on-line system has been finalised and successfully installed at the Civil Servants Agency. The application module has been redesigned and improved to further facilitate for citizens to apply. The candidates can now also state their contact address, being email, mobile phone number or mail and the system will automatically choose the first available in that order, which is also the cheapest alternative for the Agency when sending. If the mobile phone number has been given by the candidate, the system will automatically send by SMS an invitation to the exams that are included in the selection process. Already for the first vacancies processed over the upgraded system, all candidates selected electronic means for the communication.

The application was nominated by the Civil Servants Agency to the European Union 2007 contest for the best eGov application but the application was not selected to the finale. In total more than 350 applications were submitted, primarily from EU Member States.

- **e-Budgeting**

A promotional event of the e-Budgeting system was organized on 5th July for all its users. The system is fully operational and is currently used for the preparation of the national budget for 2008.

During this quarter the eGov Project has assisted the Ministry of Finance to establish a Help Desk function.

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

The eGov Project has worked intensively during this quarter to finalise the application modules for the distribution of CEMT licenses. The system has also been expanded and now covers all licenses for international road transport of cargo. The allocation of the licenses is based primarily on the size of the applicants operation previous year and the number and quality of the vehicles the applicant has access to. All the relevant information has been collected from the respective State Institution data bases and automatically inserted into the system. The applicant

will thus directly, when applying, see the available information and can react if the applicant considers the information to be incorrect.

This is the very first version of interoperability between state databases in the Republic of Macedonia and provides an interactive electronic system for the business community concerned. The project intends to continue working on such interoperability and further refine the functionalities.

The Minister of Transport and Communication has made the on-line request of the licenses mandatory. The Project has thus, together with the Ministry and Makamtrans, which is the national organisation for truckers, prepared extensive PR activities and also produced and widely distributed a brochure with basic information on how to apply. The period for applying for licenses for 2008 begins 1 October 2007 and continues for two weeks.

- **e-Health application**

The public web-site: <http://zdravstvo.serveftp.org/> which contains registers of drugs, health care institutions and doctors, was officially launched on 1st of August. The work to register all drugs on the system has begun.

The application is hailed by the Ministry of Health as a necessary platform for any other e-government application within the health sector.

- **e-Procurement**

The municipality of Berovo has demonstrated the benefits and possibilities of the e-procurement system through very successfully completing a tender buying heating oil, for which the municipality previously had failed a couple of times when using the old paper based system. The public opening was now completed in half an hour and the minutes were prepared in parallel and directly uploaded into the system. The procurement commission evaluated the terms of payment and the quality of the oil and uploaded their decision into the system which then evaluated all the remaining criteria and directly presented the final result. The entire process was completed in a matter of hours instead of several days or weeks.

The Berovo staff members conducting the tender and the bidders, all present at the opening, expressed total satisfaction with the system and their full trust in the result.

A couple of more institutions have been assisted by the eGov Project to register as users of the e-procurement system. The activities related to e-procurement have otherwise focused on the preparation for a large scale implementation of electronic public procurement as of early 2008. The Minister for Information Society has expressed a clear determination to substantially increase the usage. The necessary legal modifications should also by then be in place through the adoption by the Parliament of a new public procurement legislation which eliminates all restrictions in the present law.

Some mistakes have been done by the Public Procurement Bureau, PPB, when drafting the new law, mistakes that have remained in the version submitted to the Parliament for its adoption. Although the mistakes are not serious the Project has nevertheless discussed this with PPB to find a solution. PPB, agreeing that there are a few mistakes, has declared that it is not prepared to go to the Government at this stage and suggest amendments in the text. Instead PPB is exploring the possibility to modify the impact through bylaws. The Project is following the development.

The experience so far shows that a vast number of public procurement tenders fail since the tenders do not attract bidders or bidders are disqualified due to not meeting various petty but formal criteria, criteria that nevertheless do not serve any constructive purpose. This problem relates equally to electronic procurement and the old fashion paper based version and requires a fundamental improvement in understanding by the tendering persons of commercial realities. That can only be achieved through substantial training. The eGov Project has thus outlined a scope of training and suggested to USAID that such training for a large number of procurement staff from public institutions is organised during the last quarter of 2007.

The Project has also reminded the Government through the Minister of Information Society of the need for hardware investments by the Government in order to be able to host and operate the system for a large number of users. The Minister has by the end of this quarter informed the Project that the hardware is now available and asked the Project to assist with the migration from the present temporary server to the permanent hosting. The Project has not had any possibility to inspect the suggested hardware or its location. At the time of writing this report it is thus not quite clear if everything is in place. The migration of the software is expected to be done early next quarter.

Some further upgrades of the software have also been done during the quarter to reflect some modifications that are expected to be implemented through the new legislation. The testing of the new upgrades will be completed early next quarter.

The Project has also decided to add a feature by which companies can, free of charge, subscribe to electronic notification of all new tenders that are using the electronic public procurement system. The companies shall be able to choose between all such tenders or only those for some specific groups of services or commodities. From a technical point of view this is a small addition but should have a great impact on popularisation of the system within the business community. It will also undoubtedly provide cost savings for the companies that presently have to use several man hours on regularly reading through the Official Gazette to search for possible new tenders.

- **e-Tax services**

The e-Tax services are continuously used on a high level by the 131 companies so far invited to use the system. No technical problems have been reported during the quarter by the Public Revenue Office, PRO.

All security issues identified through the security audit that was conducted previous quarter have been rectified.

The eGov Project has together with the IMF again raised the issue with PRO regarding the further expansion of the system to additional groups of taxpayers, tentatively being the SMEs. That would fit well into the strategy of PRO to modernise its services to SMEs. However the Head of IT within PRO has indicated that he planned to modify the architecture for the electronic tax filing and replace the present e-Tax system developed by the Project.

The Project and the IMF representative working within the PRO have strongly questioned the rationale for replacing an already developed and well functioning system.

The Head of IT promised the Project a written document outlining the new plans as of 15th September. However, the document was not delivered and it was indicated that the PRO might have abolished those plans but no confirmation was received during the quarter.

This issue should be clarified early next quarter. If, at that stage, the Head of IT within PRO would still insist on significant modifications in the already successfully utilised system, it is foreseen that the discussion will be raised on a high level.

B. New software applications completed this quarter

• **Distribution of various State benefits**

The previous quarterly report informed that the eGov Project received a number of requests to develop electronic systems for on-line application of various State benefits and their automated distribution. The Project thus decided to use the already developed software for distribution of social apartments and student dormitories to create a **Site Builder** that could be used by various State institutions as a platform for a large number of distributions.

The Site Builder has first been used by the Ministry of Education and Science. The Ministry has with its own staff made the relevant adjustments for the distributions on various student grants. For each individual distribution on-line application has been made mandatory.

During next quarter the Project will take steps to make sure that the Site Builder will be used also by other Ministries or State Institutions.

i) Distribution of so called social apartments

The software for distribution of apartments for citizens with low income was first used in Stip. The software is designed with modules also for on-line application but that part was not used this time since the period for applying had already started when the software was being developed. The Project had thus submitted to the Ministry of Transport and Communication, being the responsible Ministry for the distribution, some basic criteria for how the information, submitted in the written applications, should be imported into the system to avoid any possibilities for fraudulent behaviour.

The distribution proved that the software functioned without any problems and eliminated any possibility for manipulation of the applications by the distributing Committee. However, many applicants had submitted incorrect information, especially related to their income and property, and there is no way the system at this stage can automatically check that information. That must be done by the Committee after the preliminary, automated distribution. Furthermore, many applicants had not been able to fill in the applications in a correct form due to rules being too complicated and had thus been disqualified from the distribution.

The project should not accept that the benefit of the software is undermined by irrelevant formal requirements. The Chief of Party thus raised this issue with the Minister. The Minister shared the opinion and said that the rules would be simplified as soon as possible.

ii) Software application for students' benefits

The Site Builder has already been used by the Ministry of Education and Science a number of times this quarter. Two different distributions of dormitories have taken place with in total around 7.500 applications submitted on-line. The distribution was based on obligatory on-line applications. The State Secretary of the Ministry of Education and Science conveyed to USAID his gratitude regarding the assistance from the eGov Project in developing the system and informed

that the Ministry had received several phone calls from people that previously had been unsuccessful in getting a dormitory and now wanted to thank the Ministry for the transparency and fairness of the process.

Three separate invitations for scholarship have also been conducted, using the Site Builder, with in total 3.770 applications received over the system and in addition 1.613 students applied on-line for student loans.

The Site Builder has thus already during the first quarter achieved radical administrative savings for the State Administration by the automated selection of students to receive the benefits, compared to the previous manual examination of in total around 13.000 applications. Public comments also confirm that the students for the first time have had trust in the distribution process and have enjoyed the very simple process of applying on line compared to the previous paper based applications to be submitted by ordinary mail.

C. New development of software applications undertaken this quarter

- **Single portal application for import/export licenses and quotas.**

An Invitation to Bid for the development of software for the import/export licenses on-line application was published on Friday 13th July. Seven Macedonian software developers submitted their bids within the allotted time period and Ultra was finally selected. The Customs Office had requested the eGov Project to include a number of additional features in the System Description. However, the Chief of Party was reluctant to do that due to significant difficulties in assessing a likely cost for the development. However, the requested remuneration by Ultra was by far lower than what had been expected and the Project has thus resources to add further features.

Additional features will facilitate international trade for the Macedonian business community and should thus be added by the project. The Project discussed internally if a new tender should be launched which would comprise both the import/export licenses and the additional features. Although such a process would entail several benefits it would also seriously delay the development of the first part; the import/export licenses. The Chief of Party thus decided to sign a contract for that part and in parallel identify the additional features to be undertaken by the Project. The Chief of Party will decide on how to organise the contract formalities regarding the development of the additional features when those have been agreed on with the Customs Office.

- **Registration of new employment**

The tender for procuring the development of the software for the on-line registration of new employment contracts, which was launched by the end of previous quarter, has been successfully completed and the Macedonian software developer Neocom was selected. The system is designed exclusively for employment within the private sector but could possibly be expanded to cover also the public sector. However, no decision in that direction has been taken.

During this quarter an IMF team engaged in developing a system for monthly financial reporting by companies to PRO, to the Health Insurance Fund and to the Pension and Disability Fund, claimed that their system would also cover most of the information to be submitted in connection with the registration of new employment contracts and that the two projects thus would overlap. This issue was then discussed during some time. In the end the Director of the

Employment Services Agency firmly stated that the eGov Project should continue with developing its application. The IMF team finally concurred with the standpoint of the Director and the work could begin, although delayed by some weeks.

Some staff members within the respective State institution have been utterly reluctant to accept any reduction of the amount of information to be submitted. Contrary to that opinion the eGov Team considers most of the presently requested information to be entirely superfluous in this context. The mandate by the Government to undertake this application clearly includes the task of simplifying the process for the employer, which will also bring simplifications for the institutions receiving the information.

The opinion of the members of the working group that has discussed the matter is apparently not supported by their Directors. It is expected that a conclusion and final decision will be reached early next quarter, still in time to submit a request to the Deputy Prime Minister, Mr. Stavreski to include the regulatory modifications in the Regulatory Guillotine initiative he is responsible for.

Initial discussions have also been held with the local mobile phone providers to discuss ways of making sure that the registration can be submitted over a mobile phone as well as over the internet.

IV. Other Activities

- **Public Events**

The eGov Project held on Tuesday 25th September a dinner reception for all participants at the Stability Pact eSEE eGovernance Workshop. The event brought together a large number of key decision-makers from the region to discuss best practices in the fields of eLeadership, eCustoms, eProcurement, eCommerce, eBiz, and eEducation in order to develop a roadmap for eGovernance implementation in the region. The Project had prepared power point presentations of all our applications, grouped G2G, G2B and G2C respectively. These were continuously shown on large screens not only during the reception but throughout the workshop as well. Staff members were present to inform more in detail about the applications.

The conference was followed by the regional SEEITA conference at which the presentations were also shown. Participants seemed quite interested, asking questions and collecting the written material which accompanied the presentations.

- **Training**

Training has been organised this quarter for the Ministry of Education to use the Site Builder. Training has also been conducted for users of the e-Health application and of five more contracting institutions to use the e-procurement system.

V. Subcontracts

A software developer was selected for the development of the employment registration application and a contract was signed on 27th September.

New annexes have been signed to previous contracts with software developers for further upgrades of the following applications;

- The CEMT application on 2nd July and 13th September
- The e-Procurement, primarily adding e-auctioning modules, on 5th July

- The Student benefits on-line on 21 August.

VI. Memorandum of Understanding

No MoU have been signed this quarter.

VII. External Relations and Meetings

A. Participation in Conferences

The Chief of Party was invited to and participated in the 4th EU Ministerial e-Government Conference, held in Lisbon 19 -21 September.

The Deputy Chief of Party participated in the Fifth CEENet Workshop on Network Management, held in Ohrid 13th-17th September and gave a presentation under the title *Is Security Really a Priority When Resources Are Lacking Even for Basic ICT Investments?*

The Project team participated in the Stability Pact eSEE Initiative Workshop on eGovernance, held in Skopje 25th-26th September.

B. Study trips for Macedonian officials

The Chief of Party brought the Minister of Information Society on his initiative to Bucharest for discussions regarding the Romanian experience on using electronic public procurement. Meetings were arranged with the State Secretary of the Ministry of Communication and IT - the Minister post was vacant at the time - followed by meetings at the State Institution which is operating the e-procurement system and with Totalsoft which had developed the system. The Romanian experience of electronic public procurement is very positive with generally very good acceptance by all parties and the system has provided significant savings, estimated to around 30% of the amount spent on public procurement. Romania decided at an early stage to make the use of electronic procurement obligatory for specifically identified groups of procuring institutions. The initial test phase concentrated on using e-auctioning.

C. Meetings with Macedonian Officials.

Following a request by the CTO no further meetings of ad hoc character have been held with the Minister for Information Society. The Chief of Party had earlier on frequently constructive meetings with the Minister. The Minister often requested those meetings in order to be updated on the progress of the work of the eGov Project or just to discuss various ICT matters and the Chief of Party frequently used the meetings to muster Government support for various issues.

The Chief of Party met with the Mayors and the municipality Council Chairmen in Struga and Resen on 17th August.

D. Coordination with other USAID Projects

Frequent meetings are held with the BEA project, in particular related to the import/export licenses and the employment registration applications. The BEA is for both these applications assisting with the legal framework.

E. Coordination with Other International Donors.

Meetings are held with the resident IMF Tax Reform Advisor in the context of the e-Tax services application.

Discussions, all related to the employment registration application, have also taken place with the IMF team working on the monthly on-line submission by companies for calculation of social contributions and taxes.

Meetings have been held with the Resident Country Director of the International Republican Institute regarding the Accountability through Transparency application.

F. Cooperation with Private Entities

Discussions have been held with the mobile telephony operators to explore possibilities to use mobile phones as a device for some e-government applications.

Discussions have also taken place with Cisco and Hewlett-Packard in relation to various possible support activities related to the Government intentions to establish a common hosting of several of the e-Gov applications that have been developed by the Project.

VIII. Administrative and Internal Operational Matters

Goran Cvetkoski, Chief of Division within the Ministry of Defence has been recruited to replace Ana Marija Nesovic and joined the team as of 1 September. Ms Nesovic is on maternity leave at least during the second half of 2007. It is planned that Mr. Cvetkoski will remain in office also after Ms Nesovic has returned since yet another member of the staff has indicated a maternity leave, probably starting when Ms. Nesovic returns.

IX. Report on the execution of planned activities for this quarter.

The planned promotional activity for the Accountability through Transparency has not been conducted. The discussion the Chief of Party had with two Municipalities resulted in proposals about potential additions to the application, which the Project needs to assess first.

The evaluation of the already implemented applications was duly prepared and all questionnaires distributed. However, due to rather meagre responses it has not so far been possible to draw any results.

All other planned activities have been completed.

X. Planned activities for next quarter.

It will be imperatively important to make progress regarding the preparation of an extensive usage of the e-procurement system, which should be in place next year. The CTO has decided to postpone the planned training of contracting institutions, which instead of taking place this coming quarter will be organised during the first quarter 2008. The introduction of a large scale usage should thus now be scheduled for the second quarter 2008. Nevertheless there must be an agreement, preferably with the Government, during the next quarter regarding the timing and the format of the uptake of the system.

The steps already taken by the Minister for Information Society, as a result of initiatives by the eGov Project, regarding the organisation of long term hosting and administration of e-Government application must be followed up to assure a long term commitment by the Government. This should be organised in such a way that the central body within the State Administration for the hosting also can take on a responsibility for further investments in new e-Gov applications.

Preparation should advance with regard to the new tasks; Interoperability and Identification respectively.