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ANNEX I

to the Financing Agreement for the Multiannual Action in favour of North Macedonia 2025-2027

Action Document for the multiannual action in favour of North Macedonia for 2025-2027

1. SYNOPSIS

1.1 Action Summary Table

Title OPSYs Basic Act	Multiannual action in favour of North Macedonia for 2025-2027 Commission Implementing Decision on the financing of the multiannual action plan in favour of the Western Balkans for 2025-2027 OPSYs business reference: FD-2328 Commitment level 1 number: JAG.SUM.1893872 for financial year 2025, JAG.SUM.1893885 for financial year 2026, and JAG.SUM.1893895 for financial year 2027 Financed under the Instrument for Pre-Accession Assistance (IPA III)	
Beneficiary of the action	The action shall be carried out in the Republic of North Macedonia	
Programming document	IPA III Programming Framework ¹	
Link with relevant strategic programming documents	Window 1: Rule of Law, Fundamental Rights and Democracy Window 2: Good governance, EU <i>acquis</i> alignment, good neighbourly relations and strategic communication Window 4: Competitiveness and inclusive growth	
BUDGET INFORMATION		
Amounts concerned	Total estimated cost: EUR 67 000 000 Total amount of EU budget contribution EUR 67 000 000.00 out of which EUR 15 000 000.00 in 2025, EUR 20 000 000.00 in 2026, and EUR 32 000 000.00 in 2027 Budget line(s) (article, item): Budget line: 15 020101.01: - For 2025 - EUR 10 000 000.00	

¹ Commission Implementing Decision C(2021)8914 of 10 December 2021 on the Instrument for Pre-Accession Assistance (IPA III) Programming Framework for the period 2021-2027.

	<ul style="list-style-type: none"> - For 2026 - EUR 20 000 000.00 - For 2027 – EUR 32 000 000.00 <p>Budget line: 15.020201:</p> <ul style="list-style-type: none"> - For 2025 - EUR 5 000 000.00 <p>The contribution from the general budget of the European Union is subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths.</p>
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MANAGEMENT AND IMPLEMENTATION

Implementation modalities (management mode and delivery methods)	<p>Direct management through:</p> <ul style="list-style-type: none"> - Grants - Procurement <p>Indirect management with pillar-assessed entities and with the entity(ies) to be selected in accordance with the criteria set out in section 4.3.3.</p>
Final date for conclusion of multi-annual Financing Agreement	At the latest by 31 December 2026
Final date for exchange of letters or notification letters on subsequent yearly budget allocations for implementation of the Financing Agreement	<p>For the budgetary commitment of year 2026 at the latest by 31 December 2027</p> <p>For the budgetary commitment of year 2027 at the latest by 31 December 2028</p>
Final date for concluding / legal commitments	3 years following the date of conclusion of the financing agreement (or 3 years from the date of conclusion of the exchange of letters or notification letter for the subsequent budgetary instalments), with the exception of cases listed under Article 114(2) of the Financial Regulation

1.2. Summary of the Action

This action supports North Macedonia on its path towards the EU integration, particularly by strengthening the rule of law, modernising public administration, supporting its EU accession process and improving education. It is complementary to the previous IPA assistance and the assistance provided under the IPA III operational programmes on environment, transport and human capital and multi-country actions, as well as under the Reform and Growth Facility for the Western Balkans. Through its interventions, the action will reinforce North Macedonia's stability, governance, and EU integration, ensuring lasting benefits for its citizens and institutions.

The focus of the action is on three areas of support, namely “*Rule of law, fundamental rights and democracy*” (Window 1), “*Good governance, EU acquis alignment, good neighbourly relations and strategic communication*” (Window 2), and “*Competitiveness and inclusive growth*” (Window 4).

In the first area, the action will enhance judicial independence, efficiency, and accountability, ensuring a stronger fight against high-level corruption and organised crime. It will improve law enforcement cooperation, strengthen anti-corruption frameworks, and enhance police capacities with digital forensic tools. Special attention will be given to protecting children’s rights and ensuring access to a fair justice system for all. These efforts will accelerate North Macedonia’s progress on key EU accession benchmarks in judicial and anti-corruption reforms.

To promote good governance, the action will strengthen public administration by enhancing professionalism, integrity, and transparency, making them more responsive, inclusive and capable of meeting the good governance objectives. It will support digital transformation and public service delivery through digital solutions and skills enhancement and improving the digital and media ecosystem for more effective regulatory enforcement. These efforts will create more efficient, transparent, and accountable public services while driving the modernisation of public administration.

The interventions foreseen will enhance the capacity of the country to advance the accession process; they will also improve the alignment to the EU *acquis* as well as the management of EU funds and their effectiveness. Furthermore, the action will strengthen public awareness of EU support, thus increasing public trust in the accession process and North Macedonia’s future EU membership.

The action’s support to education reforms will focus on laying a solid foundation for coherent policy implementation. The action will support inclusive education by improving learning opportunities for marginalised groups and creating a sustainable school support system. Simultaneously, empowering educational professionals, building a knowledge-sharing system among communities of practice, and strengthening initial teacher education will ensure a capable and skilled workforce. The action will support the development and establishment of Centres for Excellence in VET, which will enhance vocational education quality and relevance. The reforms foreseen will strengthen the quality of education, promote inclusivity, and align national curricula with international standards, ultimately leading to better student outcomes.

The action does not specifically target the area of support “*Green Agenda and sustainable connectivity*” (Window 3), as this area is addressed under the complementary assistance approved already for North Macedonia, e.g. under IPA programs previously approved, including the IPA III operational programmes on environment, transport and human capital and the Reform and Growth Facility for the Western Balkans.

1.3. Beneficiary (/ies) of the action

This action shall be carried out in the Republic of North Macedonia.

2. PURPOSE OF THE ACTION (WHY)

2.1. Overall rationale

North Macedonia has affirmed its commitment to EU integration and is interested in achieving progress in its reforms and inclusive growth. Over the last two decades, the country has seen steady socio-economic progress, doubled its per capita income and transitioned from a lower-middle to an upper-middle-income country. Prior to the COVID-19 pandemic, the country experienced stable growth, bolstered by sound macroeconomic

policies, increased trade integration, and foreign direct investment. However, global disruptions in 2020 led to economic contraction, increased inflation, and a temporary reversal in poverty reduction. Despite these challenges, the economy rebounded in 2022, demonstrating resilience. Economic forecasts for 2025 project growth between 2.9% and 3.6%, with inflation stabilising at around 2%. In March 2020, the EU agreed to open accession talks, followed by the European Commission's proposal for a Negotiation Framework in July of the same year. This framework aligns with the revised enlargement methodology, emphasizing merit-based progress and stronger political oversight. The screening process, launched after the Intergovernmental Conference in 2022, concluded in December 2023.

North Macedonia operates within a dynamic regional context marked by geopolitical shifts, economic uncertainties, and security concerns. The war in Ukraine, energy security risks, and global economic volatility have underscored the urgency of deepening EU integration to ensure long-term stability. High-level discussions between EU and North Macedonia have emphasised the acceleration of reforms to strengthen governance, enhance economic competitiveness, and reinforce democratic institutions. This is reflected in the multi-annual cooperation priorities between the EU and North Macedonia, which are designed to align the country's development needs with the EU's strategic goals. These priorities are built on mutual interests and aim to leverage the EU's expertise, funding, and policy alignment to support North Macedonia's progress. Strong institutional capacities for European integration remains a top priority for North Macedonia, requiring sustained reforms across governance.

Democratic governance remains a focal point, with reforms targeting electoral integrity, judicial independence, and accountability. Decentralisation efforts empower local governance, but political polarization, media freedom concerns, and corruption persist. Judicial reforms, including changes to appointment processes and disciplinary frameworks, aim to enhance independence and efficiency, yet public confidence in the legal system remains low. Anti-corruption measures, such as stricter financial disclosure and procurement transparency, require stronger enforcement to be fully effective. Human rights advancements include improved protection for minorities, women's rights, and anti-discrimination policies. However, challenges persist in enforcement, particularly in gender equality and social inclusion.

The rule of law remains at the heart of North Macedonia's EU accession process. Reforms have targeted the independence, efficiency, and accountability of the judiciary. The country has introduced changes to judicial appointments, disciplinary procedures, and case management systems to reduce political influence and improve transparency. However, public trust in the judiciary remains low due to the slow resolution of high-profile corruption cases and perceptions of selective justice. Anti-corruption measures have been strengthened through enhanced financial disclosure requirements for public officials, greater transparency in public procurement, and the expansion of oversight mechanisms. The effectiveness of these measures will depend on consistent enforcement and strong political commitment.

Public administration reform and digitalization efforts have advanced in order to improve efficiency transparency and service delivery across administration. The country has implemented measures to modernise administrative procedures, streamline regulatory frameworks, and enhance digital governance. The newly established Ministry of Public Administration and Ministry of Digital Transformation are leading efforts to improve governance, yet capacity constraints persist. Further investments are needed to fully realize the benefits of modern administration and ensure compliance with EU best practices.

Education remains a critical area of reform, essential for both human capital development and economic competitiveness. The country has prioritised modernising the education system by aligning curricula with labour market needs, expanding vocational training, and improving access to quality education for marginalized groups. The employment landscape has improved, with unemployment steadily declining to 13.1% in 2023.

However, youth unemployment remains a challenge at 23.4.6%, significantly above the EU average. However, youth unemployment remains a challenge at 25.6%, significantly above the EU average. Teacher training and professional development remain areas that require significant improvement, and reforms aimed at enhancing education quality are still in progress.

North Macedonia has demonstrated strong political will to accelerate the reforms and advance towards EU integration, but the success of its reforms depends on sustained implementation and resistance to political and economic pressures. The EU has consistently supported North Macedonia with both short-term financial assistance like COVID-19 relief packages, and long-term investment such as the Instrument for Pre-accession Assistance (IPA), loans, and grants through the Western Balkans Investment Framework. More recently, the EU has introduced the Reform and Growth Facility for the Western Balkans, funding the country's Reform Agenda for 2024-2027. The Reform Agenda focuses on key policy areas, including the rule of law and fundamental rights, public administration reform and public finance management, digitalisation, green transition (energy), human capital, private sector development and business environment. Implementation is expected to be completed by the end of 2028, with this action playing a crucial role in enhancing and sustaining its results. At the same time, the Operational Programmes for the 2024-2027 programming period are advancing significant reforms in environment, transport, and human capital, further reinforcing North Macedonia's path to accession.

This action is a key part of the EU's commitment to helping North Macedonia implement the necessary political, institutional, legal, administrative, social, and economic reforms as identified in the enlargement policy priorities of the Commission and corresponding strategic programming documents. It is complementary to the multi country 2025-2027 and the Economic and Investment Plan objectives of fostering political and economic stability. The action's support for the rule of law, good governance, modern education and skills, and EU integration directly strengthens the objectives of the North Macedonia's Reform Agenda for 2024-2027. These reforms are interconnected, with each reinforcing the others. Strengthening the rule of law builds trust in institutions, which is crucial for effective governance. Good governance improves service delivery and enhances efficiency, while education reform equips the workforce with the skills needed for a competitive, EU-ready economy. By complementing the Reform Agenda's objectives, the action will help sustain the capacities built within national institutions, while addressing the remaining challenges across public institutions. Together, these efforts create a cohesive way that not only accelerates EU integration but also ensures that North Macedonia's legal, institutional, and societal frameworks are prepared for future challenges, driving long-term political stability and growth.

2.2. Context and problem analysis

North Macedonia remains committed to its European integration path, following the European Council's decision to open accession negotiations in 2020 and the successful completion of the screening process for several negotiation clusters in 2023. The country has aligned itself with the EU's foreign policy priorities, actively participating in regional cooperation initiatives under the Berlin Process and the Common Regional Market agenda. Additionally, North Macedonia continues to engage in cross-border and multi-country programs, strengthening its economic and political ties with the EU and regional partners. The European Commission's **Growth Plan for the Western Balkans 2024-2027** and **Reform Agenda 2024-2027** provide a roadmap for deeper economic integration and sustained governance reforms. Despite these commitments, the country faces significant challenges in aligning with EU standards. The country must further strengthen **judicial independence, anti-corruption mechanisms, and human rights protections** to meet the criteria for EU accession. Political stability remains fragile, with frequent shifts in government structures affecting reform implementation. At the regional level, the Western Balkans continue to grapple with economic disparities, social

inequalities, and environmental risks, which North Macedonia must address through targeted reforms and increased institutional capacities.

The country is **moderately prepared in public administration reform**, with ongoing efforts to strengthen human resource management, transparency, and accountability. The judiciary and anti-corruption institutions require additional capacity-building and procedural improvements to ensure effective enforcement of legal frameworks. From a financial perspective, the government is working to ensure fiscal stability while increasing public investment in **education, digital transformation, and environmental sustainability**. Public spending on education remains below the EU average, while **investment in digital governance and public administration modernization is increasing** with IPA III and donor support. Social challenges, including skills mismatches, and disparities in education access, remain critical issues that this action seeks to address.

Area of support - Rule of law, fundamental rights and democracy (Window 1)

North Macedonia's EU accession process has reinforced the need for judicial independence, anti-corruption efforts, and the fight against organised crime. The 2022 Intergovernmental Conference and the 2023 Screening Report on Cluster 1 set key benchmarks for judicial reforms, yet challenges persist in judicial efficiency, political influence, and enforcement. Amendments to the Law on Courts and the Judicial Council have improved alignment with EU standards, but gaps remain in case backlog reduction and institutional independence. While cooperation with EU law enforcement has advanced in countering organised crime and drug trafficking, weaknesses in criminal justice enforcement, asset recovery, financial investigations connected to money laundering, and corruption prevention persist. The government has prioritised the fight against corruption, but institutional capacity and inter-agency coordination require strengthening.

The 2024 North Macedonia Report highlights ongoing delays in court proceedings, frequent reversals of corruption and organized crime rulings, and a lack of final convictions in high-level corruption cases. The judiciary is under strain due to a shortage of judges and prosecutors, exacerbated by limited training capacities and an overburdened Academy for Judges and Prosecutors. Investigative bodies struggle with outdated equipment, insufficient digital forensic tools, and inadequate strategic planning. Weak financial investigation mechanisms and inconsistent inter-agency coordination further limit law enforcement effectiveness. In corruption prevention, the State Commission for Prevention of Corruption (SCPC) has made progress in asset declaration monitoring, but its work is hampered by restricted access to databases, limited inter-institutional cooperation, and weak oversight of political party financing. Corruption-proofing of legislation is not legally binding, and mechanisms to prevent judicial interference remain insufficient. The legal framework for asset recovery is in place, but enforcement remains weak due to operational inefficiencies and lack of specialized expertise. Juvenile justice reforms require further investment, particularly in restorative justice, the specialization of justice professionals, and the introduction of trauma-informed approaches. Despite legal improvements, children in conflict with the law lack adequate protection, and detention facilities do not yet fully align with international standards. The fight against organized crime, particularly in digital forensic and drug trafficking, is hampered by weak institutional coordination, outdated digital forensic tools, and a lack of proactive investigative approaches. The use of digital evidence in investigations remains limited, and law enforcement requires further support in fighting cyber-enabled crime. Additionally, the country's national strategy on drug trafficking is underdeveloped, with limited operational capacity in drug monitoring and law enforcement. Similar issues related to trafficking in human beings (THB) and firearms have consistently

attracted donor support, reflecting a sustained commitment to addressing these challenges through consecutive, coordinated and constructive efforts, including through the country's Reform Agenda.²

The key stakeholders in this action include the Ministry of Justice (MoJ), Public Prosecutor's Office (PPO), State Commission for Prevention of Corruption (SCPC), Judicial Council, Council of Public Prosecutors, Academy for Judges and Prosecutors, law enforcement agencies, National Coordination Centre Against Organized Crime, State Audit Office (SAO), Financial Intelligence Office (FIO), Agency for Management of Confiscated Property (AMO), judicial and prosecutorial institutions handling complex criminal cases, institutions responsible for juvenile justice and protection of children's rights, National Drugs Observatory, and the Interministerial Commission for Narcotic Drugs.

Area of support - Good governance, EU *acquis* alignment, good neighbourly relations and strategic communication (Window 2)

Good governance

North Macedonia's EU accession process has emphasized the need for an efficient, transparent, and service-oriented public administration, recognizing it as a fundamental pillar of Cluster 1 – Fundamentals alongside the rule of law and economic governance. The 2024 North Macedonia Report acknowledges moderate progress in public administration reform, particularly in administrative procedures and digital governance, yet challenges persist in policy coordination, fiscal oversight, and regulatory enforcement. The 2024 SIGMA Monitoring Report highlights positive developments in multi-level governance and administrative simplification, but further efforts are required to ensure effective human resource management, reduce politicization, and strengthen accountability mechanisms. The establishment of the Ministry of Digital Transformation aims to accelerate e-governance, digital infrastructure, and strategic alignment with EU standards, addressing North Macedonia's low level of online public service availability (44% compared to the EU average of 84%). The EU has played a crucial role through IPA III Window 2, supporting public sector modernization, digital transformation, and improved governance. North Macedonia's Strategic Response under IPA III and the Economic and Investment Plan (EIP) for the Western Balkans is reinforcing accountability, digital public services, and efficient policy implementation. Additionally, the Green Agenda for the Western Balkans emphasizes digital transformation as a key contributor to environmentally sustainable governance by reducing paper-based processes, optimizing resource efficiency, and enhancing climate resilience through data-driven decision-making. The modernization of interoperable digital services and e-government platforms is essential for strengthening public service accessibility, anti-corruption efforts, and regulatory transparency, ensuring North Macedonia's continued progress toward EU membership and sustainable governance reforms.

Public administration reform remains constrained by weak human resource management (HRM), inadequate strategic planning, and inconsistent application of merit-based recruitment. The 2024 North Macedonia Report and SIGMA Monitoring Report highlight political interference, lack of professional development, and inconsistent salary and promotion structures as major obstacles. Despite reforms, citizen trust in civil servants remains low (26%), and corruption remains a pressing concern, with only 42% of businesses believing anti-corruption efforts are effective. The newly established Ministry of Public Administration (MPA) lacks sufficient capacity to lead reforms, while the HRMIS system, although improving efficiency, requires further automation,

² Past and ongoing interventions such as „Strengthening the National Capacities in Counter Trafficking in Human Beings in North Macedonia” and “Strengthening Institutional Capacities in Counter Trafficking in Human Beings among Vulnerable Migrants” by IOM, “Strengthening Anti-Trafficking Action in North Macedonia” by EU and CoE; “Assisting the National Authorities of the Republic of North Macedonia to Decrease the Risk of Weapon Proliferation and Misuse of Small Arms and Light Weapons (SALW)” by OECD and “Cross-Border Integrated Institutional Approach Towards Combating Illicit Arms Trafficking (IAT) and Small Arms and Light Weapons (SALW)” by UNDP.

integration, and digitalization to support transparent recruitment, performance evaluations, and workforce mobility. In digital governance, outdated IT infrastructure and fragmented e-services hinder progress. Despite the launch of the Ministry of Digital Transformation, only 44% of public services are available online, compared to 84% in the EU. The e-government portal (uslugi.gov.mk) is underutilized, with low citizen engagement and limited interoperability across institutions. Public institutions lack a unified IT strategy, and many operate with standalone, incompatible digital systems, leading to inefficiencies. Broadband access in rural areas remains inadequate, exacerbating socio-economic disparities and limiting access to essential services. The deployment of 5G networks should be prioritised. Digital skills gaps persist among both civil servants and citizens, slowing the adoption of e-services. Meanwhile, media infrastructure and regulatory capacity remain weak, limiting efforts to combat disinformation, improve transparency, and enhance public sector accountability. Without further investment, North Macedonia risks stagnation in public administration modernization and digital transformation, undermining EU accession progress and governance reforms.

Finally, the action will support the area of statistics. The 2024 Joint Conclusions of the Economic and Financial Dialogue between the EU and Western Balkans highlight the importance of further alignment, emphasizing the modernization of statistical processes, enhancement of data collection, and improvement of digital infrastructure to ensure reliable statistical reporting.

The key stakeholders include the Ministry of Public Administration (MPA) for HRM and quality management policy, Ministry of Digital Transformation (MDT) for e-government and digitalisation, State Commission for the Prevention of Corruption (SCPC) for anti-corruption oversight, State Audit Office (SAO) for public sector financial auditing, Agency for Protection of the Right to Free Access to Public Information for transparency enforcement, Academy for Professional Development and Training of Civil Servants for capacity-building, State Statistical Office (SSO) for the modernization and alignment of the national statistical system with the EU standards of the European Statistical System (ESS), Agency for Audio and Audiovisual Media Services (AVMS) for media regulation, the public broadcasting enterprise of North Macedonia for public broadcasting infrastructure, Agency for Electronic Communications (AEK) for broadband regulation, and municipalities and local government units for local-level digital service implementation.

*EU *acquis* alignment and strategic communication*

North Macedonia's EU accession process has advanced through the completion of the screening process and the submission of key roadmaps for Cluster 1, focusing on the rule of law, public administration reform, and democratic institutions. The Ministry for European Affairs (MEA) leads the accession process, coordinating reforms in governance, the judiciary, public administration, and economic stability. While the country is progressing in aligning with the EU *acquis*, significant efforts are still needed to strengthen administrative capacity, legislative harmonisation, and policy implementation. The action aligns with IPA III Window 2, Thematic Priority 2, supporting institutional capacity building and legislative alignment, and Thematic Priority 4, enhancing strategic communication and public awareness of the EU integration process. It complements the EU's Growth Plan for the Western Balkans and North Macedonia's Reform Agenda (2024-2027) by supporting monitoring, reporting, and addressing post-2028 accession needs. The action also aligns with the Green Agenda, reinforcing administrative capacity for environmental commitments and sustainable economic growth. It will provide flexible technical assistance, capacity-building, and policy guidance to ensure effective governance and the country's preparedness for EU membership.

North Macedonia's EU accession process requires strengthened institutional capacity to implement fundamental reforms, align with the EU *acquis*, and ensure effective policy dialogue. The Ministry of European Affairs (MEA) plays a central role in coordinating negotiations and supporting the implementation of the Reform Agenda, but national institutions need further capacity to manage and monitor this process effectively. Public

communication on EU accession and reforms remains a challenge, requiring better strategic messaging to counter disinformation and enhance citizens' understanding and support. Additionally, the country must improve its ability to manage EU funds, particularly under IPA III, by enhancing project preparation, sector planning, and financing frameworks. While sector policy dialogue has improved, further efforts are needed to strengthen strategic planning, budgeting, and donor coordination. Communicating the benefits of EU funding to the public is also essential to build trust and ensure transparency. The EUIF plays a critical role in addressing these needs, providing flexible funding to respond to urgent policy priorities, unforeseen crises, and emerging challenges such as migration, climate change, and economic shocks. Strengthening institutional capacity for EU fund management and ensuring rapid response mechanisms will be key to sustaining North Macedonia's reform momentum and EU integration efforts.

The key stakeholders involved in this part of the action include the Ministry of European Affairs (MEA), specifically its Sector for Coordination of EU Funds and Other Foreign Assistance, which acts as the National IPA Coordinator (NIPAC) Office, and the Sector for Integration, which oversees the EU accession process and the implementation of the Stabilisation and Association Agreement; the Sector Working Groups (SWGs), which facilitate sector policy dialogue and donor coordination; national operational structures responsible for implementing EU funds, including the National Authorising Officer (NAO), NAO management structure, managing authorities, intermediate bodies, IPA structures in line ministries, Audit Authority, AFCOS, and other relevant bodies; line ministries and sector agencies responsible for policymaking, implementation, and reporting on sector policies; the negotiation structure responsible for various clusters, chapters, and areas of the EU *acquis*; and institutions responsible for implementing and reporting on the Reform Agenda.

Area of support - Competitiveness and inclusive growth (Window 4)

Education and skills

North Macedonia, one of the six non-EU countries fully associated to Erasmus+, the EU flagship programme for education, youth and sport, has made progress in education and human capital development, but significant challenges remain in access, quality, and equity across all levels of education. The Human Capital Index (HCI) increased slightly from 0.54 to 0.56 between 2010 and 2020, yet remains below regional and EU averages, with students experiencing a learning gap equivalent to 3.7 years. Disparities in education persist, particularly among vulnerable groups such as Roma children and students from lower-income families, leading to high early school dropout rates. The education sector faces insufficient funding, with public spending on education at only 3.17% of GDP, well below the EU average. The 2018–2025 Education Strategy serves as the framework for reform, but progress has been slow due to political instability and limited institutional capacity. North Macedonia's education system needs stronger alignment with labour market demands, particularly in vocational education and lifelong learning, as well as improvements in teacher training and digital literacy. The European Commission's IPA III framework prioritizes inclusive, high-quality education, with a focus on governance, financing, and digital transformation. This action aligns with these priorities by supporting education reforms, enhancing teacher training, promoting inclusive education, and improving the strategic and legal framework for education governance. It also complements North Macedonia's Human Capital Strategy 2024–2030 and the Green Agenda by fostering digital and green skills, while supporting efforts to integrate marginalized groups and improve the overall quality of learning outcomes.

North Macedonia has made legislative progress in education reform with the adoption of the Laws on Adult Education and Vocational Education and Training (VET), but key legislative gaps remain, including the pending Law on Secondary Education and necessary bylaws for the effective implementation of new laws. The education system faces structural challenges, including inadequate strategic planning, weak institutional capacity, and insufficient monitoring mechanisms for reform implementation. Access to education remains inequitable, with

marginalized groups—such as Roma children and students with disabilities—facing high dropout rates, limited learning opportunities, and a lack of inclusive education support. Adult education remains underdeveloped, with low participation rates and limited programs tailored to vulnerable populations. The professional development of teachers is hindered by funding constraints, an underdeveloped Initial Teacher Education (ITE) system, and a lack of structured mentorship and career progression opportunities. Vocational education reforms have advanced through the establishment of five Regional VET Centres, but further efforts are needed to develop Centres of Vocational Excellence (CoVEs) to improve skills training and industry collaboration towards a wider use of work-based learning. The education sector also lacks systemic support for student mental health, with high levels of anxiety and depression among youth and significant stigma preventing access to psychological services. This action will support education reform by strengthening legal and institutional frameworks, improving teacher training and career progression, expanding inclusive education, enhancing adult learning opportunities, and developing a sustainable student well-being support system.

The key stakeholders include the Ministry of Education and Science (MoES) and its Department of Primary and Secondary Education, Department of Higher Education, and Unit for Secondary Education; the Ministry of Social Policy, Demography and Youth and its Child and Family Protection Sector; the Bureau for Development of Education (BDE); the State Examination Centre (SEC); the State Education Inspectorate (SEI); the Centre for Adult Education (AEC); the National Council for Higher Education, Science and Research; primary and secondary schools (347 primary and 124 secondary, including public, private, vocational, and special education institutions); and Initial Teacher Education Institutions (including faculties of pedagogy, education, philosophy, philology, natural sciences, fine arts, music, sports, informatics, and technology across Skopje, Bitola, Stip, and Tetovo).

2.3. Lessons learned

One of the critical lessons is the importance of strong inter-institutional coordination. In previous projects, a lack of clear coordination between national, regional, and local authorities, as well as between public institutions and private sector stakeholders, has led to fragmented and delayed implementation. To address this, this action ensures a clear governance framework, defining roles and responsibilities while improving communication channels among stakeholders. In areas where mandates overlap, a consensus-driven approach will be adopted to enhance efficiency and streamline decision-making.

Another key insight is the necessity of sustained capacity building. Past initiatives have demonstrated that simply introducing new policies, technologies, or administrative procedures is insufficient if the human resources responsible for implementation lack the necessary skills and competencies. This action prioritizes continuous professional development, training programs, and mentoring systems to ensure that public officials, educators, and other relevant actors are adequately equipped to apply reforms effectively. Ensuring that staff members at all levels receive structured training will facilitate the long-term sustainability of reforms.

Effective financial planning and resource allocation have emerged as crucial factors in ensuring project success. Past projects have faced challenges due to underestimated costs, particularly in maintaining infrastructure, upgrading technology, and sustaining capacity-building efforts. To mitigate this risk, this action incorporates a detailed financial sustainability plan, ensuring adequate budgetary provisions for both initial implementation and long-term operational needs. Additional mechanisms will be established to mobilize resources from international donors, private sector partnerships, and national funding sources to enhance financial resilience.

Another key lesson is the importance of public awareness and community engagement. Previous initiatives have encountered resistance or low adoption rates due to inadequate outreach and engagement efforts. This action integrates a comprehensive communication and outreach strategy, ensuring that citizens, businesses, and public

institutions understand the benefits of the reforms. Public consultations, media campaigns, and engagement with civil society will be actively pursued to foster public trust and participation in the reform process.

Furthermore, experience has shown that technology alone does not resolve systemic issues. Many digital transformation projects in the past have failed to deliver anticipated results due to outdated regulatory frameworks, inefficient administrative processes, and resistance to change. This action takes a holistic approach, integrating digital transformation with public administration reforms, legal alignment, and process streamlining to ensure that technology adoption leads to meaningful improvements in service delivery and governance.

In the context of EU integration and alignment with the EU *acquis*, experience has highlighted that legal adoption is only the first step; effective implementation is equally critical. The process of aligning national legislation with EU standards requires not only legal harmonization but also institutional preparedness to enforce and monitor new laws. This action reinforces strategic governance structures, strengthens monitoring mechanisms, and supports the necessary technical expertise to implement legislative reforms effectively.

Lessons learned from the education sector emphasize that teacher professional development and stakeholder engagement are vital. Sustainable reforms require continuous guidance, training, and support for educators, especially in the introduction of new curricula, teaching methodologies, and digital tools. Moreover, involving teachers, parents, and local communities from the outset is key to ensuring smooth implementation and reducing resistance to change.

Lastly, experience has demonstrated that sustaining educational outcomes requires strong national and local ownership. Establishing meaningful partnerships between schools, municipalities, technical assistance providers, and parents ensures a safe and productive learning environment. Long-term planning, beyond short-term projects, is recommended to achieve lasting impact and systemic improvements. This action is designed with a timeframe that allows for deep institutional engagement and capacity-building, ensuring that reforms have a lasting and meaningful effect.

In 2023, North Macedonia participated as an observer in a pilot for enlargement countries under the Technical Support Instrument³. The aim of the pilot is to accelerate enlargement countries' EU accession by establishing connections between enlargement countries and EU Member States and introducing enlargement countries to the types of reforms and projects done by EU Member States post-accession. In particular, North Macedonia participated in three projects with the overall objectives of accelerating permitting for renewable energy, strengthening capacity to model the macroeconomic effects of 'green' policies and investments through the Green REFORM model, and fighting bid rigging in public procurement by improving compliance and competition for public contracts.

3. DESCRIPTION OF THE ACTION (WHAT)

3.1. Intervention Logic

The impacts (overall objectives) of the action is:

Strengthened rule of law, democracy, governance, and enhanced capacity to accelerate the EU accession process and promote inclusive and sustainable development in North Macedonia.

1. Rule of law, fundamental rights and democracy (Window 1)

³ Regulation (EU) 2021/240 of the European Parliament and of the Council of 10 February 2021 establishing a Technical Support Instrument OJ L 57, 18/02/2021, p. 1–16 <https://eur-lex.europa.eu/eli/reg/2021/240/oj/eng>

The outcomes (specific objectives) are:

1.1. Reinforced rule of law, democracy and fundamental rights in North Macedonia in line with the EU standards and practices.

The outputs are (this is not an exhaustive list):

- Strengthened institutional, legal and administrative reforms in judiciary, anti-corruption, law enforcement and security, in line with the rules, standards, policies and practices in the European Union⁴.
- Strengthened fight against organised crime and law enforcement cooperation among key stakeholders.
- Strengthened practices and processes of key stakeholders to promote and act upon the highest fundamental rights and standards, in line with the rules, standards, policies and practices of the European Union.

Indicative list of activities:

- Knowledge creation and sharing, training and formal events (e.g. seminars, workshops, etc) in specific areas, particularly concerning criminal justice, judiciary and fight against corruption and organised crime. Example of topics considered, indicative: (i) management of complex cases of organised crime, high-level corruption or money laundering; (ii) implementation of the Criminal Code and relevant legislation; (iii) cooperation between law enforcement authorities, law enforcement authorities and prosecution office, and between prosecution offices; (iv) enforcement of legislation on the asset recovery and management of confiscated asset (vi) management of the oversight mechanisms for political parties and election campaign financing; (vi) functioning of institutions that are integral part of the country's system for combating and preventing corruption, including improvement of their inter-institutional cooperation, (vii) enforcement of the Law on Justice for Children; (viii) intelligence and tools in area of digital forensic; (ix) exploitation, processing and analysis of digital data; (x) use of artificial intelligence in the fight against organised crime in criminal investigations; (xi) Witness Protection System; (xii) new methods, techniques and technologies in investigations related to illegal drug trafficking; (xiii) environmental crimes.
- Provision of expertise, e.g. legislative advice, in the areas of the Chapters 23 and 24 of the EU *acquis*.
- Organization of exchanges (e.g. peer-to-peer learning, expert advice) and/or establishment of partnerships for the relevant stakeholders. Example of stakeholders, indicative: (i) the law enforcement authorities, judiciary and prosecution offices, and (ii) stakeholders involved in the area of cross-border covert joint investigations aimed at combating cross-border money laundering operations, including international agencies and financial intelligence units; (iii) stakeholders dealing with juvenile justice; (iv) stakeholders involved in fight against corruption, as well as in fight against organised crime, including environmental crimes.
- Development of knowledge/technical products concerning topics specific to this area of intervention, such as, indicatively: assessments, analyses, surveys, studies, reports, (strategic) plans, roadmaps, tools, databases, provision of information, examples of best practice, monitoring mechanisms/reports, etc. Example of topics considered, indicative: (i) criminal justice, (ii) prevention of corruption; (iii)

⁴ For example, this could (indicatively) include (i) improved processes and capacities in the judiciary, e.g. leading among other to an improved performance of the justice system in addressing organized crime and high-level corruption and/or to an improved enforcement of the Law on Justice for Children, and/or improved performance of the law enforcement institutions in preventing and combating money laundering and drug trafficking; (ii) progress and improved processes/(technical) capacities concerning use of digital forensics in law enforcement; etc.

transparency and accountability in the management of the public funds by the executive and the Parliament; (iv) asset declaration and conflict of interest; (v) digital forensic; (vi) implementation of audit recommendations; (vii) fight against drug trafficking and dark web investigations; (viii) juvenile justice, etc.

2. Good governance, EU acquis alignment, good neighbourly relations and strategic communication (Window 2)

The outcomes (specific objectives) are:

- 2.1. Reinforced good governance in North Macedonia.
- 2.2. Reinforced alignment to EU rules, standards, policies and practices in North Macedonia.
- 2.3. Improved awareness of the benefits of the EU integration process

The outputs are (this is not an exhaustive list):

- Strengthened institutional, legal and administrative reform processes related primarily to public administration⁵, in line with the rules, standards, policies and practices in the European Union.
- Strengthened processes for management and coordination of EU accession by the targeted stakeholders.
- Improved management of EU funds by the national institutions.
- Improved strategic communication on EU accession of North Macedonia and the EU assistance provided in its context.

Indicative list of activities:

- Knowledge creation and sharing, training and formal events (e.g. seminars, workshops, etc) in specific areas, particularly concerning public administration, EU accession process, policy dialogue, and communication on and management of EU financial assistance. Example of topics considered, indicative: (i) (human) resources planning and management including quality management; (ii) monitoring and evaluation of reforms; (iii) access to (public) information; (iv) digital transformation to support good governance (v) public e-services; (vi) monitoring and oversight of radio and television broadcasts, electronic communications networks, and video-sharing platforms; (vii) inclusive accession to the EU; (viii) development, budgeting, and monitoring of sector policies, strategies, programmes and measures; (ix) development of institutional and operational capacities related to the EU accession process and management of EU funds; (x) EU affairs; (xi) EU *acquis* alignment.
- Development of the digital infrastructure for public service delivery and its monitoring. Example of elements considered, indicative: (i) improved processes concerning the Document Management System; (ii) integration of the national e-service portal into the national Digital Wallet; (iii) digitalisation of registers, optimisation and further digitalisation of public services to streamline public service delivery and efficiency; (iv) implementation of advanced cloud solutions and secure data management systems to ensure reliable storage and accessibility of government data; (v) technological capacities for monitoring and oversight of radio and television broadcasts, electronic communications networks, and video-sharing platforms; (vi) technical capacities of the National Broadcasting Enterprise to ensure improved public service delivery and better alignment with digital transformation goals.

⁵For example, this could include an optimized delivery of the public services at national and/or local levels and/or improved monitoring of public service delivery, e.g. based on (i) improved human resources and quality management systems and/or (ii) strengthened capacities of the public administration and/or (iii) an improved digital environment.

- Provision of expertise, organization of exchanges (e.g. peer-to-peer learning, expert advice) and/or establishment of partnerships for the relevant stakeholders. Example of topics considered, indicative: (i) implementation, monitoring and reporting of/on the Reform Agenda; (ii) mentoring and coaching of the participants in the (EU accession) negotiation structures, and exchange of know-how with others with similar experience; (iii) establishment of effective coordination mechanisms to facilitate communication and cooperation in the EU accession context.
- Development of knowledge/technical products, such as, indicatively: (impact) assessments, reviews, analyses, surveys, studies, reports, (strategic/action) plans, roadmaps, (mechanisms and) tools, databases, software, provision of information, examples of best practice, monitoring mechanisms/reports, etc, concerning topics specific to this area of intervention. Example of topics considered, indicative: (i) human resources management in public administration; (ii) quality management; (iii) development of policy, systems, training programs and modernised IT solutions and tools for increased knowledge of public administration servants (iv) implementation of the EU *acquis*; (v) communication, coordination and negotiation in an EU accession context; (vi) budgeting and monitoring of sector policies; (vii) management of EU funds; (viii) digitalisation of the negotiation process; (ix) data storage; (x) harmonization with the EU *acquis*; (xi) implementation of effective solutions to challenges, threats, and crisis situations; (xii) digital transformation for better functioning of public administration; etc.
- Legislative advice concerning primary and/or secondary legislation.
- Outreach and engagement events, including communication, visibility and awareness-raising activities. Example of topics considered indicative: (i) EU policies (e.g. EU Green Deal); (ii) EU accession - e.g. benefits and obligations stemming from the EU accession process; (iii) Use and absorption of EU funds; (iv) Raising the awareness of the political elites on key democracy-related concepts.
- Emergency response to unforeseen threats, if any, such as communicable diseases, challenges arising from irregular migration, environmental threats, gender-based violence, child protection, fight against organised crime; etc.

3. Competitiveness and inclusive growth (Window 4)

The outcome (specific objective) is:

3.1. Enhanced human capital development and inclusive and sustainable growth.

The outputs are (this is not an exhaustive list):

- Strengthened policies and measures in the education sector.
- Improved processes, practices and capacities of the target professionals and institutions in the education sector.
- Ensured inclusive and accessible school/learning environment for student diversity and well-being.

Indicative list of activities:

- Knowledge creation and sharing, training and formal events (e.g. seminars, workshops, etc) in specific areas, particularly concerning the policy and legislative framework in the education sector, professional development of educational professionals, initial teachers' education and school environment. Example of topics considered, indicative: (ii) continuous professional development of educational professionals across primary and secondary education; (iii) adult education; (iv) development of classroom environment for implementing materials for better students' achievements; (v) new Matura concepts and

capacity building of the State Examination Centre; (vi) effectiveness and impact of institutions dealing with higher education, science, and research; (vii) subject-specific workshops and ongoing coaching for future teachers; (viii) inclusivity in the educational process; (ix) sustainable school support system for pupils at risk and their well-being.

- Provision of expertise, organization of exchanges (e.g. peer-to-peer learning, expert advice) and/or establishment of partnerships for the relevant stakeholders. Example of topics considered, indicative: (i) enhancing collaboration in the education sector; (ii) teachers' exchange(s) of resources and strategies; (iii) inter-institutional cooperation for improving students' achievements.
- Development of knowledge/technical products, such as, indicatively: assessments, reviews, analyses, surveys, studies, reports, (strategic/action) plans, roadmaps, (mechanisms and) tools, databases, software, provision of information, examples of best practice, monitoring mechanisms/reports, etc, concerning topics specific to this area of intervention. Example of topics considered, indicative: (i) legal and policy framework within the education sector; (ii) institutional review and functional assessment of the institutions in education sector; (iii) monitoring and evaluation of education policies; (iv) alignment of the national curriculums for pre-school, primary and secondary education with international standards; (v) enhancement of student achievements; (vi) development of policy, system and programs for enabling adult literacy and completion of primary education; (vii) strengthening of the mentoring system for supporting the novice teachers and teachers; (viii) programs on blended learning, active learning strategies and digital integration; (ix) Action Plan for partnership between universities (faculties for teacher education) and educational institutions ; (x) innovative teaching methods and successful models within initial teachers' education; (xi) inclusive education and student well-being policies; (xii) sustainable school support system for pupils at risk and promotion of their well-being.
- Provision of policy and legislative advice concerning the policy and legislative framework within the education sector.
- Outreach and engagement events, including awareness-raising activities. Example of topics considered indicative: well-being in schools for educational professionals, parents, and students.

3.2. Contribution to horizontal priorities and mainstreaming

Environmental Protection, Climate Change and Biodiversity

The action has no direct environmental impact, eliminating the need for a Strategic Environmental Assessment (SEA), Environmental Impact Assessment (EIA), or Climate Risk Assessment (CRA). By promoting strategic and responsible governance, the action fosters institutional, cultural, and policy shifts that emphasize environmental protection and sustainable resource management. Strengthening legal enforcement will enhance compliance, build institutional capacities, and support transparent governance, while digital transformation and data-driven decision-making will improve environmental monitoring and reporting on climate commitments. According to SEA screening, the action does not depend on scarce natural resources or lead to large-scale land use changes. It does not include Category A or B projects with potential environmental impacts, such as infrastructure or energy production, nor does it promote harmful substances. As a Category C action, it focuses on institutional support, capacity-building, and policy development, requiring no EIA. Climate screening confirms that the action does not involve high-risk environmental sectors and is unlikely to be affected by climate-related hazards. Ultimately, the initiative enhances environmental governance, legal compliance, and institutional capacity, ensuring alignment with EU environmental policies and sustainable development objectives.

Gender equality and empowerment of women and girls

The action fiches integrate gender equality and women's empowerment (GEWE) across their design, implementation, monitoring, and evaluation, aligning with EU Gender Action Plan III and national gender strategies. The support provided in education sector, prioritizes inclusivity in education, addressing gender disparities, particularly for vulnerable groups like Roma girls and women with disabilities. It includes gender-sensitive indicators, institutional capacity-building, and engagement with civil society to foster inclusive policies. The support targeting enhancement of the accession process aligns with North Macedonia's commitments under EU reforms by consolidating capacity building efforts to strengthen the administration to translate public policies, programmes, services and budgets into concrete benefits for men and women. The Rule of Law interventions enhance child-friendly and gender-sensitive justice systems, strengthen responses to gender-based violence, and improve gender-disaggregated data collection. Good Governance actively promotes gender equality through human resource and quality management reforms in public administration. The action will ensure that public administration reforms are gender-responsive and are contributing to the national Gender Equality Strategy 2022-2027 by establishing an effective and efficient system for achieving gender equality at the national and local level. The action supports transparent and inclusive governance, reinforcing institutional integrity and responsiveness to gender-related needs.

Human rights

This action is grounded in a Human Rights-Based Approach (HRBA), aligning with the EU Action Plan on Human Rights and Democracy (2020–2024). Its central aim is to strengthen the rule of law and good governance in North Macedonia by empowering state institutions to uphold human rights, promote transparency, and ensure accountability. The action targets improved access to justice, especially for children, by reforming the Justice for Children system and building professional capacities to support vulnerable youth, in line with the UN Convention on the Rights of the Child. In parallel, the action seeks to enhance public administration through inclusive human resources management, digital transformation, and service delivery improvements that ensure fairness and dignity, particularly for minorities, refugees, women, and people with disabilities. While not focused solely on disability, the action aligns with the UN Convention on the Rights of Persons with Disabilities and aims to ensure reasonable accommodations and accessibility. Inclusivity, diversity, and equal representation are fundamental principles guiding this initiative, with special attention to ethnic, gender, and social minorities. A key component includes improving educational outcomes and access for Roma children, alongside investments in institutional capacity, transparency, and accountability within the education sector.

Disability

Aligned with the UN Convention on the Rights of Persons with Disabilities (UNCRPD) and the EU Strategy for Disability Rights, this action promotes social inclusion and empowerment of persons with disabilities. It emphasizes strengthening monitoring mechanisms, developing targeted measures, and enhancing the capacity of school staff to support inclusive education. Training for teachers, school staff, and parents will foster inclusive practices and reduce barriers to learning, ensuring schools respond to diverse student needs. Support activities will also contribute to enhancing the EU accession process, improving the effectiveness of EU funds, and increasing the visibility of EU assistance. While disability inclusion may not be the central focus of all initiatives, accessibility and reasonable accommodation for persons with disabilities will be integrated throughout implementation. This will help North Macedonia build resilience and better protect vulnerable groups, particularly during times of crisis. In the area of good governance, the action seeks to advance disability inclusion within public administration reforms by improving human resource management, promoting inclusive employment practices, and ensuring that public services, including digital platforms, are accessible to all.

In the area of rule of law, the action supports accessibility for persons with disabilities, particularly within child protection systems. It aims to strengthen professional capacity to prevent violence against children with disabilities and to improve the collection and use of disaggregated data related to disability. Overall, the initiative reinforces the principles of the UNCRPD and the EU Disability Strategy by embedding accessibility and reasonable accommodation across its components and ensuring meaningful participation of persons with disabilities throughout implementation.

Democracy

The action aims to strengthen democracy by fostering a pluralistic, participatory, and representative system through reforms in education, governance and the rule of law. A key focus of the action is advancing the rule of law by improving judicial independence and strengthening institutions that combat organised crime and corruption. The action also prioritises good governance, a key pillar of democracy, by modernising and professionalising public administration based on transparency, accountability, and integrity. As part of North Macedonia's EU accession process, the action will enhance institutional frameworks, ensuring citizens can fully exercise their democratic rights and freedoms. By reinforcing these democratic foundations, the action will support a more accountable, transparent, and resilient governance system.

Conflict sensitivity, peace and resilience

Strengthening governance, education and the rule of law is key to preventing conflict. Effective, transparent, and inclusive institutions help address social and political inequalities, build more resilient societies, and enhance a state's ability to manage conflict risks. This action will improve the functioning of North Macedonia's institutions responsible for enforcing democratic processes, protecting fundamental rights, and fostering a tolerant, inclusive society thus reducing potential sources of conflict.

Disaster risk reduction

N.A.

3.3. External assumptions and risks

External assumptions

Assumptions at the Outcome Level:

- The Government of the Republic of North Macedonia remains committed to achieving EU standards and sustaining reforms.
- Democratic processes in the country maintain a positive direction.
- Political stability and prioritization of key reforms remain in place.
- Key stakeholders are committed to supporting reform processes, including education, governance, and digital transformation.
- Long-term financial sustainability is ensured for digital and human resource investments.

Assumptions at the Output Level:

- Adequate legislation is in place to support reforms.
- Sufficient human and financial resources are allocated to sustain results.
- Public scrutiny and accountability mechanisms continue to drive progress in governance and education.
- Improved coordination among institutions ensures the seamless implementation of systemic improvements.

- Stakeholders are committed to implementing changes in education, governance, and public sector reform, ensuring lasting benefits for citizens and society.
- Government and civil society remain engaged in fostering inclusive education, digital transformation, and public administration reforms.
- Sufficient investments in infrastructure and institutional capacity-building are maintained to ensure the sustainability of results.

Category	Risks	Likelihood (High/Medium /Low)	Impact (High/Medium /Low)	Mitigating Measures
1-External Environment	Elections cause delays in implementation and result in reduced political will to sustain the results of the action.	Medium	Medium	The planning and implementation of activities will be adapted to minimize disruption while ensuring continuous coordination and dialogue with stakeholders.
	Socio-political unwillingness may hinder full implementation of the reforms.	Medium	Medium	Ensuring continuous engagement with political actors, civil society organizations, and key stakeholders through dialogue and consultations. Conduct targeted awareness campaigns to increase public understanding and acceptance of the reforms
2-Planning, Processes, and Systems	Complexity of interventions involving multiple institutions and agencies with overlapping competencies may jeopardize effectiveness.	Low	Medium	Enhanced coordination through Sector Working Groups at the policy level and a Steering Committee at the project level, ensuring stakeholder engagement.
	Insufficient technological infrastructure may limit the success of interventions.	Low	High	Promote collaboration between institutions to share digital resources, cloud services, and technological solutions, reducing the cost and burden on individual institutions.
3-People and Organisation	Lack of sufficient human and financial resources available for implementing reforms leads to delays.	Medium	Medium	Strong technical support and workload analysis will be integrated into interventions to ensure effective implementation.

	Some institutions and stakeholders may resist legal framework changes, delaying implementation.	Medium	Medium	Maintain continuous communication and provide training to institutions on the benefits of the new framework to encourage adoption.
4-Legality and Regularity Aspects	Policy framework necessary for implementation is insufficiently developed.	Low	High	Provide targeted technical assistance to policymakers and institutions to support the drafting, revision, and alignment of policies. Engage all relevant stakeholders, including government institutions, civil society, academia and private sector representatives, in the policy development process to ensure broad-based input and ownership.
5-Communication and Information	Due to the complexity of interventions, lack of communication among stakeholders may limit systemic improvements.	Medium	Medium	Strengthen collaboration through technical and high-level discussions, ensuring stakeholder engagement from the outset.
	Insufficient communication with vulnerable groups may limit their willingness to participate in implementation.	Medium	High	Develop targeted communication approaches that consider the specific needs, language, and cultural context of vulnerable groups to ensure inclusivity and accessibility. Collaborate with local leaders, CSOs, NGOs, and community representatives who have established relationships with vulnerable groups to facilitate communication

4. IMPLEMENTATION ARRANGEMENTS

4.1. Financing agreement

In order to implement this action, a financing agreement will be concluded with Republic of North Macedonia.

4.2. Indicative implementation period

The indicative operational implementation period of this action, during which the activities will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of conclusion of the financing agreement (or the exchange of letters or notification letter for the subsequent annual budgetary instalments).

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer in duly justified cases.

4.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action plan with EU restrictive measures⁶.

4.3.1. Direct management (grants)

4.3.1.1. Grants

a) Purpose of the grant(s)

The grants may contribute to achieving the Outcome 2.2 Reinforced alignment to EU rules, standards, policies and practices in North Macedonia and Outcome 2.3 Improved awareness of the benefits of the EU integration process identified in Section 3.

b) Type of applicants targeted

Potential beneficiaries may include: legal entities, non-profit making legal or natural persons, local authorities, public bodies, public sector operator, non-governmental organisations, a civil society organisation, or a consortium of civil society organisations, and/or international (intergovernmental) organisation as defined by Article 159 of the of the Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union (hereafter referred as Financial Regulation).

4.3.1.2. Twinning Grants

a) Purpose of the grant(s)

The twinning grants may contribute to achieving Outcome 1.1 Reinforced rule of law, democracy and fundamental rights North Macedonia in line with the EU standards and practices, Outcome 2.2 Reinforced alignment to EU rules, standards, policies and practices in North Macedonia and Outcome 2.3 Improved awareness of the benefits of the EU integration process, identified in Section 3.

b) Type of applicants targeted

Applicants must be EU Member State administrations or their mandated bodies.

4.3.2. Direct management (Procurement)

⁶See EU Sanctions Map. The sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

The procurements may contribute to achieving Outcome 1.1 Reinforced rule of law, democracy and fundamental rights in North Macedonia in line with the EU standards and practices, Outcome 2.1 Reinforced good governance in North Macedonia, Outcome 2.2. Reinforced alignment to EU rules, standards, policies and practices in North Macedonia, Outcome 2.3. Improved awareness of the benefits of the EU integration process and Outcome 3.1 Enhanced human capital development and inclusive and sustainable growth, identified in Section 3.

4.3.3. Indirect management with a pillar-assessed entity⁷

A part of this action may be implemented in indirect management with a pillar assessed entity, which will be selected by the Commission's services using the following main criteria: technical expertise and relevance of mandate in the area concerned; operational capacity in the region; convening capacity and relationship with beneficiaries and other partners; absence of conflict of interest; and positive track record of implementation of EU funds. The criteria considered will be further detailed subsequently, as applicable, e.g. when the contracting authority will communicate to the potential applicants the details concerning the corresponding evaluation and award procedure.

The indirect management with a pillar assessed entity may contribute to achieving Outcome 1.1 Reinforced rule of law, democracy and fundamental rights in North Macedonia in line with the EU standards and practices and Outcome 2.1 Reinforced good governance in North Macedonia, identified in Section 3.

4.3.4. Changes from indirect to direct management (and vice versa) mode due to exceptional circumstances

If the implementation modality under direct management as defined in section 4.3.1 and 4.3.2 or indirect management with pillar assessed entity as defined in section 4.3.3 cannot be implemented due to circumstances beyond the control of the Commission, the Contracting Authority may decide, on case-by-case basis and at least 6 months before the expiry of the contracting deadline, to propose amendments of the programme vis a vis the implementing mode.

4.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action plan impossible or exceedingly difficult (Article 28(10) NDICI Regulation).

4.5. Indicative budget

Indicative budget ⁸	EU contribution 2025 (EUR)	EU contribution 2026 (EUR)	EU contribution 2027 (EUR)	Total EU contribution
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⁷ The signature of a contribution agreement with the chosen entity is subject to the completion of the necessary pillar assessment.

⁸ N.B. The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

					2025-27 (EUR)
Implementation modalities					
Error! Reference source not found.					
Methods of implementation – cf. Section 4.3	15 000 000.00	20 000 000.00	32 000 000.00		67 000 000.00
Grants – (direct management) cf. section 4.3.1	4 000 000.00	1 000 000.00	10 000 000.00		15 000 000.00
Procurement (direct management– under section 4.3.2	11 000 000.00	3 000 000.00	21 400 000.00		35 400 000.00
Indirect management with pillar-assessed entities – cf. section 4.3.3	0.00	16 000 000.00	600 000.00		16 600 000.00
Evaluation – cf. section 5.2	may be covered by another Decision	may be covered by another Decision	may be covered by another Decision		may be covered by another Decision
Audit and verification– cf. section 6	will be covered by another Decision	will be covered by another Decision	will be covered by another Decision		may be covered by another Decision
Strategic communication and Public diplomacy – cf. section 7					
Contingencies	0.00	0.00	0.00		0.00
Totals	15 000 000.00	20 000 000.00	32 000 000.00		67 000 000.00

5. PERFORMANCE MEASUREMENT

5.1 Monitoring and reporting

Monitoring activities carried out for this action will aim to identify successes, problems and/or potential risks so that corrective measures are adopted in a timely fashion. Both types of internal monitoring will be undertaken in an inclusive way, involving key stakeholders.

Internal monitoring

The day-to-day technical and financial monitoring of the implementation of this action or parts of the action will be a continuous process and part of both the implementing partners' and Commission responsibilities.

External monitoring

In line with the Commission rules and procedures, the Commission may undertake additional monitoring through independent external consultants recruited by the Commission. External monitoring is supported by both types of internal monitoring described above.

5.2 Evaluation

The Commission may carry out a mid-term, final or ex post evaluation for this action or parts of the action. In case a mid-term or final evaluation is not foreseen, the Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of North

Macedonia. As recalled by the Better Regulation guidelines⁹ evaluations may be identified as a result of new strategic decisions or significant (negative) feedback on performance (e.g. implementation problems, findings from monitoring results, complaints or infringements, audit reports).

In line with the spirit of partnership, Commission services and North Macedonia and other key stakeholders may also carry out joint evaluations.

North Macedonia and other key stakeholders shall contribute to and provide the necessary information for the different evaluation exercises. Following agreement among the parties, evaluation reports could be made public to allow the relevant stakeholders, including civil society representatives, to express their views so as to contribute to the accountability function of evaluation.

As a result of an evaluation, and where appropriate, in agreement with the North Macedonia, the Commission and the implementing partner jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the relevant components.

Evaluation services may be contracted under a framework contract.

6. AUDIT AND VERIFICATIONS

Without prejudice to the obligations applicable to contracts concluded for the implementation of interventions under this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements concluded for interventions or their parts deriving from this action.

7. STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

All entities implementing EU-funded external interventions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the interventions concerned. To that end they must comply with the instructions given in the 2022 guidance document Communicating and raising EU visibility: Guidance for external actions (or any successor document).

This obligation will apply equally, regardless of whether the concerned interventions are implemented by the Commission, the partner country, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU Member States. In each case, a reference to the relevant contractual obligations must be included in the respective financing agreement, procurement and grant contracts, and contribution agreements.

⁹ Better Regulation Guidelines, SWD(2021) 305 final.

ANNEX II - GENERAL CONDITIONS

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Part One: Provisions applicable to activities for which the IPA III beneficiary is the contracting authority under IMBC

Article 1 - General principles

(1) The purpose of Part One is to lay out the rules for implementing the entrusted budget-implementation tasks as described in Annex I and to define rights and obligations of the IPA III beneficiary and the Commission respectively in carrying out these tasks.

Part One shall apply to the budget-implementation tasks entrusted to the IPA III beneficiary related to the Union contribution alone, or combined with funds of the IPA III beneficiary or funds of a third party, in case such funds are implemented in joint co-financing.

(2) The IPA III beneficiary shall remain responsible for the fulfilment of the obligations stipulated in this Financing Agreement and in the Financial Framework Partnership Agreement (FFPA). In accordance with Article 6, Article 18, Article 19 and Article 21, the Commission reserves the right to interrupt payments, and to suspend and/or terminate this Financing Agreement.

(3) The IPA III beneficiary shall respect the minimum rate of its contribution specified in Annex I. In case of contributions from both the IPA III beneficiary and the Union, the IPA III beneficiary contribution shall be made available at the same time as the corresponding contribution from the Union.

(4) For the purpose of the application of Article 25 of the FFPA on data protection, personal data shall be:

- processed lawfully, fairly and in a transparent manner in relation to the data subject;
- collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- accurate and, where necessary, kept up to date;
- processed in a manner that ensures appropriate security of the personal data and
- kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed.

Personal data included in documents to be kept by the IPA III beneficiary in accordance with paragraph 2 of Article 1a has to be deleted once the deadlines set out in that paragraph have expired.

Article 1a – Procurement and grant award

(1) Without prejudice to Article 18(5) of the FFPA, the tasks referred to in paragraph 1 of Article 1 shall be carried out by the IPA III beneficiary in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions, in particular, the practical guide on contract procedures for European Union external action (PRAG), in force at the time of the launch of the procedure in question, as well as in accordance with the required visibility and communication standards referred to in Article 2(2).

The IPA III beneficiary shall conduct the procurement and grant award procedures, conclude the resulting contracts, and ensure that all relevant documents for audit trail are in the language of this Financing Agreement.

(2) Without prejudice to Article 49 of the FFPA, the IPA III beneficiary shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement, or as from an earlier date in case the procurement procedure, call for proposals or direct grant award procedure was launched prior to the entry into force of this Financing Agreement, for five years as from the date of closure of a programme. The IPA III beneficiary shall keep in particular

the following:

(a) Procurement procedures:

- i) Forecast notice with proof of publication of the procurement notice and any corrigenda;
- ii) Appointment of shortlist panel;
- iii) Shortlist report (incl. annexes) and applications;
- iv) Proof of publication of the shortlist notice;
- v) Letters to non-shortlisted candidates;
- vi) Invitation to tender or equivalent;
- vii) Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication;
- viii) Appointment of the evaluation committee;
- ix) Tender opening report, including annexes;
- x) Evaluation / negotiation report, including annexes and bids received;¹
- xi) Notification letter;
- xii) Cover letter for submission of contract;
- xiii) Letters to unsuccessful candidates;
- xiv) Award / cancellation notice, including proof of publication;
- xv) Signed contracts, amendments, riders, implementation reports, and relevant correspondence.

(b) Calls for proposals and direct award of grants:

- i) Appointment of the evaluation committee;
- ii) Opening and administrative report including annexes and applications received;²
- iii) Letters to successful and unsuccessful applicants following concept note evaluation;
- iv) Concept note evaluation report;
- v) Evaluation report of the full application or negotiation report with relevant annexes;
- vi) Eligibility check and supporting documents;
- vii) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;
- viii) Cover letter for submission of grant contract;
- ix) Award/cancellation notice with proof of publication;
- x) Signed contracts, amendments, riders and relevant correspondence.

In addition, financial and contractual documents referred to in paragraph 2(a) and 2(b) shall be complemented by all relevant supporting documents as required by the procedures referred to in paragraph 1, as well as all relevant documentation relating to payments, recoveries and operating costs, for example project and on the spot check reports, acceptance of supplies and works, guarantees, warranties, reports of supervising engineers.

(3) Operations co-financed by the Union under the Programme may also receive financing from an international organisation, a Member State, a third country or a regional organisation.

¹ Elimination of unsuccessful bids five years after the closure of the procurement procedure.

² Elimination of unsuccessful applications three years after the closure of the grant procedure.

Article 1b – Exclusion and administrative sanctions

- (1) When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the IPA III beneficiary shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant, who either itself, or a person having powers of representation, decision making or control over it, is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.
- (2) The IPA III beneficiary shall inform the Commission immediately when a candidate, tenderer or applicant is in an exclusion situation referred to in paragraph (1), or has committed irregularities and fraud as defined in Article 51(5) of the FFPA, or has shown significant deficiencies in complying with main obligation in the implementation of a legal commitment financed by the Union budget.
- (3) The IPA III beneficiary shall take into account the information contained in the Commission's Early Detection and Exclusion System (EDES) when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation using the following means: (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, MO15, B-1049 Brussels, Belgium and by email to BUDG-EDES-DB@ec.europa.eu with copy to the Commission address identified in Article 3 of the Special Conditions). Any contract or grant concluded with a contractor or grant beneficiary that is in an exclusion situation at the time of conclusion of the contract shall be excluded from Union financing and the financial corrections mechanism in accordance with Article 7a may be applied.
- (4) Where the IPA III beneficiary becomes aware of an exclusion situation referred to in paragraph (1) in the implementation of the tasks described in Annex I, the IPA III beneficiary shall, under the conditions of its national legislation, impose upon the economic operator or grant applicant, a rejection from the given procedure and an exclusion from its future procurement or grant award procedures. The IPA III beneficiary may also impose a financial penalty proportional to the value of the contract concerned. Rejections, exclusions and/or financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned. The IPA III beneficiary shall notify the Commission in accordance with paragraph (2) of this Article.

Article 2 - Communication and Visibility

- (1) In accordance with Article 24 of the FFPA, the IPA III beneficiary shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it, and prepare a coherent plan of communication and visibility activities, which should be submitted to the Commission for an agreement within 2 months after the entry into force of this Financing Agreement.
- (2) These communication and visibility activities shall comply with the Communications and Visibility Manual for EU External Actions laid down and published by the Commission in force at the time of the activities.

Article 3 - *Ex-ante* and *ex-post* controls on grant and procurement procedures and *ex-post* controls on contracts and grants to be performed by the Commission

- (1) The Commission may exercise *ex-ante* controls on award procedures for procurement and grants for the following stages:
 - (a) approval of contract notices for procurement and any corrigenda thereof;
 - (b) approval of tender dossiers and guidelines for applicants for grants;
 - (c) approval of the composition of Evaluation Committees;
 - (d) approval of evaluation reports, rejection and award decisions³;

³ For service contracts this steps includes *ex-ante* controls concerning approval of the shortlist.

- (e) approval of contract dossiers and contract addenda.
- (2) With regard to *ex-ante* controls the Commission shall decide:
 - (a) to perform *ex-ante* controls on all files, or
 - (b) to perform *ex-ante* controls on a selection of such files, or
 - (c) to completely dispense with *ex-ante* controls.
- (3) If the Commission decides to perform *ex-ante* controls in accordance with paragraph 2(a) or (b) it shall inform the IPA III beneficiary of the files selected for *ex-ante* controls. The IPA III beneficiary shall provide all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-ante* control, at the latest at the time of submission of the contract notice or the guidelines for applicants for publication.
- (4) The Commission may decide to perform *ex-post* controls on the award procedures that have not been subjected to *ex-ante* control (within 6 months of the signature of the contract).
- (5) The Commission may decide to perform *ex-post* controls, including audits and on-the-spot controls, at any time on any contracts or grants awarded by the IPA III beneficiary arising out this Financing Agreement. The IPA III beneficiary shall make available all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-post* control. The Commission may authorise a person or an entity to perform *ex-post* controls on its behalf.

Article 4 - Bank accounts, accounting systems, and costs recognised

- (1) After the entry into force of this Financing Agreement, the Accounting Body and the Intermediate Body for Financial Management (IBFM) of the IPA III beneficiary that is the Contracting Authority for the Programme shall open at least one bank account denominated in euro per yearly budget allocation. The total bank balance for the Programme shall be the sum of the balances on all the Programme bank accounts held by the Accounting Body and all participating IBFMs in the IPA III beneficiary. Reporting on all bank accounts linked to each programme shall be recorded via IPA-APP⁴.
- (2) The IPA III beneficiary shall prepare and submit to the Commission disbursement forecast plans for the duration of the implementation period of the Programme following the template in point (d) of Annex III. These forecasts shall be updated and submitted with each request for funds referred to in Article 5(1) and 5(3), with the annual financial report referred to in Article 14(2) and with the forecast of likely payment requests referred to in Article 33(3) FFPA. The disbursement forecasts plans shall be based on real and actual needs and supported by a documented detailed analysis (including the planned contracting and payment schedule per contract) which shall be available to the Commission upon request.
- (3) The initial disbursement forecast plan shall contain summary annual disbursement forecasts per yearly budget allocation for the whole implementation period and monthly disbursement forecasts for the first twelve months of the Programme. Subsequent plans shall contain summary annual disbursement forecasts per yearly budget allocation for the balance of the implementation period of the Programme and monthly disbursement forecasts for the following fourteen months.
- (4) The IPA III beneficiary is required to establish and maintain an accounting system in accordance with Clause 4(3)(a) of Annex A to the FFPA which will hold at least the information for the contracts managed under the Programme indicated in Annex IV.
- (5) Pursuant to Article 57(2) of the FFPA, costs recognised in the accounting system maintained under the section 4 of this Article must have been incurred, accepted and paid and correspond to actual costs proven by supporting documents and shall be used when appropriate to clear pre-financing paid by the IPA III beneficiary under local contracts.

⁴ IPA-APP is a dedicated IT application developed by DG NEAR to replace iPerseus that was the tool used for monitoring the implementation of pre-accession funds under indirect management by beneficiary countries (IMBC).

Article 5 - Provisions on payments made by the Commission to the IPA III beneficiary

- (1) Each request for pre-financing shall comprise a declaration of expenditure for the Programme, including the amounts contracted, disbursed and costs recognised.
- (2) The first pre-financing payment shall be for 100% of the forecast disbursements for the first year of the disbursement forecast plan pursuant to Article 4(2). This request for pre-financing shall be supported by the bank mandates for all the bank accounts of the Programme, if applicable.
- (3) The IPA III beneficiary shall submit subsequent pre-financing payment requests when the total bank balance for the Programme falls below the disbursements forecast for the following five months of the Programme.
- (4) Each request for additional pre-financing shall include:
 - a) The bank balances for the Programme at the cut-off date of the request;
 - b) The updated bank mandates for all the bank accounts of the Programme, if applicable;
 - c) A forecast of disbursement for the Programme for the following fourteen months at the cut-off date of the request as referred to in Article 4(2);
 - d) Reporting in IPA-APP.
- (5) The IPA III beneficiary may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the cut-off date of the request, less the balances referred to in paragraph 4(a) at the cut-off date of the request for funds, increased by any amount funded by the IPA III beneficiary under paragraph 6 and not yet reimbursed.

The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA III beneficiary under this Programme exceeds the disbursement forecast for the next fourteen months.
- (6) Where the payment is reduced under paragraph 5, the IPA III beneficiary must fund the Programme from its own resources up to the amount of the reduction. The IPA III beneficiary may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph 5.
- (7) Pursuant to Article 33(1) of FFPA, the Commission reserves the right to process partial payments within the limits of the funds available. Once funds are made available again, the Commission shall process immediately the payment of the remaining amount.
- (8) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA III beneficiary to give reasons for the delay in disbursing the funds and to demonstrate a continuing need for them within the next following two months.
- (9) Interest generated by the bank accounts used for this Programme shall not be due to the Commission.
- (10) Following Article 33(4) of the FFPA, when the time limit for payment request is interrupted by the Commission for more than two months, the IPA III beneficiary may request a decision by the Commission on whether the interruption is to be continued.
- (11) The certified final statement of expenditure referred to in Article 36(1)(a) of the FFPA shall be submitted by the NAO no later than 16 months after the end of operational implementation period.

Article 6 - Interruption of payments

- (1) Without prejudice to the suspension or termination of this Financing Agreement according to Articles 18 and 19 respectively, as well as without prejudice to Articles 38 and 39 of the FFPA, the Commission may interrupt payments partially or fully, if:
 - (a) the Commission has established, or has serious concerns that the IPA III beneficiary has committed substantial errors, irregularities or fraud questioning the legality or regularity of the underlying particular transactions in the implementation of the Programme, or has failed to

comply with its obligations under this Financing Agreement, including obligations regarding the implementation of the Visibility and Communication plan;

(b) the Commission has established, or has serious concerns, that the IPA III beneficiary has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation of this Financing Agreement or call into question the reliability of the IPA III beneficiary's internal control system or the legality and regularity of the underlying expenditure.

Article 7 - Recovery of funds

- (1) In addition to cases referred to in Article 40 of the FFPA, the Commission may recover the funds from the IPA III beneficiary as provided in the Financial Regulation, in particular in case of:
 - (a) failure to ensure achievement of outcomes and use of outputs for the intended purpose as set out in Annex I;
 - (b) non eligible expenditure;
 - (c) non respect of the co-financing rate, as provided in Annex I;
 - (d) expenditure incurred as a result of errors, irregularities, fraud or breach of obligations in the implementation of the Programme, in particular in the procurement and grant award procedures;
 - (e) weakness or deficiency in the management and control systems of the IPA III beneficiary which leads to application of financial correction.
- (2) In accordance with national law, the NAO shall recover the Union contribution paid to the IPA III beneficiary from recipients who were in any situation defined in paragraph 1 points (b) or (d) of this Article or referred to in Article 40 of the FFPA. The fact that the NAO does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA III beneficiary.
- (3) Amounts unduly paid or recovered by the IPA III beneficiary, amounts from financial, performance and pre-financing guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the IPA III beneficiary on candidates, tenderers, applicants, contractors or grant beneficiaries, to the IPA III beneficiary shall be either re-used for the Programme or returned to the Commission.

Article 7a – Financial corrections and closure

Further to Articles 42, 43 and 47 of the FFPA, supplementary guidance on the examination and acceptance of accounts procedure, including financial corrections, and closure shall be provided by the Commission.

Part Two: Provisions applicable to budget support

Article 8 - Policy dialogue

The IPA III beneficiary and the Commission commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Article 9 - Verification of conditions and disbursement

- (1) The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in the relevant Appendix to Annex I.
- (2) Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the IPA III beneficiary thereof without undue delay.
- (3) Disbursement requests submitted by the IPA III beneficiary shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I and the relevant Appendix and that they are submitted during the operational implementation phase.
- (4) The IPA III beneficiary shall apply its national foreign exchange regulations in a non-discriminatory manner to all disbursements of the budget support component.

Article 10 - Transparency of budget support

The IPA III beneficiary hereby agrees to the publication by the Commission, of this Financing Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. The content of such publication shall be in accordance with the EU laws applicable to the protection of personal data.

Article 11 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has been vitiated by a serious irregularity attributable to the IPA III beneficiary, in particular if the IPA III beneficiary provided unreliable or incorrect information, or if corruption or fraud was involved.

Part Three: Provisions applicable to this Financing Agreement as a whole, irrespective of the implementation method

Article 12 – Signature, execution period, operational implementation period and contracting deadline

- (1) The execution period of the Financing Agreement is the period during which the Financing Agreement is implemented and includes the operational implementation period as well as a closure phase. The duration of the execution period is stipulated in Article 2(1) of the Special Conditions, and it shall start on the conclusion of this Financing Agreement and it shall end on the final date for implementing the Financing Agreement.
- (2) The operational implementation period is the period in which all operational activities covered by procurement contracts, grant contracts and contribution agreements are completed. The duration of this period is stipulated in Article 2(2) of the Special Conditions, and it shall start on the conclusion of this Financing Agreement for the budget allocation for the first year and on the date of the notification letter from the Commission or the conclusion of the exchange of letters between the Commission and the IPA III beneficiary for the budget allocations of subsequent years.
- (3) The operational implementation period shall be respected by the Contracting Authority when concluding and implementing procurement contracts, grant contracts and contribution agreements within this Financing Agreement.
- (4) Without prejudice to Article 29(2) of the FFPA, costs related to the activities shall be eligible for EU financing only if they have been incurred during the operational implementation period. The costs incurred before the entry into force of this Financing Agreement shall not be eligible for EU financing unless provided otherwise in Article 7 of the Special Conditions.
- (5) Pursuant to Article 29(3)(b) of the FFPA, and without prejudice to Article 28 thereof and Article 7 of the Special Conditions, the following expenditure incurred by the IPA III beneficiary shall not be eligible for funding under this financing agreement:
 - a) bank charges, costs of guarantees and similar charges;
 - b) fines and financial penalties;
 - c) expenses of litigation;
 - d) currency exchange losses;
 - e) debts and debt service charges (interest);
 - f) provisions for losses, debts or potential future liabilities;
 - g) credits to third parties, unless otherwise specified in the special conditions;
 - h) negative interest charged by banks or other financial institutions.
- (6) Legal commitments for the implementation of this Financing Agreement (procurement contracts, grant contracts and contribution agreements) shall be concluded at the latest within three years of the conclusion of the Financing Agreement for the budget allocation available at the time of conclusion. Procurement contracts, grant contracts and contribution agreements funded from the respective subsequent budget allocations to this action shall be signed within three years from the date on which the budget allocation is made available for the action, as specified in the notification sent by the Commission to the IPA III beneficiary or the exchange of letters between the Commission and the IPA III beneficiary.
- (7) The deadlines referred to in paragraph (6) do not apply to:
 - (a) multi-donor actions, where a fixed deadline for contracting is set out in the Special Conditions.

- (a) amendments to legal commitments already concluded, which do not result in an increase of the EU contribution;
- (b) legal commitments to be concluded after early termination of an existing legal commitment;
- (c) legal commitments relating to communication and visibility, audit and evaluation, which can be signed after the operational implementation period;
- (d) change of the implementing entity.

(8) A procurement contract, grant contract or contribution agreement which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be de-committed, except in case of litigation before judicial courts or arbitral bodies.

(9) In case either of the Parties signs the Financing Agreement, amendments thereto or any other document required for the implementation of the Financing Agreement using qualified electronic signature(s), the Parties shall accept the validity of such qualified electronic signature and recognise the latter as equivalent to a hand-written signature, provided that it is compliant with Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market and repealing Directive 1999/93/EC.

Article 13 - Permits and authorisation

Without prejudice to Article 27 of the FFPA, any type of permit and/or authorisation required for the implementation of the Programme shall be provided in due time by the competent authorities of the IPA III beneficiary, in accordance with national law.

Article 14 - Reporting requirements

- (1) For the purpose of the general reporting requirements to the Commission set out in Article 59 of the FFPA on the annual report on the implementation of IPA III assistance, the NIPAC shall use the template provided by the Commission.
- (2) For the purpose of Article 60 of the FFPA, the NIPAC shall submit a final report to the Commission on the implementation of the activities implemented under indirect management by the IPA III beneficiary of this Programme at the latest sixteen months after the end of operational implementation period. The NIPAC shall use the template provided by the Commission.
- (3) For the purpose of Article 61(1) of the FFPA the NAO shall provide by 15 January of the following financial year in electronic format a copy of the data held in the accounting system established under Article 4(4). This should be supported by a signed un-audited summary financial report in accordance with point (c) of Annex III.
- (4) For the purpose of the specific reporting requirements under indirect management set out in Article 61(2)(a) and 61(3) of the FFPA, the NAO in the IPA III beneficiary shall use the templates provided for in points (a) and (b) of Annex III.

Article 15 - Intellectual property rights

- (1) Contracts financed under this Financing Agreement shall ensure that the IPA III beneficiary acquires all necessary intellectual property rights with regard to information technology, studies, drawings, plans, publicity and any other material made for planning, implementation, monitoring and evaluation purposes.
- (2) The IPA III beneficiary shall guarantee that the Commission, or any body or person authorised by the Commission, shall have access and the right to use such a material. The Commission will only use such material for its own purposes.

Article 16 - Consultation between the IPA III beneficiary and the Commission

- (1) The IPA III beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 20.
- (2) Where the Commission becomes aware of problems in carrying out procedures relating to the implementation of this Financing Agreement, it shall establish all necessary contacts with the IPA III beneficiary to remedy the situation and take any steps that are necessary.
- (3) The consultation may lead to an amendment, suspension or termination of this Financing Agreement.
- (4) The Commission shall regularly inform the IPA III beneficiary of the implementation of activities described in Annex I, which do not fall under Part One of these General Conditions.

Article 17 - Amendment of this Financing Agreement

- (1) Any amendment of this Financing Agreement shall be made in writing, including by an exchange of letters between the Parties.
- (2) If the IPA III beneficiary requests an amendment, the request shall be submitted to the Commission at least three months before the amendment is intended to enter into force except in duly justified cases.
- (3) The Commission can amend the documents in Annexes III and IV without this necessitating an amendment to this Financing Agreement. The IPA III beneficiaries shall be informed in writing about any such amendment and its entry into force.
- (4) Without prejudice to paragraph (1), the budget allocations for subsequent years in accordance with Article 1(3) of the Special Conditions shall be made through a written notification by the Commission to the IPA III beneficiary, or by an exchange of letters between the Parties, specifying the amount of the respective budget allocation and the date from which it is made available for the action. Where relevant, the notification or exchange of letters shall also confirm the measures to be supported.

Article 18 - Suspension of this Financing Agreement

- (1) The Financing Agreement may be suspended in the following cases:
 - (a) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches an obligation under this Financing Agreement;
 - (b) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches any obligation set under the procedures and standard documents referred to in Article 18(2) of the FFPA;
 - (c) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary does not meet requirements for entrusting budget implementation tasks;
 - (d) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary decides to suspend or cease the EU membership accession process;
 - (e) The Commission may suspend this Financing Agreement if the IPA III beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption or if the IPA III beneficiary is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:
 - a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
 - any wrongful conduct of a person or entity which has an impact on its professional

credibility where such conduct denotes wrongful intent or gross negligence.

- (f) This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage. If force majeure impacts only part of the Programme, the suspension of the Financing Agreement can be partial. Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.
- (2) The Commission may suspend this Financing Agreement without prior notice.
- (3) The Commission may take any appropriate precautionary measure before suspension takes place.
- (4) When the suspension is notified, the consequences for the on-going or to be signed procurement contracts, grant contracts, and contribution agreements shall be indicated.
- (5) A suspension of this Financing Agreement is without prejudice to the interruption of payments and termination of this Financing Agreement by the Commission in accordance with Article 6 and Article 19.
- (6) The parties shall resume the implementation of the Financing Agreement once the conditions allow, with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the Programme to the new implementing conditions, including, if possible, the extension of the operational implementation and execution periods, or the termination of this Financing Agreement in accordance with Article 19.

Article 19 - Termination of this Financing Agreement

- (1) If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.
- (2) When the termination is notified, the consequences for the on-going procurement and grant contracts, contribution agreements and such contracts or grants, and contribution agreements to be signed shall be indicated.
- (3) The termination of this Financing Agreement shall not preclude the possibility of the Commission to make financial corrections in accordance with Articles 43 and 44 of the FFPA.

Article 20 – Applicable law, settlement of disputes

- (1) This Agreement is governed by EU law.
- (2) If a dispute concerning the interpretation, application or validity of the Agreement cannot be settled amicably, it shall be settled by arbitration in accordance with the 2012 PCA Arbitration Rules, subject to the following:
 - (a) Panel composition

For claims of EUR 500 000 or above: the panel shall be composed of three arbitrators. Each party shall appoint one arbitrator within 40 calendar days after the notice of arbitration has been sent. The two arbitrators appointed by the parties shall in turn appoint a third arbitrator to act as presiding arbitrator.

For claims below EUR 500 000: the panel shall be composed of one arbitrator, unless the parties agree otherwise.

If the panel is not composed within 80 calendar days after the notice of arbitration is sent, either party may request the PCA Secretariat or other mutually acceptable other neutral authority to appoint the necessary arbitrator(s).

(b) Seat

The seat of the arbitration panel shall be The Hague, Netherlands.

(c) Language

The language of the proceedings shall be English or another mutually acceptable official language of the European Union. Evidence may be produced in other languages, if agreed by the parties.

(d) Procedure

Recourse to interim measures, third party interventions and *amicus curiae* interventions is excluded.

If the panel is requested by a party to treat information or material confidentially, the decision shall be made in form of a reasoned order and after hearing the other party (10 calendar days to submit observations). The panel shall weigh the reasons for the request, the nature of the information and the right to effective judicial protection. The panel may in particular:

- make disclosure subject to specific undertakings or
- decide against disclosure, but order the production of a non-confidential version or summary of the information or material, containing sufficient information to enable the other party to express its views in a meaningful way.

If the panel is requested to hear the case *in camera*, the decision shall be made after hearing the other party (10 calendar days to submit observations). The panel shall take into account the reasons for the request and the objections of the other party (if any).

If the panel is requested to interpret or apply European Union law, it shall stay the proceedings and request the 'President of the High Court of Paris' (Président du Tribunal de grande instance de Paris, 'juge d'appui'), in accordance with Articles 1460 and 1505 of the French Civil Procedural Code to request a preliminary ruling from the Court of Justice of the European Union in accordance with Article 267 TFEU. The proceedings before the arbitral tribunal shall resume once the decision by the *juge d'appui* is taken. The decision of the Court of Justice and of the *juge d'appui* shall be binding on the panel.

The arbitral award shall be final and binding on the parties and be carried out by them without delay.

Either party may however request that the award is reviewed by the The Hague Court of Appeal (Gerechtshof Den Haag) on the basis of the applicable national law. In this case, the award shall not be considered final until the end of this procedure. The decision by the reviewing court shall be binding on the panel.

(e) Costs

The costs of arbitration shall consist of:

- the fees and reasonable expenses of the arbitrators
- reasonable costs of experts and witnesses as approved by the panel and
- the fees and expenses of the PCA Secretariat for the arbitration proceedings (e.g. catering, providing for clerks, room, interpretation).

The arbitrators' fees shall not exceed:

- EUR 30 000 per arbitrator if the contested amount is below EUR 1 000 000

- 15% of the contested amount if that amount is above EUR 1 000 000. In any case the arbitrators' fees shall not exceed EUR 300 000.

The costs of arbitration shall be borne by the parties in equal share, unless otherwise agreed.

The parties shall bear their own costs of legal representation and other costs incurred by them in relation to the arbitration.

(f) Privileges and immunities

The agreement to pursue arbitration under the 2012 PCA Arbitration Rules does not constitute and cannot be interpreted as a waiver of privileges or immunities of any of the parties, to which they are entitled.

Article 21 -- EU restrictive measures

(1) Definitions

- (a) "EU Restrictive Measures" means restrictive measures adopted pursuant to the Treaty on European Union (TEU) or to the Treaty on the Functioning of the European Union (TFEU).
- (b) "Restricted Person" means any entities, individuals or groups of individuals designated by the EU as subject to the EU Restrictive Measures⁵.

- (2) In all their relations, the Parties recognise that under EU law no EU funds or economic resources are to be made available directly or indirectly to, or for the benefit of, Restricted Persons.
- (3) The IPA III Beneficiary shall ensure that no transaction subject to a verified hit against the EU sanctions list shall benefit directly or indirectly from EU funding. The IPA III Beneficiary commits to ensure this obligation:
 - (a) by screening for hits against the EU sanctions list, before entering into, and before making payments under, the relevant agreements, each Contractor, Grant Beneficiary, and Final Recipient with whom the IPA III Beneficiary has or is expected to have a direct contractual relationship (direct recipient), so as to assess whether such recipient is a Restricted Person.
 - (b) by screening or through other appropriate means (that may include an ex-post verification) on a risk based approach basis, that no entity that would indirectly receive EU funding is a Restricted Person.
- (4) In the event that IPA III Beneficiary assesses that any of the recipients (direct or indirect) of the EU funding is a Restricted Person, IPA III Beneficiary shall promptly inform the Commission.
- (5) Without prejudice to the obligation in point 3 above, should the Commission assess that the use of Union financial assistance under IPA III results or has resulted in a breach of EU restrictive measures, the corresponding amounts shall not be eligible for the Union financial assistance under IPA III. This is without prejudice to any rights that the Commission may have to suspend or terminate the action affected by such breach, to recover any EU funding contributed by the Commission, or to suspend or terminate this financing agreement.
- (6) The determination of remedial measures will be made in accordance with the principle of proportionality. Remedial measures shall apply only to the EU funding made available to, or for the benefit of, a recipient for the period during which it remained a Restricted Person.
- (7) This clause is without prejudice to the exceptions contained in the EU Restrictive Measures.

⁵ www.sanctionsmap.eu. The sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal of the European Union (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.