## ANNEX I –IPA III Action Fiche

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|  | Indicative title of the Action | **EU for a Modern Administration** |
| **CRITERIA FOR RELEVANCE ASSESSMENT** | Key thematic priority | **WINDOW 2 - GOOD GOVERNANCE, ACQUIS ALIGNMENT, GOOD NEIGHBOURLY RELATIONS AND STRATEGIC COMMUNICATION**  **Thematic Priority 1: Good Governance** |
| Links with specific policy instruments of the enlargement process | The Action will **support the implementation of the Public Administration Reform and state reorganisation**,through strengthening the human resource capacities in the central level institutions. More specifically, it will support:   * the intake and career path of new, qualified and committed young people in the public administration; * the intake of administrative servants with high demanded competencies on higher level positions in the administration; * the retention of well-qualified and experienced administrative servants, for example those working in IPA, EU integration and PAR structures, IT personnel and other specific job profiles.   The Action will contribute to the implementation of the EU recommendations under **“Fundamentals First”, 2.1.2. Public administration reforms** as defined in the **annual Commission Report on the progress of North Macedonia for year 2019[[1]](#footnote-1).** The report identifies modernisation of the public administration as a key driver for improving governance at all levels. Focus is on the need to improve the quality and accountability of the administration, professionalization and de-politicisation of the civil service, sound public financial management, and quality of services to citizens and businesses. The Action addresses all these issues through investing in the human capital in the Public Administration.  Furthermore,this Action is in line with the document **"A credible enlargement perspective for and enhanced EU engagement with the Western Balkans"[[2]](#footnote-2)**, which highlights the importance of the public services to citizens and the public administration reform as key pillars in the EU accession process. The Action will have positive effect on all six SIGMA principles of a well-functioning public administration. |
| Links with national, regional and global strategies | The Action is in line with national, regional and global strategies in the field of good governance and digitalisation. More specifically:   * The Action will contribute to achieving the objectives of **2030 Agenda for Sustainable Development,** primarily under priority No 8: Decent work and economic growth, No 9: Industry, innovation and infrastructure, and No 11: Sustainable cities and communities. The action will increase the efficiency and effectiveness of the public administration, which is an important pre-condition for the use of public funds for growth and development. * The action will also support the efforts to shift gradually to higher level of digitalisation, which relates closely to the **EU Digital Competence Framework**. Focus is on attracting and retaining persons with IT competences to serve as a driver of the digitalisation process in administration context. * The Action is completely in line with European **e-Government Action Plan 2016-2020;** which aims to make public administrations open, efficient, inclusive and to enable smooth usage of the new digital environment to facilitate their interactions with stakeholders and with each other.   The Action will support the implementation of the following **national strategies**:   * This Action will directly contribute towards achieving the objectives set in the **Public Administration Reform Strategy 2018 – 2022 with its Action Plan,** as the umbrella Strategy for reforming the public sector**.** The Action will follow the **SIGMA principles for public administration**, and will bring the Macedonian administration closer to the principles and standards of the EU Member States. * Action will support the implementation of the **National Long-Term ICT Strategy**, the adoption expected in September 2020. * The Action corresponds to the **National Strategy for Sustainable Development of North Macedonia 2010-2030,** which identifies the improvement of administrative capacities as a main area of intervention in support of the sustainable development and the EU Accession process. * The Action will facilitate the structural reforms as foreseen in the **Economic Reform Programme 2020 – 2022**, especially those related to strengthening the administrative capacities, reduction of informal economy and digitalisation of administrative services. |
| Coherence with the Sector Approach | North Macedonia has progressed in introducing the Sector Approach since 2017.  The Strategy on Public Administration Reform under implementation since 2018 represents the strategic framework related to good governance. The Strategy is credible and provides good overview of the goals, measures and targets. It defines the monitoring of the PAR implementation involving relevant decision-makers. Reports on PAR strategy are public. In 2020 the Government set concrete steps for improving the monitoring through refining of the success indicators and providing more regular (than annual) data on key indicators. The Sector Performance Assessment Framework (PAF) includes a set of impact and outcome indicators, targets and baseline data with more than 20 indicators. These indicators provide a solid system for measuring the progress in compliance with evidence-based approach in policymaking.  The sector working group, SWG on PAR channels the sector policy dialogue since 2017. The SWG works in an inclusive and participatory manner; it voices the opinion of relevant state institutions, donors, and civil society on how the sector develops, how effective the current policies are, how the various donors contribute to the national sector priorities. The SWG operates in technical/expert and decision-making format, chaired by the Minister of Public administration and Information society.  Overall, the institutional set-up is supportive to on-going and planned reforms. The institutional arrangements are in place to drive and coordinate the public administration reform. However, the administrative capacity need to be further strengthened to ensure good governance and progress in EU accession. Focus will be on issues such as lack of staff with adequate competences and involvement in the decision-making, satisfactory level of managerial accountability in the decision-making process, viable retention policy across the whole administration.  The budget for implementation of the PAR is increasing gradually and is sufficient for the planned measures – the funds for the measures for 2020 amount to over 27 MEUR (however, only a very small part of them is linked to the PAR measures other than salaries). The reforms envisage significant downsizing of the administration, which will provide larger space for promotion and retention policies. The development of a midterm budget perspective – planned for 2020 – will support the financial planning for PAR and will increase the credibility of the reform. |
| Regional dimension | *Not applicable* |
| Indicative budget | | Total budget: EUR 10,000,000  EU funding: EUR 10,000,000 |
| Implementation Modality | | The Action will be implemented under Direct Management through   * Sector budget support * procurement (service contract for technical assistance) |
| Budget Support Readiness (only if the action is implemented through Budget Support) | | **As regards the policy criteria**, there is a reasonable ground to assess the policy framework, based on the PAR Strategy, as relevant and credible. The current PAR Strategy 2018-2022, developed with the support of SIGMA, sets out structural reforms plans that are broadly in line with the priorities identified by the Commission. The implementation advances and the progress is subject to policy dialogue. The monitoring reports on the implementation were produced with satisfactory quality and accompanied with adequate visibility actions. A number of state institutions and civil society organisations were pro-actively involved in the implementation, monitoring and reporting framework. The high-level Public Administration Reform Council ensures the political support and supervision of reforms. The capacities of the Ministry of Information Society and Administration to drive the reform at the technical level improved. Public administration is now costed as a separate budget programme in the state annual budget, but it does not systematically include all involved institutions and due to lack of a strong multi-annual financial framework, the costs are not anchored to ensure sustainabilty. The implementation of the reform continues to be largely dependent on external donor funding.On the side of policy development and coordination, the still overalapping resposnibilities must be addressed through the state reorganisation process. Policy planning remains to be reinforced and become consistent with the medium-term budgetary planning. The administrative data collection somewhat improved but still need to be better integrated in the decision-making. While regulatory impact assessments were prepared for all laws that the government sent to parliament in regular procedure, the quality of the assessment needs to be significanntly improved. Inter-institutional cooridination is still not systemic and wellintegrated in the administartive culture and procedure. Public consultations were further improved through the national electronic consultation system and the established sector working groups. Public scrutiny of government work further improved, and increased number of government monitoring reports and communication are published. The Action will dircetly address some of the key weaknesses of the current system – namely the state reorganistaion and the availability of key competencies.  **As regards the macroeconomic stability**, the COVID-19 pandemic has considerably weakened the performance of the country on the key macro-economic indicators. Until the COVID-19 outbreak, the economy of North Macedonia was growing at a strong pace supported by crucial institutional and governance reforms. In the past decade, the country has maintained a record of accomplishment of low inflation, moderate fiscal deficit, and a stable financial sector. The high-level political commitment to macro-economic stability is translated into the efforts invested in development of mid-term budgetary framework, preparation of a new organic budget law, some progress on the structural reforms such as fighting informal economy. The Government kept intense dialogue with the Commission and the international donors. The COVID-19 pandemic puts at risk the favourable macroeconomic performance of the North Macedonia. Preliminary projections, taking into account the COVID-19 consequences, point to a decline in annual Gross Domestic Product (GDP) and recession. The International Monetary Fund (IMF) expects general government deficit of EUR 730 million (6.5 percent of GDP) in 2020 before receding to about 3 percent in 2021. With an estimated financial gap of EUR 320 million, the Government has swiftly enacted measures to stabilize the economic and social situation, allocating around EUR 550 million (circa 5,5% of GDP) for three sets of measures to address firms’ liquidity constraints, protect jobs and support the unemployed and vulnerable groups. These measures correspond to the needs of the country and are in line with the European Union (EU) practices. Overall, the country’s response to the crisis is relevant and credible to restore the key macroeconomic balances. Through the ERP process, the authorities have expressed their strong commitment, once the COVID-19 crisis is over, to rebuild fiscal buffers and implement the structural reform agenda to help preserve debt sustainability and speed up income convergence to European Union countries.  **As regards the Public Finance Management and Budget Transparency and Oversight,** there is reasonable grounds to consider that the country met the eligibility criteria. Demonstrating high-level political commitment, the Ministry of Finance and the Government introduced significant improvements in the Public Finance Management (PFM) system. Both the State Audit Office (SAO) and Parliament confirmed that. The Government realised fully or partially 71% of all measures defined in the PFM reform programme (2018-2021) by the end of 2019. The existing legal and institutional framework is supportive to the reforms, and there are sufficient human and financial resources. There are good monitoring, co-ordination, and performance assessment mechanisms allowing the ongoing follow-up on the PFM Reform programme. The PFM policy dialogue is organised through the PFM Sector working group and there is a positive trend in increasing the involvement of civil society, businesses, academia etc. as correctives both in the budgetary cycle as well as in the oversight processes. The 2019 Open Budget Index recognised the improvements in transparency. |

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|  | **Results chain** | **Indicators**  **(max. 15)** | **Baselines**  **(year)** | **Targets by the end of the budget support contract**  **(year)** | **Sources of data** |
| **Expected impact of the policy (Overall objective)** | To modernise the public administration and improve its effectiveness | Government effectiveness index | 55.77 (2018) | > 57 (2025) | <http://info.worldbank.org/governance/wgi/Home/Reports> |
| Trust Government - Proportion of people tend to trust the Government over population | 33% (2019) | >38 (2025) | Eurobarometer |
| Trust in Public Administration - Proportion of people tend to trust the Public Administration over population | 36 % (2019) | > 40 (2025) | Eurobarometer |
| **Expected outcomes of the policy (Specific objective(s))** | Reorganized and optimized state administrative bodies | Number of state administrative bodies, agencies and inspection services at central level | 133 (2020) | 120 (2025) | Report on the Implementation of the PAR Strategy & MISA’s Annual Report from the Registry of public sector employees |
| Number of public sector employees (breakdown by sex, age, ethnic origin, type of employer) | 132,900 (2019) | 107,000 (2025) | MISA’s Annual Report from the Registry of public sector employees |
| **Induced outputs** | Strengthened recruitment and promotion procedure in place for state administrative bodies allowing improved intake of qualified people in public administration and strong career path | Number of central level administrative servants with demanded competencies (breakdown by age, sex, ethnic origin, seniority) | TBD | +300 (2025) | MISA’s Annual Report from the Registry of public sector employees |
| Use of temporary contracts - number of people on temporary contracts in public sector institutions | 3,222 (2019) | 2,600 (2025) | MISA’s Annual Report from the Registry of public sector employees |
| Percentage of qualified people leaving the public administration voluntarily for reasons other than retirement | 19% (2019)[[3]](#footnote-3) | <10% (2025) | MISA’s Annual Report from the Registry of public sector employees |
| **Direct outputs** | Improved policy dialogue on sector reforms | Number and structure of participants in the Sector Working Group meetings on PAR /  Number of decisions per year taken at the Sector Working Group meetings on PAR | Average 25 persons per meeting, 50% national authorities, 50% donors and international organisations, no civil society(2020) /  none | On an average, at least 35 per meeting, including at least three Donors and three CSOs  >3 (2025) | Attendance lists and minutes of meetings of the Sector Working Group  Calendar and Minutes of meetings of the Sector Working Group |
| % of Draft RIA Reports and Draft Laws published on ENER which comply with the procedure for their timely publication  % of Draft RIA Reports that comply with the minimum criteria regarding procedure and transparency of RIA process. | 75% (2019)  95% (2019) | 85% (2025)  98% (2025) | Annual Reports on the implementation of RIA (MISA) |

1. **COM(2019) 260 final** [↑](#footnote-ref-1)
2. **COM(2018) 65** [↑](#footnote-ref-2)
3. This data is so far available and provided only for IPA structures [↑](#footnote-ref-3)