REPUBLIC OF NORTH MACEDONIA

MINISTRY OF FINANCE

Annual Monitoring Report on Implementation of 2025 Action Plan for Public Financial Management Reform Programme for the period January - December 2025

Skopje

Abbreviations and Acronyms

AMS	Audit management system
CA	Customs Administration
CARNM	Customs Administration of the Republic of North Macedonia
CEF	Center of Excellence in Finance
CIPFA	Chartered Institute of Public Finance and Accountancy
CHU	Central Harmonisation Unit
DBRNM	Development Bank of the Republic of North Macedonia
EUROSAI	European Organization of Supreme Audit Institutions
ESPEO	Electronic System for reporting and recording obligations
ERP	Economic Reform Programme
EC	European Commission
ENER	Unique National Electronic Register of Regulations
EU	European Union
FAD	Fiscal Affairs Department
GAP	Growth Acceleration Plan
HR	Human Resource
IPA	Instrument for Pre-Accession Assistance
IFES	International Foundation for Election Systems
IFMIS	Integrated Financial Management Information System
IFIs	International Financial Institution
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institution
IT	Information Technology
ITE	Integrated Tariff Environment
ITIS	Integrated Tax Information System
ICT	Internal Customers Technology
MASA	Macedonian Academy of Sciences and Art
MoF	Ministry of Finance
ME	Ministry of Economy
MISA	Ministry of Information Society and Administration
MJ	Ministry of Justice
MASP	Multi-Annual Strategic Plan
NAO	National Audit Institution
NBRNM	National Bank of the Republic of North Macedonia
NDI	National Institute for Democracy
NPAA	National Programme for Adoption of the Acquis

OECD	Organisation for Economic Cooperation and Development
OBL	Organic Budget Law
PFM	Public Finance Management
PRO	Public Revenue Office
PPB	Public Procurement Bureau
PFA	Public Finance Academy
PPP	Public-Private Partnership
PAR	Public Administration Reform
PEFA	Public Expenditure Financial Accountability
PIM	Public Investment Management
RIA	Regulatory Impact Assessment
SWG	Sector Working Group
SAO	State Audit Office
SACPP	State Appeal Commission for Public Procurement
SMART	Specific Measurable Achievable Relevant Time-Based
SIGMA	Support for Improvement in Governance and Management
SESPPP	Single Electronic System for Public Private Partnership
SEA	Secretariat for European Affairs
SECO	Swiss State Secretariat for Economic Affairs
SAA	Stabilisation and Association Agreement
TA	Tax Administration
TSRS	Tax System Reform Strategy
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank
WFD	Westminster Foundation for Democracy

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Introduction

Monitoring Report on implementation for Implementation of the PFM Reform Programme for the period January-December 2025was prepared by the Ministry of Finance (MoF) of the Republic of North Macedonia, with other line ministries represented on the Sector Working Group actively participating: Ministry of public administration, Ministry of digital transformation, Ministry of european affairs, Ministry of Energy, Mining and Mineral Resources of the Republic of Macedonia, State Audit Office (SAO), Customs Administration of the Republic of North Macedonia (CARNM), Public Revenue Office (PRO) and Public Procurement Bureau (PPB). Process of Report preparation was initiated at the end of December 2025 and finalised by end-February 2026. The Report was prepared based on instruction for reporting, including deadlines and reporting templates, prepared by the IPA and NPAA Unit at the Ministry of Finance (Coordination Unit), facilitating the consolidation and the presentation of PFM reform reporting information.
It provides information on the progress achieved in implementing the reform activities for the period January – December 2025.

1. Background

The Public Financial Management Reform Programme for the period 2025–2028 (hereinafter: the PFM Reform Programme), together with the Action Plan for the implementation of the PFM Reform Programme for 2025, were adopted by the Government of the Republic of North Macedonia on 2 September 2025. The PFM Reform Programme represents a continuation and an upgrade of the previous PFM Reform Programme for the period 2022–2025 and ensures continuity in the implementation of reforms in public financial management.

The PFM Reform Programme covers all key aspects of the public financial management system, including economic analysis, the macroeconomic and fiscal framework, revenue mobilisation and collection, budget planning and execution, public investment management, public procurement including public–private partnerships, the establishment of an Integrated Financial Management Information System (IFMIS), the Public Finance Academy, budgetary accounting, public internal financial control, external audit and parliamentary oversight, as well as a public financial management at the local level.

The main objective system and the PFM Reform Programme is to strengthen the fiscal framework and improve the processes of planning, execution, monitoring and reporting of public finances, increase the collection of public revenues, enhance the public procurement system, and strengthen internal and external control through increased transparency and accountability. These objectives have been identified as key Government priorities aimed at ensuring accelerated and sustainable economic growth, a higher standard of living and an improved quality of life for citizens.

In this context, improved public financial management contributes to maintaining a stable and sustainable budget in the long term, as well as to delivering high-quality and efficient services to citizens and the business community through modern, professional and digitalized public administration. Further enhancement of the public financial management system is essential not only to support fiscal consolidation and structural reforms, but also to create an attractive and predictable investment environment.

In this regard, the Government has also developed sub-sectoral reform strategies, particularly in the areas of public internal financial control and the tax system.

The PFM Reform Programme plays a significant role in the EU accession process of the Republic of North Macedonia by supporting the structural dialogue with the EU and strengthening the absorption capacity for the use of EU funds. Stable and effective public financial management is a key prerequisite for European integration and is directly linked to several negotiation chapters, including Chapter 5 – Public Procurement, Chapter 16 – Taxation, Chapter 17 – Economic and Monetary Policy, Chapter 18 – Statistics, Chapter 29 – Customs Union, Chapter 32 – Financial Control and Chapter 33 – Financial and Budgetary Provisions.

The PFM Reform Programme gains additional importance in the context of the new EU support model, particularly through the Reform and Growth Facility for the Western Balkans, which is based on the fulfilment of specific reform steps and the achievement of measurable results. In this sense, the PFM Reform Programme represents a key horizontal framework that provides the prerequisites for effective planning, implementation, monitoring and reporting of public policies and investments, as well as for the timely and credible absorption of EU funds.

Within the framework of the PFM Reform Programme, seven pillars with a total of 18 priorities are envisaged, which form the basis for the systematic implementation and monitoring of reforms in the period 2025–2028, as follows:

Pillar I - Economic Analysis, Macroeconomic and Fiscal Framework

- Priority 1. Tax revenues forecasting and reporting

- Priority 2. Economic Analysis and Macroeconomic Forecasting
- Priority 3. Strengthening Debt Management

Pillar II - Revenue Mobilisation

- Priority 1. Tax and Customs Policy
- Priority 2. Tax Administration
- Priority 3. Customs

Pillar III - Planning and Budget

- Priority 1. Budget Planning
- Priority 2. Strengthened Public Investment Management
- Priority 3. Strengthen the accounting of budgets and budget users
- Priority 4. Public finance management at local level

Pillar IV - Public Procurement

- Priority 1. Public Procurement Policy
- Priority 2. Public Private Partnership (PPPs) and Concession on goods of general interest

Pillar V - Public finance digitalization and continuous learning

- Priority 1: Implementation of an Integrated Financial Management Information System (IFMIS)
- Priority 2. Public Finance Academy (Learning organization)

Pillar VI - Public Internal Financial Control

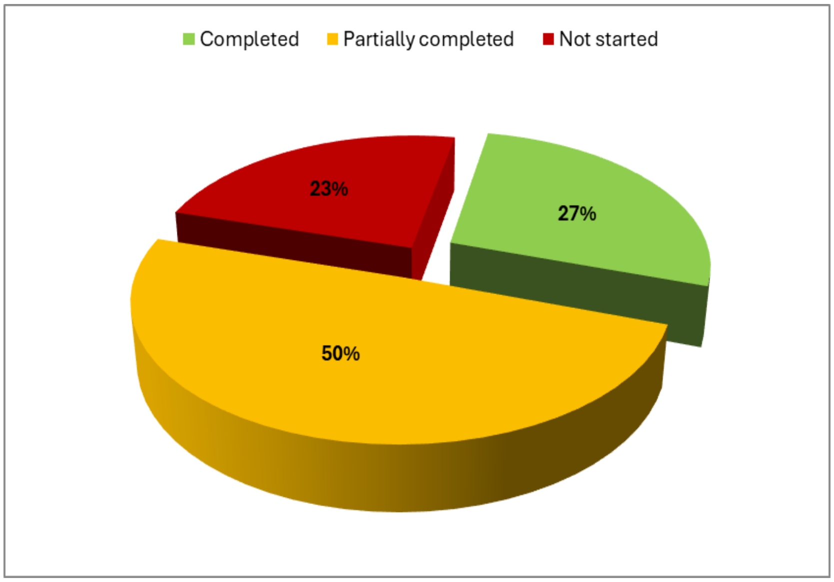
- Priority 1. Financial Management and Control
- Priority 2. Internal Audit

Pillar VII - External Audit and Parliamentary Oversight

- Priority 1. External Audit
- Priority 2. Parliamentary Oversight

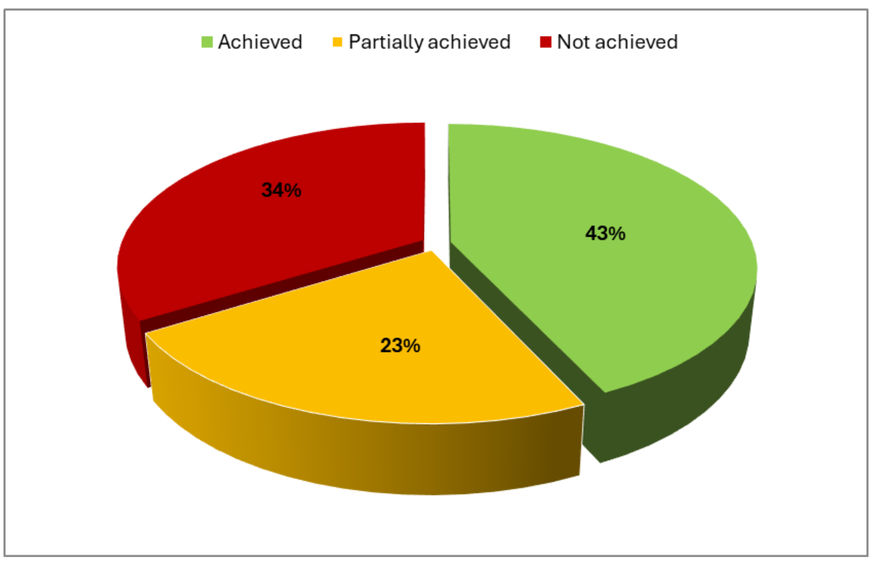
The status of the implementation of the activities covered by the current PFM Reform Programme for year 2025 is as follows: out of 81 activities, 22 are completed, 40 are in the process of implementation and 19 are not completed (not yet started), which in terms of the percentage of implemented activities is represented as follows:

Percentage of implemented activities in the reporting period from January - December 2025



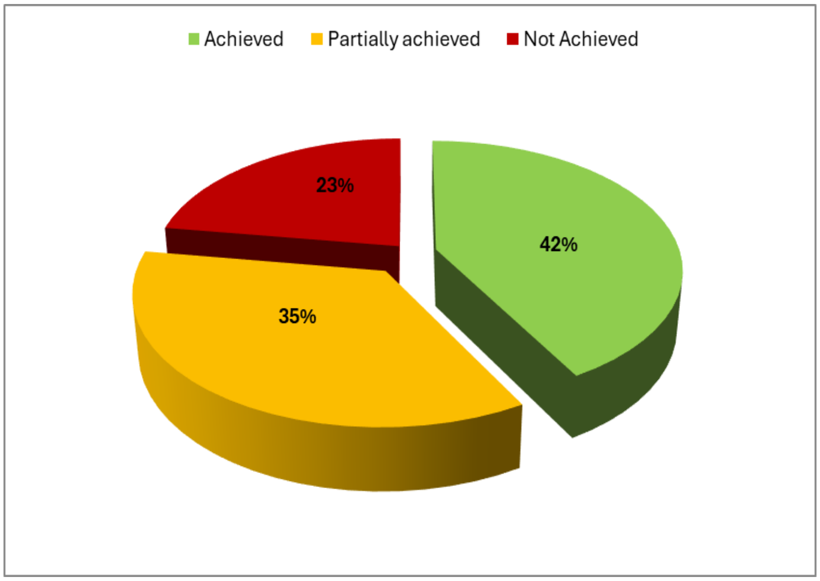
The achievement of indicator targets at the measure level for 2025 is the following: out of 65 indicator targets at the measure level, 28 are achieved, 15 indicator targets are partially achieved and 22 are not achieved.

Percentage of achieved indicator targets at the measure level in the reporting period from January - December 2025



The achievement of indicator targets at the priority level for 2025 is the following: out of 31 indicator targets at priority level 13 are achieved, 11 indicator targets are partially achieved and 7 are not achieved.

Percentage of achieved indicator targets at the priority level in the reporting period from January - December 2025



The detailed status of achievement of indicator targets for 2025 and status of implementation of the planned activities are presented in the Annex 1: Performance Indicators Matrix for PFM Reform Programme for the year 2025.

The updated Risk assessment for PFM Reform Programme for the year 2025 is presented in Annex 2.

2. Links to Strategic Documents

National authorities continue to maintain close co-ordination of all PFM sub-systems' strategies and policies, as well as with other relevant national strategies.

2.1. Policies, Strategies and Programmes Linked to PFM

2025-2028 PFM Reform Programme considers all the relevant documents in the field of European integration, such as the Stabilisation and Association Agreement (SAA) between the European Communities and their Member States, on the one hand, and the Republic of North Macedonia, on the other hand, as well as all relevant national strategic documents in this area.

IPA III Strategic Response

Priorities set out in the PFM Reform Programme are in line with the priorities for EU financial assistance to support the Republic of North Macedonia on its path to EU accession for the period 2021 - 2027 set out in the IPA III Strategic Response.

In order to strengthen public finance system, promote transparency, accountability, fiscal discipline and efficiency when collecting, managing and using public resources, IPA plans to invest in implementing and upgrading the reform strategies to ensure fiscal sustainability and sound management of public finances as applicable in the EU, improving the capacity for domestic revenue mobilisation and effective management of public funds, through improving stability, efficiency, and quality of revenue collection system (tax system and policy and customs system), including introduction of green taxation, improving budget planning reliability, further supporting of the implementation of integrated information system for public financial management, public investment planning and management; strengthening the management of assets and liabilities; enhancing the policy-based fiscal strategy and budgeting, strengthening the public procurement through support in implementing an overall strategy for the development of the public procurement system, including aspects of innovative, green and social procurement, improving public private partnership for concessions, enhancing internal control, strengthening decentralised managerial accountability, strengthening the accounting and reporting, enhancing the external audit.

Economic Reform Programme (ERP)

The Economic Reform Programme (ERP) 2025–2027 was submitted to the European Commission (EC) on 15 January 2025[1]. According to the EC's Assessment of the ERP 2025–2027[2], the implementation of the Joint Conclusions adopted within the framework of the ECOFIN dialogue with the EU in May 2024 was assessed as "limited," with an implementation score of 36.1%.

If disaggregated by policy recommendations, for those related to macro-fiscal policy, as fully implemented, is assessed the careful monitoring by the National Bank of price dynamics and the stabilisation of inflation expectations. The application of the new Methodology for Credit Risk Management in January 2024 and the implementation of regulations enhancing banks' data reporting in January 2025 were assessed as substantially implemented. Partial implementation was assessed for the adoption of 17

[1] https://portal.mdt.gov.mk/post-body-files/programa-na-ekonomski-reformii-file-jPgp.pdf
[2] https://enlargement.ec.europa.eu/enlargement-policy/policy-highlights/economic-governance_en

out of a total of 32 by-laws deriving from the Budget Law in December 2024, including the by-law on budget classification; the guidelines on the preparation of macroeconomic and fiscal projections were updated, and the Fiscal Policy Statement that was published in October 2024. Limited implementation was assessed for: the adoption of the new Law on the Minimum Global Corporate Income Tax, which increases the tax rate from 10% to 15% for domestic companies that are subsidiaries of multinational enterprises with annual turnover of EUR 750 million, applicable from 2026, which will affect only a few companies in the country, mainly in the telecommunications, cement production, and energy distribution sectors; activities related to the establishment of the IFMIS system; the delay in adopting the Decree on Public Investments Management and strengthening the capacities of the Public Investment Management Department within the Ministry of Finance; and the adoption of legal amendments to exclude employees of the National Bank from the Law on Administrative Servants, but not from the Law on Employees in the Public Sector. The recommendations related to achieving the budget deficit target for 2024 were not implemented, and the Law on Public-Private Partnerships (PPP) was not adopted.

The Economic and Financial Dialogue related to the ERP 2025–2027 was held on 13 May 2025 whereby the following Joint conclusions were adopted: Implement prudent fiscal policy by adopting concrete consolidation measures, by controlling wage and pensions spending to ensure that their share of GDP does not exceed 2024 levels, and by saving unused allocations from capital expenditure to bring down the deficit and create fiscal space; Strengthen revenue collection by developing proposals for further reductions in tax expenditure; and by enhancing the operational capacities of the tax administration; Make the pension system more sustainable by moving back to a regular rules-based indexation instead of ad-hoc pension increases and by developing proposals for parametric reforms; Ensure timely implementation of the new Organic Budget Law (OBL) in its entirety by January 2026 by adopting the remaining by-laws, and by ensuring that the Fiscal Council is fully staffed; to adopt the Law on Public Private Partnership; Set up an integrated financial management information system (IFMIS), among others for monitoring and controlling fiscal risks, including those emanating from public infrastructure projects, arrears and guaranteed loans to state-owned enterprises; Continue to calibrate monetary policy appropriately to sustainably achieve price stability and safeguard the currency peg; Safeguard the financial independence of the central bank, including by amending profit retention rules to allow for the accumulation of sufficient reserves as coverage for monetary liabilities, and ensure that all relevant legislation safeguards the central bank's operational independence, including the setting of employment conditions; and Further strengthen the regulatory framework by adopting the new law on deposit insurance and by making the bank resolution fund operational.

The ERP 2026–2028[3] was adopted by the Government of the Republic of North Macedonia on 13 January 2026 and was officially submitted to the European Commission on 15 January 2026.

The PFM Reform Programme is systemically aligned with the key national and European strategic documents and serves as an operational basis for their implementation. It directly supports the implementation of the Economic Reform Programme, in the areas of fiscal discipline, public investment management, fiscal risk control and the improvement of revenue collection.

National Programme for Prevention of Corruption and Conflict of Interests 2021 - 2025

Achieving the objectives and implementing the measures under the Strategy should ensure increased confidence in the institutions of the system, efficient use of public resources and strengthening the democracy, social values and exercising of human rights.

The Strategy detects and selects priority issues that generate high risk of corruption and identifies measures to overcome them. Issues and measures envisaged by this Strategy systematised in the following areas: public procurement, public sector employment, political system, judiciary, law enforcement authorities, health, labour and social policy, urban and spatial planning, environment, agriculture, sports, economy and business, public enterprises, media and civil society.

The PFM Reform Programme directly contributes to the implementation of the objectives of this Strategy through reforms in public procurement, budget planning and execution, internal and external financial control, as well as through strengthening transparency and accountability.

Public Administration Reform (PAR) Strategy 2023-2030

Public administration reform constitutes a central area within the "Fundamentals" Cluster, which is key to progress in the accession negotiations with the European Union, therefore, public administration reform remains one of the Government's strategic priorities. In this context, the new Public Administration Reform Strategy for the period 2023–2030 was prepared and adopted, with a vision of a depoliticised,

[3] The Economic Reform Programme 2026–2028 was adopted at the 141st session of the Government, held on 13 January 2026, https://portal.mdt.gov.mk/post-body-files/programa-na-ekonomski-reformii-file-22eO.pdf

efficient, effective and accountable public administration that delivers high-quality policies and easily accessible services to citizens and businesses, based on European principles and values.

The Public Administration Reform Strategy (2023–2030), together with the Action Plan 2023–2026, was adopted by the Government of the Republic of North Macedonia on 11 July 2023. The Strategy was presented on 20 September 2023 at an event organised by the Ministry of Information Society and Administration (MISA), in cooperation with SIGMA. The event presented the new Strategy, the process of its preparation, the mechanisms for implementation and monitoring, as well as the key objectives and priorities up to 2030 by priority areas.

During the period 2023–2024, the institutional and methodological foundations for its implementation were established, including the setting-up of monitoring mechanisms, donor coordination arrangements and support from SIGMA and ReSPA.

Public financial management reform represents one of the key pillars of public administration reform and is integrated into the Public Administration Reform Strategy and its Action Plan. In the preparation and implementation of the PFM Reform Programme and the PAR Strategy, full coherence and alignment are ensured, in particular in the areas of human resource management, policy planning, service digitalisation, strengthening managerial accountability, internal control and transparency. Furthermore, this linkage is reinforced through institutional coordination, including the participation of the Minister of Public Administration and the Minister of Digital Transformation in the governance and coordination of the PFM Reform Programme, as members of the PFM Council, as well as their membership in the PFM Sector Working Group, thereby ensuring consistency and complementarity in the implementation of the two strategies.

During 2025, the focus was placed on strengthening governance, monitoring and reporting mechanisms for the implementation of reforms. Two meetings of the Public Administration Reform Secretariat and two meetings of the Public Administration Reform Council were held, at which progress in the implementation of the Strategy and the Action Plan was reviewed, as well as their alignment with the European integration process.

In February 2025, the results of the SIGMA Monitoring Report for 2024 were presented, serving as a basis for further enhancement of reform activities. In April 2025, a meeting of the PAR Sector Working Group was held, at which it was emphasised that public administration reform was, for the first time, formally included as a separate area within the “Fundamentals” Cluster, in line with the new accession negotiation methodology. Also, in April 2025, the Ministry of Public Administration, in cooperation with SIGMA, organized a workshop with PAR contact points and key representatives of state institutions and civil society organisations. The main objective of the workshop was to strengthen capacities in the relevant institutions and to initiate the process of updating the PAR Strategy and the Action Plan for the period 2025–2026.

On 18 December 2025, an event was held to promote the new IT tool for monitoring the Public Administration Reform Strategy 2023–2030, organised by the Ministry of Public Administration with the support of the Regional School of Public Administration (ReSPA). The event brought together high-level representatives of state institutions, the diplomatic corps, international and regional organisations, civil servants, as well as representatives of civil society. The new IT tool was presented to participants, representing a systemic change in the way public policies are planned, implemented and monitored. The event also included a panel discussion dedicated to increasing transparency through innovation and digitalisation, with the participation of representatives from academia, the executive branch and independent institutions.

On 22 December 2025, the Ministry of Public Administration organised a workshop with contact points for the Public Administration Reform Strategy 2023–2030. During the workshop, the functionalities of the upgraded IT tool were presented, and the contact points were trained by the expert who developed the tool on how to enter inputs into the system, with the aim of preparing the annual implementation reports for the Action Plan of the Public Administration Reform Strategy 2023–2030.

2.2. PFM Sub-Areas Strategies

Strategies developed under different PFM sub-systems are coordinated and consistent with the PFM Reform Programme.

Tax System Reform Strategy covers a 5-year period (2021 - 2025), adhering to the deadlines set in the other strategic documents of the Ministry and its bodies. The Strategy outlines five priorities (1 - Increased Fairness of Taxation, 2 – Improved Efficiency and Productivity of the Tax System, 3 – Increased Tax Transparency, 4 – Improved Quality of Services, 5 – Introduction of Green Taxation) for tax policy creators and tax authorities administering the tax revenues in the period 2021-2025, with associated key activities, deliverables, responsible entities and KPIs.

Strategy for Improvement of the Public Procurement System in the Republic of North Macedonia 2022 -2026

The Strategy for Improvement of the Public Procurement System in the Republic of North Macedonia 2022 -2026 is adopted by the GoRNM in March 2022.

The Strategy is comprehensive and brings together the activities of the key institutions in the public procurement system in the country i.e. Public Procurement Bureau, State Appeals Commission, State Audit Office, Commission for Protection of Competition, State Commission for Prevention of Corruption, and Ministry of Economy. It establishes several priority areas, including improvement of the legal, institutional framework and legal remedies, e - procurement, PPP, anticorruption measures, green, social aspects and innovation in procurement as well as strengthening of the administrative capacities and professional trainings for procurement officers.

The implementation of the Strategy is supported by annual action plans, and it is monitored by Coordinating Body, composed by representatives of all involved institutions and chaired by the Director of PPB. The Coordinating Body holds meetings at least twice a year, while an Annual Monitoring Report for Implementation of the Strategy is prepared and submitted to the Government of the Republic of North Macedonia.

The Strategic plan of the PRO for the period 2025-2027

The Strategic plan of the PRO for the period 2026-2028 is in line with the PFM Reform Program.

The main strategic priorities and objectives of the PRO in the period 2025 – 2027 are achieved through the following programs:

PROGRAM 1: TAX ADMINISTRATION, Sub-program I. Strong administration-healthy condition, PROGRAM 2: TAXPAYERS, Sub-program I. Cooperatively towards a common goal, PROGRAM 3: TAX REVENUES, Sub-program I. Integrated compliance, Sub-program II. Consistently against non-compliance; PROGRAM 4: DIGITAL TRANSFORMATION, Sub-program I. Transition to the digital world. The plan contains activities that are fully consistent with the planned activities within Priority 2 – Tax Administration of the Program.

PRO Reform Program 2025 -2028 "Transition to the Digital World"

The goal of the program is, through the digitalization of all PRO functions, by applying modern information and communication technology and providing a reliable and secure information system, to transform the PRO into a flexible, efficient, effective, and service-oriented tax administration. The priorities of the Program are:

• Priority 1: Consolidated electronic tax administration (e-PRO);

• Priority 2: PRO analytical capacity platform; and

• Priority 3: Security, stability, and sustainability of ITIS.

Expected results of the Program are changes that should be achieved by the end of 2028, which will reorganize the PRO according to a new business - digitalized model:

• Calculation and payment of taxes integrated into the "natural environment" of taxpayers and simplified automated and paperless processes integrated with other state and public authorities and entities, financial institutions, and other relevant stakeholders;

• Enabled services for taxpayers and other stakeholders through various channels;

• Tax revenue management based on compliance, risk management and informed decision-making;

• Integrated information system of the PRO with fulfilled standards for security, stability and sustainability.

The strategy for the development of the Customs Administration of the Republic of North Macedonia for the period 2025-2027

The strategy has been drafted in accordance with the strategic commitments and priorities presented in the Work Programme of the Government of the Republic of North Macedonia for the period 2024-2028 and the corresponding national strategies and programmes in areas that have an impact on customs operations. When defining strategic goals, the commitment of the European Union with tax and customs policies has been taken into account, to raise customs administrations to a higher level of modernization, with advanced equipment that enables better protection of citizens and society through efficient and proactive action of customs services. The Customs Administration has defined its mission with enhanced and determined respect for the laws, implemented by professionally trained customs officers, to improve revenue collection and protect its own borders through an uncompromising fight against illicit trade and corruption, while facilitating trade and the movement of goods and passengers in accordance with the best EU and WCO standards, with special emphasis on the introduction of digitalized procedures, modernization and reduction of the administrative burden. The vision of the Customs Administration is to be a modern, high-quality and efficient customs service of trust, operating according to the expectations of the business community and citizens, a successful institution in the fight against crime, corruption and illegal trade, with clear and visible measurable results through the four strategic priorities: 1) revenue collection and protection of financial interests, 2) trade facilitation, 3) protection of society and 4) infrastructure and organizational development and modern human resources management. The Strategy is fully in line with the Program and through the objectives: 6.1.1 Ensuring efficient revenue collection through: improving and facilitating the procedure for revenue collection and securing customs and excise debt, accreditation of the Customs Laboratory; introducing procedures and instruments for appropriate monitoring of excise goods and collection of excise duties; 6.1.2 Strengthening medium-term budgeting for efficient and transparent management of public finances through the programs for: budget process and financial accountability, medium-term budgeting and public internal control system; 6.2.1 Harmonization of national customs legislation with EU legislation and best practices and additional automation of procedures through: drafting of new and amendments to current legislation, further digitalization of processes and services, modernized ICT infrastructure; 6.2.2 Improving the business environment and facilitating trading conditions, among other things, by implementing a program to create a business environment that saves costs and time in trading; 6.3.1 Security of citizens and collective security through: suppression of illegal trade and organized crime by applying coordinated investigative and intelligence activities within the framework of electronic work processes, adapted methods for more successful protection of intellectual property rights; 6.4.1 Professional and efficient public administration through: raising standards of expertise and professionalism, strengthening the human resources management system, implementing measures to prevent inappropriate and corrupt behavior and developing of rules and control systems, modernizing the infrastructure at border crossings, controlling work processes and promotional and educational activities, with an established system to share information on administrative procedures.

ICT development strategy in the Customs Administration for the period 2021 - 2025

In the period 2021 - 2025, CA plans to implement several projects from all areas of customs operations, which should be supported by IT. Most of these projects are part of the preparation process for the accession of the Republic of North Macedonia to the European Union (EU). In the foundations of this strategy are the user requirements and goals that arise from the business strategy of CA and are aligned with the priorities and plans at the national and European level.

The goals that are expected to be achieved through the implementation of the Strategy are related to the digitization of customs operations through: 1. Interconnectivity and interoperability with EU ICT systems, 2. Implementation of integration standards with the National Platform for Interoperability, 3. Improvement of the ICT environment, 4. Application of modern technologies and practices for the implementation of business claims and 5. Promotion of the use of the Internet, intranet and social networks in customs operations.

Risk management strategy for customs matters 2023-2026

The need for efficient risk management in the international supply chain is of crucial importance for ensuring the safety and security of the population, protecting the financial and economic interests of the country, and at the same time facilitating legal trade. In May 2023, the Risk management strategy for customs matters 2023-2026 and the Action Plan for its implementation were adopted. The strategy covers the key objectives for dealing with risks that may arise in relation to customs issues, with the main goal of achieving quality, comprehensiveness, effectiveness and efficient approach to risk management. The strategy establishes the main strategic priorities: 1. Strengthening the capacity of employees for risk management; 2. Improving the quality of data and IT support for efficient risk management; 3. Provision, availability and sharing of data for risk management, cooperation between institutions and international cooperation; 4. Effective control system based on risk management, pre-assessment, control where necessary and 5. Promotion of cooperation with the business community in order to facilitate and accelerate legal trade.

Strategy for integrity and fight against corruption in the Customs Administration of the Republic of North Macedonia 2023-2026

A new draft text of the Strategy has been prepared being in line with the Arusha Declaration of the World Customs Organization, and the Decisions of the Government from the 50th session, as well as from the 69th session in 2021.

The Strategy for integrity and fight against corruption of the Customs Administration aims to strengthen the systems of prevention and repression of corruption and conflict of interests, defining the directions for strengthening the capacities and independence of the institution in the implementation of legal powers through the development of the concept of integrity. The strategy is based on 19 elements, which are also activities essential for integrity and the suppression of corruption.

SAO Development Strategy 2023-2027 [4]

With the aim to update SAO strategic objectives and to adapt operation to the current state of affairs and challenges in the society, new strategy was prepared and adopted. Priorities and Measures within Pillar 7: External control and parliamentary oversight of PFM Reform Programme are closely related to the strategic objectives contained in SAO Development Strategy for 2023-2027.

In this Strategy, SAO has set the key priorities and goals, identified through the following strategic objectives:

- Ensuring and maintaining full State Audit Office independence
- Further maintenance of internal management capacities, institutional support, endeavors for continuous improvements, relations with stakeholders/ communication, human capacities, audit methodology
- Delivery of measurable results from performed state audit, performing high quality audits, audits of public interest and increase of public trust aimed at improving the lives of the citizens
- Creation of strategic plan for defining potential audit areas by assessing challenges in the areas of interest and in line with the risk assessment for the period 2023 – 2027.

SAO Communication Strategy 2024-2027

The SAO Communication Strategy for the period 2024-2027 is in line with the Public Financial Management Reform Program and the SAO Development Strategy 2023-2027. The key objective of the Communication Strategy is to increase the level of awareness of the general public about the role and task of the SAO and to strengthen the role of the SAO as an institution in service of the public. The Strategy defines specific objectives aimed at achieving specific results, which are directly related to SAO strategic activities as follows:

- to encourage SAO role as promoter of the principle of transparency and accountability of public funds;
- to develop and strengthen cooperation and coordination with all interest groups;
- to set up public support for SAO work and to ensure public participation;
- to encourage institutions to act upon SAO reports through greater engagement of the public.

Aimed at increasing transparency and accountability in SAO operations and making available information on SAO operations and shortcomings contained in final audit reports, SAO compiled a register of stakeholders, which currently contains 2.417 stakeholders. For this purpose, SAO created an audit abstract and press release that contain key shortcomings/information from final audit reports presented in a comprehensible way. When final audit report is published, the information is shared with all stakeholders.

Information about SAO operation and final audit reports is published on SAO website (www.dzr.mk) and FB page (https://www.facebook.com/DrzavenZavodzaRevizija).

For maintaining continuity of SAO communication with stakeholders and ensuring continuous growth of SAO transparency, accountability and responsibility in SAO operation as well as informing citizens about audit entities operations.

SAO Strategic Audit Plan 2024-2027

The Strategic Audit Plan of the State Audit Office for 2024-2027 is corresponding with the PFM Reform Program 2022-2025. Measures within Priority 1: External audit, are in full compliance with point 2, strategic objectives and priorities of SAO audit departments, which include supervision over the spending of public funds, quality financial reporting, fight against corruption, continuous increase of responsibility and accountability and transparency etc.

Human Resource Management Strategy 2024 – 2027

The Strategy for Human Resources Management 2024-2027 is in line with SAO Development Strategy 2023-2027 and the PFM Reform Program 2022-2025. Namely, strategic objective 2 – Motivation and training of SAO employees and strategic objective 7 – communication, are closely related to priority 1: External audit, measures 1: Strengthening legal framework for external audit and measure 2: Strengthening SAO institutional and HR capacities. Increasing knowledge and skills of SAO employees is one of the main commitments of the institution, and these commitments are implemented through the Annual Plan for continuous professional development.

IT Strategy 2023-2027[5]

SAO IT strategy for the period 2023 - 2027 is the basis for implementation and development of SAO IT systems. The IT Strategy is in line with SAO Development Strategy 2023-2027 and with Priority 1: External Audit, Measure 1: Strengthening legal framework for external audit and Measure 2: Strengthening SAO institutional and HR capacities from the PFM Reform Program 2022-2025, given that they are closely related to strategic objective 1: providing and maintaining necessary resources for continuous development of SAO IT systems and strategic objective 4: presenting results of SAO operation of SAO from the IT strategy.

Risk Management Strategy 2025-2028

In 2025, the State Audit Office adopted the new Risk Management Strategy for the period 2025–2028, which systematically reviewed and updated the risks. The Strategy is aligned with the Methodology for Assessing Corruption Risks, the Methodology for Managing Risks in Public Sector Entities, the Guidelines for Assessing Corruption Risks at Central and Local Levels and in Individual Sectors, as well as the National

[5] https://dzr.mk/sites/default/files/2023-06/IT_Strategija_DZR_2023_2027.pdf

Strategy for Preventing Corruption and Conflict of Interest (2021–2025), SAO development strategy and PFM program. The Strategy regulates the procedures and activities for identifying, assessing, monitoring and managing the identified risks that may affect the achievement of the strategic objectives and the effective functioning of the State Audit Office. Appropriate and effective risk management is a key prerequisite for strengthening institutional integrity, efficiency, accountability and transparency in the work of the SAO, particularly contributing to the implementation of Sustainable Development Goal 16 – Peace, justice and strong institutions.

3. Links to External Assessments

The design and implementation of the PFM Reform Program are based on the findings and recommendations from relevant external assessments, including PEFA evaluations, SIGMA monitoring reports, and recommendations arising from the Economic and Financial Dialogue with the EU. These assessments provide an objective basis for identifying structural weaknesses in the public financial management system and enable reform activities to be directed toward areas with the greatest impact on fiscal sustainability, transparency, and accountability. The progress and limitations identified in external assessments are regularly reflected in the updating of priorities and activities of the PFM Reform Program.

4. Development Partners Coordination

The Ministry of Finance plays a central role in coordinating support from development partners in the area of public financial management, ensuring alignment between donor assistance and the priorities set out in the Public Financial Management Reform Program. Through the Sector Working Group on Public Financial Management, regular exchange of information is provided, as well as coordination of ongoing and planned activities and reduction of overlaps. This approach contributes to more efficient use of available resources and to increased coherence and sustainability of reform results.

Development partners remain committed to supporting PFM reforms and maintain policy dialogues in the country with the PFM Reform Programme 2025 -2028 as well. Therefore, in order to ensure good planning and complementarity of external technical support, proper sequencing and successful implementation of the reforms, the MoF will continue coordinating the development partners' assistance by conducting an open and inclusive PFM policy dialogue with all relevant institutions.

Monitoring the PFM Reform Programme 2025 -2028 is based on sectoral dialogue, introduced with the previous PFM Reform Programme, with all stakeholders - external partners.

In 2025, the following documents were prepared: Revised Draft PFM Reform Program for the period 2025-2028 (with Draft Action Plan for 2025) and the Draft Report on

PFM development partners' coordination is carried out on the following two levels:

Policy level - PFM Council and PAR Council. One of the main tasks of the PFM Council is to facilitate the policy dialogue with the relevant institutions and development partners. PFM Council members participate in the PFM Policy Dialogues with all relevant stakeholders.

Technical level - PFM Sector Working Group - directly related to the working groups established for development and monitoring of the PFM sub-system strategies and policy papers. Also, separate development partners coordination meetings on operational level are organised with regard to the implementation of specific PFM sub-area measures.

Monitoring the implementation of the PFM Reform Programme, for the period January - December 2025 were published on the website of the Ministry of Finance on April 16, 2025 for public consultation with members and observers from civil society organisations and development partners, who participate in the SWG for PFM, as well as other stakeholders. On July 17, 2025, a meeting was held with the SWG for PFM to discuss these documents. Subsequently, in August 2025, the Draft Public Finance Management Reform Program for the period 2025-2028 (with an Action Plan for 2025) was submitted to the Government and adopted on September 2, 2025. At the same time, the Government adopted the Draft Report on Monitoring the Implementation of the Public Finance Management Reform Program for the period January - December 2025, after prior approval by the PFM Council.

Starting from January 20, 2025, the Ministry of Finance began implementing the project "Support for the Implementation of the Public Finance Management Reform Program 2025-2028", funded by the EU - IPA 2024 with a duration of 36 months. The project implementer is WEglobal and its consortium partners. Through this project, it ensures improved tracking of the implementation of the public finance management reform, the improvement of Public Internal Financial Control, the strengthening of the capacities of the Public Finance Academy, the strengthening of institutional capacities for the delivery of reforms (through support to the State Audit Office, the Public Procurement Bureau, the Customs Administration and the Public Investment Management Department).

The technical assistance provided by the IMF's Fiscal Affairs Department to the tax administration of the Republic of North Macedonia is crucial for the successful implementation of the planned strategic priorities, measures, and activities. Furthermore, the IMF's ongoing support for long-term modernization processes and already established reform programs will significantly contribute to ensuring seamless change management, aimed at establishing electronic tax administration and improving public financial management—specifically revenue mobilization.

To familiarize donors with the upcoming reforms within the PRO and to prevent the overlapping of donor assistance, the Public Revenue Office, with technical support from the IMF, holds coordination events for donors and creditors involved in the reform of the Public Revenue Office. These meetings are attended by representatives from the Ministry of Finance (MoF), IMF, World Bank, Delegation of the European Union (DEU), UNDP, USAID, the U.S. Department of the Treasury-Office of technical assistance, the Swedish Tax Agency, and various embassies. The Public Revenue Office remains active and continues to coordinate events with the donors and creditors involved in the reform of the Public Revenue Office.

The State Audit Office, the Westminster Foundation for Democracy (WFD) and UK Foreign, Commonwealth & Development Office continued in 2025 with the implementation of the signed Memorandum of Understanding, which provides support in the implementation of SAO Communication Strategy for 2024 - 2027, The activities relate to the implementation of the remaining two phases of the Project in line with the Communication Strategy of the SAO 2024-2027, focusing on the communication and cooperation of SAO with the competent institutions and non-governmental organizations.

In March 2022, the State Audit Office and the United Nations Development Program (UNDP) signed Memorandum of Understanding, which defines series of activities to be implemented in the next two years, including promotion and advancement of governance reform with public finances and external audit; conducting audit of financial statements prepared on accrual basis, value for money audit, audit of Sustainable Development Goals and audit of local self-government units; support for institutional and organizational development capacities in managing environmental management; strengthening transparency and accountability through digitization of processes and services.

In 2025, the State Audit Office and the United Nations Body for Gender Equality and Empowerment of Women - UN Women continued the implementation of the Memorandum of Understanding and Cooperation, with the aim of both parties cooperating in promoting the implementation of gender equality obligations in accordance with national laws and policies as well as international commitments and promote gender-responsive public funds management and accountability through systematic implementation of gender-responsive budgeting as a policy-making tool. SAO and the International Foundation for Election Systems (IFES) in February 2023, signed the Memorandum for cooperation with aim of both parties cooperating of increasing effectiveness in the performance of audit functions, especially in relation to managing corruption risks, public relations, advancing digitalization through innovative tools and software solutions, and improved transparency and accountability of political financing.

Strengthening cooperation with the Assembly of the Republic of North Macedonia for reviewing audit reports, strengthening parliamentary oversight of the use of public funds, increased effectiveness of SAO work in performing regular auditing functions /management, experience in executive transitions, advancing digitalization through innovative tools and software solutions, and improved transparency and accountability are envisaged as areas for cooperation in the Memorandum of cooperation signed by SAO and Nacional Democratic institute (NDI) in May 2023.

The State Audit Office of the Republic of Macedonia has signed a Memorandum of Cooperation within the framework of the "Communities with Integrity" project, which is supported by the Governments of Switzerland and Sweden and implemented by the National Democratic Institute (NDI). The cooperation, planned for a period of four years, is aimed at strengthening the cooperation between the State Audit Office and selected municipalities, in order to improve the understanding of audit reports, increase the action taken on the given audit recommendations, increase the effectiveness of audits at the local level and strengthen the institutional capacities of the SAO through digitalization and the application of innovative tools. At the same time, the activities are aimed at improving transparency and accountability in the management of public funds at the local level.

In December 2025, the SAO participated in the kick-off event of the UNDP regional project “Smart Finance for Responsible Local Government”. The project, in which the State Audit Office plays a regional lead role, aims to strengthen public finance management at the local level by conducting audits related to the Sustainable Development Goals, preventing corruption, promoting transparency and fostering local innovation. The event was attended by supreme audit institutions and ministries of finance from countries in the region.

To establish institutional cooperation of mutual interest, the State Audit Office and the Office of the Auditor General of Norway signed Memorandum of Understanding on 15 June 2022, and commenced a five-year cooperation for providing assistance for development of SAO institutional capacities based on the principles and standards for professionalization of the International Organization of Supreme Audit Institutions (INTOSAI) and the European Organization of Supreme Audit Institutions (EUROSAI). During 2023, several working meetings were held in the direction of the implementation of the Memorandum of cooperation, through the implementation of pilot performance audits, the exchange of experiences in the use of the audit management system (AMS) and the need to improve its application, as well as other areas of common interest. To strengthen its role in the fight against fraud and corruption, SAO introduced organizational changes by establishing new audit department for detecting fraud and corruption. Also, to respond to the challenges of using modern digital technology to support audit processes, to increase efficiency and effectiveness of audit work, as well as to present audit results using innovative solutions, SAO has set up "innovative laboratory" as a separate organizational unit. These new organizational changes are part of SAO new acts for organization and systematization, which were adopted at the end of 2022.

The State Audit Office, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Center of Excellence in Finance (CEF) from Slovenia signed Memoranda of Understanding on 29 June 2022, thus setting up a formal basis for continued cooperation on activities for advancing joint commitment for sound public finance management and good governance, as well as sharing best practice for improving skills and capacities of public institutions and officials.

5. Human, IT and Financial Resources - Administrative Capacities

The issue of strengthening administrative capacities in relation to the implementation of the PFM Reform Programme is addressed at 3 levels:

1. PAR Strategy and Action Plan give particular attention to human resources capacity, policy planning capacities, e-services, service delivery and orientation to results coordination as regards enhancing managerial accountability, internal control environment and improving transparency across the public administration.

2. PFM Reform Programme envisages numerous measures and activities related to the development of administrative capacities and IT systems of all PFM institutions. Measures and activities under each priority are defined taking into consideration current HR capacities of the PFM institutions, but also separate activities for further capacity building based on future recruitment plans are proposed, as part of the reform process. Significant number of results in the PFM Reform Programme is related to capacity building of the PFM institutions through new employment, knowledge enhancement and skills development and upgrading, which will be achieved through various forms of technical support and trainings. This has the potential to attract, regenerate and develop motivated and engaged employees. Improvements in the business processes (in the area of taxation, customs, internal control, public procurement and other areas) will create space for professional development of the public servants,

while the new integrated IT systems (for PRO and IFMIS for the MoF) are oriented towards a more prudent, sustainable and cost-effective management of the public administration and the public resources.

3. Also, strategic plans at institutional level are developed on 3-year basis and they provide overview of the objectives and the tasks of each separate institution, the activities for achieving the respective goals, the effects and the expected results and the human and financial resources for their implementation. In addition, pursuant to the Law on Administrative Servants, all public institutions prepare annual training plans.

All gaps identified are tackled by the relevant existing training bodies established in the respective sector, as well as within the framework of the various donor projects currently implemented and planned.

PFM Reform Programme envisages that all priorities, measures and activities are funded through two main sources: the state budget and the development partners' funded capacity development projects or technical assistance. The PFM Reform Programme provides a synopsis of the known estimated costs at the time of preparing the document. In addition, each annual Action Plan presents an estimation of the costs implications and sources of funds needed to implement the planned activities.

The analysis of costs and benefits and the regulatory impact assessment (RIA), carried out within each strategic document, envisages relevant financial resources.

Progress in capacity building of PFM institutions is further elaborated under the status of implementation of specific activities planned in the PFM Reform Programme (Part 4. Assessment of 2025 Action Plan Implementation).

In addition to regular budget funding, significant support during the preparation and implementation of the Programme was provided by the European Commission (IPA projects, TAIEX, SIGMA). Support was also provided by the World Bank, IMF, OECD, as well as by various bilateral programmes.

6. Summary of the Progress Achieved in the Implementation of the PFM Reform Programme during the Reporting Period

Pillar I - Economic Analysis, Macroeconomic and Fiscal Framework

Priority 1. Revenue Forecasting and Reporting

Measure 1: Improved reporting on tax expenditures and other tax indicators

Within the framework of the measure, in accordance with the provisions of the Action Plan for 2025, a virtual mission of the International Monetary Fund was implemented in November 2025. Within the framework of the mission, training was conducted for employees of the Public Revenue and Tax and Customs Policy Sector on preparing a tax expenditure report. Additionally, activities are planned for the upcoming period with the support of the IMF to sign protocols for data exchange with relevant institutions, as well as for preparing tax expenditure reports.

Measure 2: Enhancing the capacity for the application of tax models

In the period January-December 2025, the World Bank held trainings on models for:

- forecasting personal income tax revenues

- forecasting value added tax revenues.

The implementation of the trainings is aimed at improving the capacities for independent simulation of the fiscal effects of different public policy scenarios in these areas.

The implementation of the activities has been carried out in accordance with the provisions of this program, and the trainings were conducted with the support of the World Bank. In the coming period, in the first half of 2026, training is expected to be held on the application of the profit tax model, in order to enable the implementation of the tax models in the Ministry of Finance. Use of the tax models will significantly improve the tax revenue forecasting capabilities of the Ministry of Finance and will serve as a valuable tool for creating evidence-based tax policy and for estimating the costs of tax expenditures.

Priority 2. Economic Analysis and Macroeconomic Forecasting

Measure 1: Capacity building for economic analyses

In cooperation with the Swiss State Secretariat for Economic Affairs (SECO), the Project for Macroeconomic Planning and Management is being implemented through a modular approach. The first module was carried out in 2022 and 2023, the second module was implemented in 2024 and 2025, and the continuation of the project is planned for 2026 with the implementation of the third module. In 2025, the following four training sessions were held (one training in each quarter):

• From March 17 to March 21, 2025, an onsite training was held focused on updating the baseline macroeconomic scenario within the model and examining the possibilities for incorporating the obtained results into the Fiscal Strategy. Also, within this mission a meeting was held with relevant departments within the Ministry of Finance (Budget and Funds Department and Tax and Customs Policy Department) with the aim of presenting and discussing the results generated by the model in the fiscal sector.

• From May 19 to May 23, 2025, an onsite training was held on creating alternative scenarios for different policies within the macroeconomic model, as well as on improving certain parts of the model calculations (exports–imports, inflation, deflator, etc.).

• From September 29 to October 3, 2025, onsite training was held to practice the independent usage of the model file, the incorporation of expert judgments in updating the model and creating the baseline macroeconomic scenario, as well as the creation of alternative scenarios within the model.

• From November 24 to November 28, 2025, onsite training was held on updating the macroeconomic model with a particular focus on short-term assumptions and on creating alternative scenarios in the model through the introduction of shocks.

Measure 2: Developing new macroeconomic models

In cooperation with the World Bank, the following models were developed for the needs of the Sector for Economic Policy and Development: a model for short-term inflation forecasting and a model for short-term GDP forecasting. The inflation model is in use, while the GDP nowcasting model requires further adjustments, which depend on the quality of the data. In line with the need to improve macroeconomic forecasting, the development and training for a macro-structural model (MFMOD) are ongoing. The first trainings started at the end of 2023 and continued throughout 2024. During 2025, the following additional workshops related to the development and use of this model were held:

• In the period 24.03.2025-28.03.2025, a training session was held at the Ministry of Finance for the macro-structural model (MFMOD). The training covered the following: updating the model database and setting up a baseline scenario, developing a user manual, and elaborating concepts related to productivity and the output gap.

• During October 2025 several online meetings were held during which the principles for updating the model database and adjusting the model were further elaborated.

• In the period 14.10.2025-18.10.2025, a training session was held at the Ministry of Finance, focusing on preparing projections using the macro-structural model through the application of fiscal assumptions and shocks, simulating policy impacts, and programming shocks in the model using E-Views.

• In November 2025, several online meetings were held with experts regarding the use of the model for assessing the economic impact of the reforms from the Reform

Agenda, as well as for evaluating the impact of the reforms and quantifying them for the Economic Reform Program 2026–2028.

Measure 3: Fiscal Risks

The Ministry of Finance has continued its efforts to strengthen processes related to the monitoring and reporting of fiscal risks. Several important steps have been taken to improve the quality of reporting, particularly within the Fiscal Strategy. Work has also commenced on establishing a Fiscal Risk Register and on initial preparations for quarterly fiscal risk reports, with coordination assigned to the Fiscal Risk Working Group. In parallel, the assessment and analysis of fiscal risks have been further strengthened. In this context, during the second half of 2025, a Department for Monitoring and Analysis of the Financial Operations of Public Enterprises was established within the Ministry of Finance.

The third IMF technical mission was successfully conducted at the beginning of 2025. Building on the mission's recommendations, the Ministry has enhanced fiscal risk reporting in both the Fiscal Strategy and the Revised Fiscal Strategy for 2026–2030. These documents now include expanded analyses of key risks, covering macroeconomic risk assessments, tax revenue performance, public debt and guarantees, public investments and public–private partnerships, state-owned enterprises, municipalities, legal claims against the state, and risks related to the environment.

Priority 3. Strengthening Debt Management

Measures 1: Reducing Operational Risks at Public Debt Management

For the purpose of reducing the operational risks, and by following the digitalisation trends of foreign payment operations, digitalised payments towards foreign creditors have started to be introduced, by introducing electronic banking with NBRNM, through which repayments to foreign creditors are being made. As regards activity "Number of external debt orders paid electronically", the target has been achieved, envisaging 70% of the external debt orders to be paid electronically.

To achieve the priority pertaining to strengthening public debt management capacities, Ministry of Finance needs to strengthen the public debt management capacities by employing, as well as training the existing staff. Hence, in the second half of 2025, 2 persons were engaged, thus the activity "Strengthening Public Debt Management Capacities" has been partially implemented. This activity was finalised through the realization of 2 job announcements. For the purpose of strengthening public debt management, the Ministry of Finance should enhance the capacities of the public debt department through recruitment as well as training of existing staff.

Operational risk will only be reduced through a sustainable human resources framework, meaning that the risk of untimely completion of tasks will be avoided.

Measure 2: Increasing transparency of public debt

The Republic of North Macedonia acceded to the IMF's highest standard for statistical data dissemination - SDDS Plus in 2019, confirming the quality of the statistical system, and the Ministry of Finance had a 5-year transition period to align data with this standard. The fulfillment of the requirements of the SDDS Plus standard was realized at the beginning of 2024, when data on public debt were published in accordance with this standard.

The Ministry of Finance prepares an annual borrowing plan covering both the domestic and foreign financial markets. On the domestic market, a calendar for the issuance of government securities is published.

In order to improve transparency in this segment and to strengthen the quality of data publication, as well as the disclosure of the annual borrowing plan, a World Bank mission was held at the Ministry of Finance within the framework of the GDRM program, aimed at enhancing capacities in this area.

Measure 3: Introducing New Debt Instruments

On December 12, 2025, the Citizens' Bond was issued for the third time in the amount of 33 million euros, with an interest rate of 4.50% and a maturity of 2 years. The demand was significantly higher than the amount announced in the prospectus of 100 million denars. At the auction, Citizens' Bonds were subscribed by 1,543 individuals.

Pillar II - Revenue Mobilisation

Priority 1: Tax and Customs Policy

Measure 1: Improved Revenue Legislation Framework, Harmonised with the EU Acquis and best practices

As regards the Activity 1 for implementation of GAP analysis of the national legislative provisions (laws and bylaws) compared to the EU legislation and best practices, in the area of tax legislation, no new activities were realized in the reporting period.

This considering the fact that this Activity was implemented with a support under EU-IPA 2018 “Improving Revenue Collection and Tax and Customs Policy” Twinning Project, which was canceled in December 2022.[6]

Regarding Activity 2, which refers to preparation of new legal acts and/or amendments to the existing national tax legislation (laws and bylaws) prepared line with the EU legislation and best practices following activities were implemented:

- Law on Amendments to the VAT Law was adopted („Official Gazette of Republic of North Macedonia “, no. 247/25 of 10 December 2025);
- The Law on a minimum global corporate income tax was adopted ("Official Gazette of the Republic of North Macedonia", no. 3 from 3.01.2025)
- Rulebook on manner of calculation and payment of top-up tax was adopted ("Official Gazette of the Republic of North Macedonia", no. 270/2025)

As regards the Activity 2 for implementation of GAP analysis of the national legislative provisions (laws and bylaws) compared to the EU legislation and best practices, in the area of customs legislation, no new activities were realized in the reporting period.

This considering the fact that this Activity was implemented with a support under EU-IPA 2018 “Improving Revenue Collection and Tax and Customs Policy” Twinning Project, which was canceled in December 2022.

Regarding Activity 4, which refers to preparation of new legal acts and/or amendments to the existing national customs legislation (laws and bylaws) prepared in line with the EU legislation, following activities were implemented:

- Draft new Customs Law has been prepared, fully aligned with the EU Customs Law;
- An amendment to the Law on the Customs Tariff was adopted, published in the "Official Gazette of the Republic of North Macedonia" No. 130/25;
- Decree amending the Decree on the classification of certain goods in the Combined Nomenclature in accordance with the regulations of the European

[6] It is important to note that the activity in question was carried out largely within the framework of the above mentioned Twinning project, and in the period from April 2020 to June 2022, the following activities were carried out:
- GAP analysis of the Customs Law, Law on Excise Duties, VAT Law, Tax Procedure Law, Profit Tax Law, A and B Accounts (traditional own resources), Personal Income Tax Law, Motor Vehicle Tax Law, Law on Public Revenue Office, as well as the track and trace legislation, and
- Reviewing the results from the carried out GAP analysis of the Personal Income Tax Law, Law on Customs Administration, Law on Property Taxes, Law on Excise Duties, Customs Law, VAT Law, Law on Customs Measures for Protection of Intellectual Property Rights, Law on Customs Tariff, Tax Procedure Law, Profit Tax Law and preparation of recommendations for the improvement of these laws.

Commission (17th continuation) was adopted, published in the “Official Gazette of the Republic of North Macedonia” no.62/25;

- Decree amending the Decree on the classification of certain goods in the Combined Nomenclature in accordance with the regulations of the European Commission (18th continuation) was adopted, published in the “Official Gazette of the Republic of North Macedonia” no. 189/25
- Decree amending the Decree on the classification of certain goods in the Combined Nomenclature in accordance with the regulations of the European Commission (19th continuation) was adopted, published in the “Official Gazette of the Republic of North Macedonia” no. 248/25;
- Decision on harmonization and amendment to the Customs tariff for 2026 was adopted, published in the “Official Gazette of the Republic of North Macedonia” no.261/25, and
- Program for the management, arrangement and maintenance of border crossing facilities for road traffic for 2025 has been adopted, published in the "Official Gazette of the Republic of North Macedonia" no.123/25.

Priority 2: Tax Administration

In the part of **Measure 1: Strengthen administrative capacity for better revenue collection and tax compliance following progress was achieved:**

The Working Group – Project Team, established by a Decision of the Director of the PRO, in accordance with its mandate to introduce a Center of Excellence for the inventory, appraisal, seizure, and sale of property for tax collection purposes, has prepared project documentation providing for:

- The design of the functional model for the Center of Excellence, its placement within the internal organizational structure of the PRO, and the division of duties with the Tax Debt Collection Departments in the Regional Directorates and the Large Taxpayers Office.
- An assessment of the human resources required for the Center of Excellence, including the necessary professional qualifications.
- An assessment of other conditions for the practical operation of the Center of Excellence (office space, software applications, etc.).

The proposed model concerns the introduction of a new centralized organizational unit within the PRO – the Tax Enforcement Center.

The practical implementation of the Tax Enforcement Center is primarily contingent upon amendments to the acts on internal organization and systematization of job positions within the PRO. These changes are necessary to establish the new unit and to begin human resource recruitment through internal reassignments, new hires, public procurement, etc.

By the act on internal organization and systematization of job positions on February 9, 2024, the Tax Enforcement Center was introduced as the Department for Inventory, Appraisal, Seizure, and Public Sale of Movable and Immovable Property, within the Sector for Collection and Debt Management at the General Directorate. An Action Plan has been developed for the implementation and launch of the centralized unit the Sector for Collection and Debt Management at the General Directorate as well as for the full implementation of the Tax Enforcement Center, with a projected start date of January 1, 2027.

In 2025:

- The first Risk Register by tax type was adopted in January 2025 (covering risks for all tax types categorized under the 4 pillars of compliance—in accordance with recommendations from IMF and US Treasury reports).
- A Compliance Improvement Plan for the Construction Sector was adopted and its implementation is currently ongoing.
- The Manual for the Compliance Risk Management Process was drafted, establishing a fully systematic process for managing compliance risks.
- A Compliance Improvement Plan for the Informal Economy was drafted.

The aforementioned documents were developed with the assistance of an expert from the US Treasury-OTA.

A challenge for the successful realization of further activities remains the trainings for compliance risk management and the development of analytical skills for existing employees in the CRM Unit (Compliance Risk Management Unit), as well as the further staffing of the Unit.

Under Measure 2: Digital Transformation of the PRO through the establishment of an Integrated Tax Information System (ITIS), the following progress has been achieved:

With the amendments to the Law on the Public Revenue Office, in force since May 3, 2023, the formal organization and structure for implementing the PRO's digital transformation reform have been regulated. In accordance with legal provisions, the Director of the PRO issued a decision on May 18, 2023, establishing a Working Body for the Implementation of the Tax Information System (TIS). Its mandate includes: implementation, upgrading, optimization, execution, regulation, maintenance, control, staff education, and the analysis of all processes and functionalities related to the TIS. To ensure the secure realization of the new ITIS, the Working Body developed a reform program—the ITIS Implementation Program—and established a Reform Committee for more effective monitoring.

On October 30, 2024, the Public Revenue Office adopted the PRO Reform Program 2025-2028, titled "Transition to the Digital World." The program aims to transform the PRO into a flexible, efficient, effective, and service-oriented tax administration by digitizing all functions through modern ICT and ensuring a robust and secure information system. The Program's priorities are:

- Priority 1: Consolidated Electronic Tax Administration (e-PRO);
- Priority 2: Platform for PRO Analytical Capacity;
- Priority 3: Security, Stability, and Sustainability of the TIS.

The expected results of the Program are changes to be achieved by the end of 2028, through which the PRO will be reorganized according to a new digital business model:

- Tax calculation and payment integrated into the "natural environment" of taxpayers, featuring simplified, automated, and paperless processes integrated with other state/public bodies, financial institutions, and relevant stakeholders;
- Services made available to taxpayers and other stakeholders through various channels;
- Tax revenue management based on compliance, risk management, and informed decision-making;
- An integrated PRO information system meeting security, stability, and sustainability standards.

Through amendments to the systematization during 2024, conditions were created to formalize the management structure. A Reform Management Unit has been formed and staffed, and a new Strategic and Reform Management Committee has been established, consisting of the Director of the PRO and top tax officials.

The reform program envisions the transformation of the existing TIS Implementation Working Body and the Reform Management Unit into a permanent organizational unit—the Digital Transformation Directorate. It will consist of three sectors dedicated to day-to-day reform management and process digitization:

1. Transformation Sector: Business processes and regulation;

2. Digitization Sector: Digitization;
3. Reform Management Sector: Change management and organization.

The existing Digitization Sector will be reorganized within the new Digital Transformation Directorate.

To implement Priority 1 (Consolidated Electronic Tax Administration), working groups have been formed and have begun preparing tender documentation and technical specifications for the public procurement of the following projects:

- Establishment of a Unique Taxpayer Register;
- Electronic tax services and e-box;
- Processing of tax returns/documents and tax assessment;
- Debt and payment management and tax accounting;
- Case management (tax procedures);
- Organizational and human resource management (ERP/HRM).

Under Priority 2 (Platform for PRO Analytical Capacity), activities related to the e-Invoice project took place:

- Finalization of technical specifications for the e-Invoice project.
- Conducted technical dialogues which resulted in updates to the tender documentation.
- Completion of the public procurement for the e-Invoice system. A contractor has been selected, and preparatory activities have begun for testing the Application Programming Interface (API) for sending e-invoices, intended for integration with existing billing software used by companies. Through this API, invoice issuers can electronically submit invoices to the system.

Under Priority 3 (Security, Stability, and Sustainability of TIS), a vulnerability/weakness scan of the PRO IT systems (infrastructure, software, etc.) was conducted to increase security, confidentiality, integrity, and information access. This ensures uninterrupted operation and data security for taxpayers and public revenues.

In September 2025, the World Bank Project Unit submitted technical specifications for a Data Warehouse and Business Intelligence tools, a Combined Call Center/Help Desk, and the Modernization of Taxpayer Services.

According to the draft minutes of the 111th (thematic) session of the Government of the Republic of North Macedonia held on September 16, 2025, regarding the project

"Building Effective, Transparent, and Accountable Institutions for Public Financial Management (2023-2027)," the following conclusion was adopted:

"The Ministry of Finance is mandated to continue activities regarding the building of effective, transparent, and accountable PFM institutions in cooperation with the World Bank, by examining the possibility of using a new implementation instrument."

In the second half of 2025, the Public Revenue Office conducted a public procurement procedure for hardware, software, and other equipment to modernize and increase the security of the PRO IT infrastructure. This included hardware for e-Invoicing and equipment for primary and secondary locations.

In parallel with these activities, a working group was formed to work on the consolidation of existing data (paper and electronic) within the PRO for the needs of the TIS. This is a prerequisite for ensuring the smooth migration of data between systems and the transition to new functionalities and business processes.

Priority 3: Customs

Measure 1: Strengthening joint control mechanisms and capacities in order to combat illegal trade and organized crime

In 2025, enhanced **inter-institutional and cross-border cooperation** continued between the Customs Administration, the Police, phytosanitary, veterinary, and other relevant authorities, through coordinated inspections and timely data exchange. The application of unified rules and procedures, joint risk profiles, and the use of IT systems (including NCTS) contributed to increased efficiency and security at border controls.

Joint border controls with **Serbia, Albania, and Kosovo** continued successfully, significantly facilitating and speeding up passport and customs procedures, including the "one-stop" model with Serbia and Kosovo, applied for passport control upon entry and exit from the country, further easing the flow of passengers.

During 2025, the implementation of activities for **modernizing control equipment and training employees** continued, aiming to protect financial and economic interests, citizen safety, environmental protection, and combat illegal trade. At the same time, activities were carried out to modernize technical equipment, improve video surveillance, mobility, and rapid response capacities.

Within the framework of **EU IPA 3**, the implementation of the **Control and Investigation Management System (CIMS)** project continued, with a total value of EUR 2 million. In 2025, the tender procedure was completed, and the delivery of software, equipment, and user training is planned for 2026. The system will replace fragmented applications, cover previously unmonitored processes, harmonize and standardize data, integrate processes, improve traceability of cases, and enhance operational procedures.

To strengthen capacities for **financial investigations** in cases under the law on combating organized crime, corruption, and terrorism, and to provide analytical functionalities and statistical reports, the **Law Enforcement Records Management System (LERMS)** project continued, funded by the EU. The project involves active participation from the Customs Administration, Ministry of Internal Affairs, Public Prosecutor's Office, Financial Police, Financial Intelligence Unit, and the Agency for Seized Assets Management. In 2025, activities included defining reports, developing web services, ensuring interoperability with Customs Administration systems, enhancing data security, and automated information exchange, in line with national legislation and EU standards. Regular working group meetings ensure sustainability and effective system application.

A detailed design and implementation plan for LERMS was prepared, including a data structure for integration with the new **Customs Risk Management System**, and preparations for testing through the interoperability platform. In August 2025, the LERMS team continued developing and installing an application designed to enable communication between multiple systems of the project participants. This middleware ensures compatibility. Preliminary web service testing was successfully conducted after installation. The Korean Customs provided a web service, which was integrated into the Interoperability Platform. Next steps will include implementing this web service on the national interoperability platform used by LERMS for data exchange. Significant improvements were made in interoperability and security, including encryption of personal data, ensuring enhanced data protection. LERMS was also configured for automated daily data extraction from the Customs Administration system, enabling regular and automated data exchange.

Measure 2: Modernization and Digitization of Customs Services

In 2025, the implementation of measures for the **modernization and digitization of customs services** continued, in line with the EU Multiannual Strategic Plan (MASP), integration with European systems, procurement of appropriate hardware, and the goals of the PFM Reform Program. Activities focused on strengthening fiscal discipline, transparency, public service efficiency, and supporting economic development.

The Customs Administration continued implementing modern IT systems aligned with MASP, aiming to function as a **"SMART" Customs Administration** , following the principles of the World Customs Organization.

In January 2025, the **new version of the New Computerized Transit System – NCTS Phase 5** was successfully launched, aligned with EU customs legislation and the Common Transit Convention. Training for customs officers and economic operators continued throughout 2024 and 2025. Implementation of NCTS Phase 6 is ongoing, with a planned completion by June 2026.

The Customs Administration is also working toward a **fully paperless customs environment** through the e-Customs system, compatible with EU procedures.

Integrated Tariff Environment (ITO) Upgrade and Customs Modernization
In 2025, the maintenance contract for the ITO system continued, including adaptive and preventive maintenance and interface adjustments with NCTS and the Customs Data Warehouse (CDW). Security monitoring and improvement activities continued, including the introduction of the **Binding Tariff Information (BTI) module** module. Study visits to Croatia facilitated best practices for implementing the new Customs Law.

The ITO maintenance contract, valid for 36 months, includes development and upgrades of interfaces with EXIM, SOCDAD, NCTS 4 and 5, and electronic ZTI submissions. System security is monitored monthly, with reports on activities and improvement recommendations.

North Macedonia signed an international agreement with the European Commission for the EU Customs Programme 2021–2027, supporting the strengthening of administrative capacities and IT infrastructure. In 2025, 29 customs officers participated in 14 events (8 physical and 6 online), including IT capacity trainings (CSI RESTful, CSI, CCN) and a study visit to the Serbian Customs Administration to share best practices. Regular maintenance of existing systems and IT infrastructure continued, including SOCDAD alignment with electronic excise documents.

In 2025, the implementation of the **New National Single Window** continued, including design, procurement, and installation of hardware and software. The system is expected to be fully operational by November 2027. Legal regulations and supporting documents (SLA, End User Agreement, Memorandum of Cooperation) were finalized. Alignment with the **EU Customs Data Model (EUCDM 7.0)** ensures harmonization of import/export/transit processes and integration with other national systems. The project is financed by a World Bank loan.

The third phase of the **Customs Data Warehouse project** was implemented in 2025, including user training and report testing. The warehouse structure was confirmed and became operational in Q4 2025. The project is funded by the **Government of the Republic of Korea**, providing a centralized, high-quality data source to improve decision-making and operational efficiency.

Within the **LERMS project**, web services are being developed for interoperability with CIMS, the Risk Management System, and the Data Warehouse, including encryption, daily data exchange, and automated reporting to improve operational procedures.

The **EORI2 and UUM&DS project**, funded by the EU, provides a unified registration and identification system for economic operators, digital authentication, and access to national and EU customs systems under Chapter 29 – Customs Union. The prototype was delivered in August, and the next version in October 2025. The project will enable the introduction of a national **EORI number**, based on the new Customs Law aligned with EU legislation.

Pillar III - Planning and Budget

Priority 1: Budget Planning

Measure 1: Improving Medium-Term Planning

Key elements of fiscal policy include disciplined fiscal management, reduction of the grey economy, increased collection of funds for the state budget, and fiscal consolidation. In addition to the commitment to fiscal consolidation and budget savings, support for the economy continues through investments in infrastructure projects, redesigning the structure of public finances by maintaining a high level of capital expenditures with an average share of 5% of GDP, and strengthening transparency and accountability.

The fiscal policy for the period 2026-2030 will be focused on improving macroeconomic stability and supporting economic activity through gradual fiscal consolidation, enhancing public finance management, and maintaining a high level of capital expenditures. At the same time, the budget deficit was reduced as a percentage of GDP from: 3.5% in 2026, 3% % in 2027, 3% in 2028, 2,8% in 2029 and 2,8% in 2030.

The key activities contributing to the improvement of medium-term planning, as outlined in the Fiscal Policy for the period 2026-2030, include:

- Improvement of macroeconomic stability, support for the economy, and acceleration of economic growth,
- Phased fiscal consolidation through prudent and disciplined budget expenditure,

- Investments in infrastructure projects, expected to maintain a high level of capital spending,
- Reducing the informal economy and enhancing the collection of funds for the state budget,
- Strengthening the potential for growth of the domestic economy.

Measure 2: Improved Budget Planning and Developing Measurable Performance Indicators

The framework for implementing a sustainable fiscal policy, increasing budgetary discipline and responsibility, has been established with the new Budget Law, adopted by the Parliament in September 2022.

The 2025 budget was consistent with the Fiscal Sustainability and Economic Growth Plan, which is based on:

- **Fiscal consolidation** – through the establishment of measures for rationalization across different categories of expenditures, activities, and measures aimed at improving the efficiency and effectiveness of the public revenue collection system.
- **Consistency of policies in the budget planning process** – by fully linking budget planning with the Government Program, sectoral strategies, and alignment with the Economic Reform Program.
- **Development of multi-year indicators to measure performance in the implementation of policies within the budget** – to assess the effects of budgetary expenditures in relation to outcomes in the provision of public goods and services by budget beneficiaries.

In line with strengthening the budget preparation, execution, and reporting process according to the new Budget Law, missions with the U.S. Department of the Treasury were continuously carried out.

In December 2025, amendments and supplements to the organizational and program classification were adopted. Additionally, in accordance with the latest amendments to the Law on Budgets, changes were made to the by-laws adopted in 2024. Their operationalization, pursuant to Article 3 of the amendments and supplements to the Law on Budgets ("Official Gazette of the Republic of North Macedonia" No. 258/25), will commence on January 1, 2028.

Measure 3: Fiscal consolidation for graduale and sustainable reduction of Budget Deficit

Fiscal consolidation continues through supporting the economy with investments in infrastructure projects, redesigning the structure of public finances by increasing the share of capital expenditures, as well as strengthening the process of planning, execution, and reporting on public finances.

Priority 2: Strengthened Public Investment Management

Measure 1: Efficient coordination and development of public investment management processes

Currently, the Public Investment Management Department has 6 employees, out of 14 planned. The new Decree on Public Investment Management, as a by-law arising from the new Budget Law (Article 20), provided the legal framework to support the processes for the Public Investment Management in order to establish a structured and comprehensive approach to decision-making on proposed public investment projects. The Decree on Public Investment Management regulates the manner of defining, preparing, reviewing, assessing, prioritizing new public investment projects, monitoring and reporting on the implementation and ex-post review of public investment projects, as well as the roles and responsibilities of the entities involved in each of the phases of the public investment management process. The Decree on Public Investment Management was adopted in a government session held on 08 April 2025 and was published in the Official Gazette of the Republic of Macedonia, No. 78 of 11.04.2025. In addition to the Decree, the Ministry of Finance, in order to strengthen the legal framework for supporting the PIM, developed a Manual on the Public Investment Management Process, which was published on the official website in July 2025. The manual provides detailed instructions for the line ministries and other relevant public entities that implement projects for the functioning of the public investment management process in accordance with the PIM Regulation. It covers the preliminary phases preceding the implementation of the project, monitoring during its implementation, and the ex-post review, in line with the procedure prescribed in the PIM Regulation. Given that this involves the entry into force of a new process, it is essential that all stakeholders are provided with clear and practical guidance to ensure effective implementation of the new procedures.

For the purpose of strengthening the institutional capacity of the Ministry of Finance within the PIM system, in April 2025 a training-of-trainers was held for the employees of the Ministry of Finance, within the framework of technical assistance provided through the World Bank (funded by the EU).

In September 2025, the Government of the Republic of North Macedonia established the Public Investment Committee (Decision published in the "Official Gazette of the Republic of North Macedonia" No. 199/25), as a permanent, interdepartmental working body of the Government, whose main role is to ensure efficient management of public investment projects.

Measure 2: A single list of estimated capital public investment projects has been established.

In July 2025, the Ministry of Finance published Feasibility Study Guidelines on its official website. The Feasibility Study Guidelines provide recommendations for line ministries and other relevant public entities on the expectations regarding the structure and content of the feasibility study prepared for the assessment of an infrastructure project within the framework of the public investment management process.

The criteria for determining the priority of public investment projects are prescribed by the Decree on Public Investment Management adopted by the Government on 08 April 2025, published in the Official Gazette of the Republic of Macedonia, No. 78 of 11.04.2025, but the Government, upon the proposal of the Ministry of Finance, should determine the method of determining points for the criteria for prioritizing public investment project proposals.

In April 2025, training was held for employees of the Public Investment Management Department in the Ministry of Finance on the assessment of project concept notes. Also, two trainings were held in 2025 for employees of relevant central government institutions and municipalities to familiarize them with the new processes for public investment management and develop capacities for defining, preparing and monitoring projects. The first training was held in June for employees of central government and municipalities, and the second training intended for municipalities was held in December 2025. The trainings were held with technical assistance provided through the World Bank (financed by the EU).

Measure 3: Efficient and effective monitoring of capital investments

Procedures for centralized risk-based monitoring were introduced with the adoption of the new Decree on Public Investment Management in April 2025. The Decree prescribes a standard form of a report for monitoring a public investment project and introduces an obligation for quarterly reporting on the implementation of projects by the project initiators to the Ministry of Finance. Based on the reports received, the Ministry of Finance should prepare a Semi-Annual Summary Report on the implementation of the public investment project portfolio, which it submits to the Public Investment Committee and the Government.

An Excel-based IT solution for public investment management (PIMIS) was developed, installed and tested by the Ministry of Finance (MoF). It was designed by the IMF FAD and submitted to the MoF as a universal system, but the MoF had to fully adapt it with IMF support and translate it into Macedonian.

The system provided by the IMF FAD was not adapted to the data requirements prescribed in the Regulation on Public Investment Management, so in addition to its translation into Macedonian, the Ministry of Finance also made changes to the forms integrated into PIMIS (field names, formula ranges, data in drop-down lists, structural changes to the system through a complete conversion of one part of the form into another) in order to make the IT solution applicable to the needs of the MoF. Two missions of IMF FAD were carried out on implementing PIMIS in MoF- in May and December 2025. The solution is created from Excel-based databases and allows for manual data collection. It is filled with data on the approved project concept forms and the received reports for monitoring ongoing projects. This builds a database for new and ongoing projects at the central level. Priority 3: Strengthening the accounting of budgets and budget users. Activities related to the analysis of the law and by-law framework for the accounting of budgets and budget users, aimed at alignment with the new Budget Law, are planned to commence during 2026.

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Priority 4: PFM at Local Level

Measure 1: Improving the Budget Planning of Local Self-Government Units

Within the framework of this measure, the planned activities have been postponed to the next period, as they largely depend on the commencement of implementation of the new Law on Budgets and the start of the functioning of the IFMIS system.

The activities in this segment remain unchanged; namely, for municipal budgets, continuous control is carried out to ensure that the budgets, as well as their amendments and supplements, are in compliance with the rules established by law.

Measure 2: Financial Discipline, Increased Transparency, and Accountability of Local Authorities

The publication of data on municipal finances and their transparency play a significant role in the management of public funds and in ensuring financial accountability. During this period, the website of the Ministry of Finance published data on the realized revenues and expenditures of municipalities for the fourth quarter of 2024 and for the first three quarters of 2025, data on due and unpaid liabilities from the ESPEO system, as well as the Final Account of the Budget of the Republic of North Macedonia for 2024, including the final accounts of the municipalities.

With the support of UNDP, financial indicators are published on the websites of the municipalities and the Ministry of Finance. The publication of financial indicators from periodic financial reports for approximately 60 municipalities, both on their own websites and on the website of the Ministry of Finance, enables public insight into municipal finances and facilitates the monitoring of their financial condition.

Future steps to be undertaken in the upcoming period are aimed at further improving transparency, accountability, and the timely publication of financial data. These activities will contribute to better management of public resources and will enable more efficient monitoring of the financial condition of municipalities.

Pillar IV - Public Procurement

Priority 1: Public Procurement Policy

Measure 1: Improving the cooperation among the key institutions in the public procurement system

Cooperation among the key institutions in the public procurement system within the Advisory Group continued in 2025. Two regular working meetings were held, where various issues related to public procurement were discussed.

Additionally, the cooperation continued within the framework of Coordinating Body for monitoring of the implementation of the **Strategy for Improvement of the Public Procurement System 2022-2026** , thus enabling the competent authorities to monitor the implementation status of the measures and activities outlined in the Strategy. The draft Annual Monitoring Report for implementation of the Strategy for 2025 is in process of preparation, as well as the draft Action Plan for the implementation of the Strategy for 2026.

Measure 2: Improved implementation of the Law on Public Procurement

In 2025, a number of activities were realised aiming to improved implementation of the Law on Public Procurement and achieving the Reform Agenda steps.

Main focus in 2025 was on decrease of the use of e-auctions in public procurement to max 40%, which was also the first Reform Agenda step under the competence of the PPB, with deadline by December 2025. In this direction, PPB prepared an Action plan for achievement of the step, according to which:

- an “Information on the Commitment to Decrease the Percentage of Electronic Auctions in Public Procurement in 2025 in line with the Reform Agenda under the Growth Plan”, was submitted to the Government of the Republic of North Macedonia. Upon this document, the Government of Republic of North Macedonia adopted a Conclusion, according to which all state administration bodies are obliged, while the institutions which are not state administration bodies are instructed, to undertake measures and activities for decreasing the number of e-auctions in conducting procurement procedures in 2025
- A Law Amending the Law on Public Procurement was adopted, prescribing in article 15 that the contracting authority may use the e-auction according to the requirements of the Law, but for up to 40% of the number of published contract notices, starting from 2025
- Online trainings were delivered, where contracting authorities were informed on the need to decrease the use of e-auction
- A circular notification for guidance and recommendation to limit the use of auctions was sent to all contracting authorities via Electronic System for Public Procurement
- A circular notification was sent via Electronic System for Public Procurement, to those contracting authorities where the Public Procurement Bureau, within its periodical checks, identified use of e-auctions in more than 40% of the published procurement procedures, thus reminding them to the legal obligation for complying the practice of use of e-auctions

In December 2025 an Action Plan for increase the use of the E-Market in public procurement, which is the next Reform Agenda step with deadline by December 2026, is adopted.

Related to the increase of use of MEAT criteria as an award criterion, which is also the third Reform Agenda step under the competence of PPB, a Practical Guideline for use of MEAT criteria is in process of preparation, with an expert support by EUD.

In a direction of support of the contracting authorities and strengthening their capacities, the PPB continued with preparation and publication of new methodological tools.

In the first half of 2025, an Assessment of the Public Procurement System in North Macedonia, using the internationally recognized MAPS methodology, was commenced. The assessment is conducted by the World Bank in cooperation with Public Procurement Bureau, and it is expected to be finalised in the second half of 2026. The Assessment will enable defining reform priorities related to improvement of the legal framework, practice, electronic system for public procurement, strategic role of the PPB and professionalization, as well as the competition.

Measure 3: Introducing new system for education within PPB

Measure - Establishing a new system for education within Public Procurement Bureau is not implemented yet due to the fact that a group of Members of the Assembly of RNM proposed an amendment to the Law on Public Procurement, which was adopted by the Assembly of RNM at the beginning of 2025. Namely, the PPB considered that it was not appropriate to amend the Law multiple times within one year. This specific measure depends directly on legislative amendments, and for that purpose it is expected to be implemented during 2026.

Priority 2: Public Private Partnerships (PPPs) and Concession on goods of general interest

The goal of this priority is the introduction of new policies in the sphere of public private partnership and concession on goods of general interest in the Republic of North Macedonia and the provision of all prerequisites first of all in the development of an effective system for public private partnership that will enable the activation of previously inactive funds for the construction of large buildings and public buildings interest, while stimulating competition and achieving the best value for money.

On 15.07.2024, the Law on Amendments to the Law on Concessions and Public-Private Partnership was adopted ("Official Gazette of the Republic of North Macedonia" no.147/24) was adopted, whereby the competence in the area of public private partnership and concession was transferred from the Ministry of economy and labor to the competence of the newformed Ministry of Energy, Mining and Mineral Resources.

As a prereqisite for the implementation on the envisaged measures and activities in the program the Ministry of Energy, Mining and Mineral resources as a competent authority in the relevant area, continued with the activities related to the adoption on the Draft Law on Public Private Partnership which incorporates which incorporates the observation of DG GROW in the direction of transposing Directive 2014/23/ EU on the award of concession contracts. And the Draft Law on Concession on Goods of General Interest started with the procedure for their interdepartmentral coordination before their submission to the Government procedure. Draft Laws were submitted to the Government procedure on two occasions but they in the both cases were removed from the agenda of the General Collegium of the State Secretaries, the first time (June) for the purpose of completing and harmonizing with the opinions from three additional institutions, and the second time (November) taking into account that „the issues regulating the procedure related to concession on goods of general interest and the public private partnership cannot be contained in two separate laws“.

In order to resolve open issues and take a common and unified position on certain controversial and conflicting opinions regarding the policy and manner of regulating the area of public-private partnership and concessions, in order to continue the process of adopting regulations in this area, a joint meeting was scheduled with all affected institutions, which did not respond to the invitation and whose presence was absent. The Ministry of Energy, Mining and Mineral Resources will continue to finalize the procedure for adopting draft laws, after the interdepartmental harmonization process is completed.

Pillar V - Public finance digitalisation and continuous learning

Priority 2: Public Finance Academy (Learning organization)

Measure 1: Digital Presence of the Public Finance Academy

Within the framework of Measure 1, aimed at enhancing transparency and public awareness in the field of public finance, a total of 10 announcements related to the activities of the Public Finance Academy were published during the reporting period via the official website of the Ministry of Finance. This activity contributed to increased visibility of the Academy’s work and represents a foundation for the further development of systematic and regular communication through digital channels.

Although some activities were implemented on a limited scale, an initial framework for the digital presence of the Public Finance Academy was established during the reporting period. The undertaken activities provide a basis for the gradual and sustainable enhancement of digital tools, online training, and transparent communication with the public in the period ahead.

Measure 2: Development of a programme for head servants

Measure 2 is strategically focused on establishing a systematic and sustainable programme for strengthening the capacities of head servants in the field of public finance. This measure represents a structural intervention that requires clearly defined methodological foundations, alignment with institutional competences, and the provision of adequate organizational and human resources.

According to the Action Plan, activities under this measure are envisaged for implementation in a later phase, starting from 2028. Consequently, during the reporting period no activities were carried out related to the development of a methodology for the preparation of an annual training programme, nor to the organization of training for head servants

The non-implementation of activities during this period does not constitute a deviation from the planned objectives, but rather reflects the timeline established in the Action Plan. The measure remains relevant and a priority, and its implementation is time-aligned with the envisaged start of activities.

Measure 3: Engagement of Stakeholders and the Public

Measure 3 is aimed at the systematic engagement of stakeholders and the wider public in the work of the Public Finance Academy, with the objective of enhancing transparency, dialogue, and trust in processes related to public finance.

In 2025, a Communication Strategy with an Action Plan was developed. The document was prepared with expert support within the IPA III project "Support to the Implementation of the Public Finance Management Reform Programme 2024–2027" and serves as a strategic basis for planned, coordinated, and transparent communication with stakeholders and the public. The Strategy provides clearly defined communication objectives, target groups, channels, and monitoring indicators.

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With regard to the organization of the annual "All Together" meeting, the staff of the Public Finance Academy prepared a concept note for the implementation of the event, defining its objectives, format, and the scope of stakeholder participation. The concept was submitted to the management for consideration, thereby creating the conditions for a subsequent institutional decision and the realization of the activity.

Measure 4: Sustainable Finance in the Public Sector

Measure 4 is aimed at strengthening institutional and human capacities in the public sector in the field of sustainable finance, with a particular focus on developing expertise and knowledge for the integration of sustainability principles into public finance.

Within the framework of this measure, in the fourth quarter of 2025 a comprehensive four-day training programme in the field of sustainable finance was organized, with the support of the IPA III project "Support to the Implementation of the Public Finance Management Reform Programme 2024–2027." The training targeted employees of the

Ministry of Finance and contributed to increasing knowledge and awareness regarding the application of sustainable finance principles in public policies and financial planning.

ance Management Reform Programme 2024–2027.” The training targeted employees of the Ministry of Finance and contributed to increasing knowledge and awareness regarding the application of sustainable finance principles in public policies and financial planning.

In addition, with the support of CEF Ljubljana, two online training sessions in the field of sustainable finance were delivered, with participation from staff of the Public Finance Academy. These trainings contributed to strengthening the Academy’s internal capacities and to establishing a foundation for the further transfer of knowledge in the area of sustainable finance.

Pillar VI - Public Internal Financial Control

Priority 1. Financial Management and Internal Control

Measure 1: Creating the conditions for improvement of a system of financial management based on risk management

The Ministry of Finance, through the Central Harmonization Unit, after the adoption of the new Law on the Internal Financial Control System in the Public Sector, implemented lots of activities in 2025 aimed at strengthening financial management and control in the public sector. In addition, to implement the measures of this program, a new Methodology for Risk Management in Public Entities was prepared and adopted. Based on this methodology, in 2025 public entities started updating risk registers and in 2025 the condition of the Reform Agenda "At least 70% of the parent budget users at the central level to have a risk management document, including anti-corruption risk and record the identified risks in mitigation plans" was met with 76%. A draft version of the Guidelines for Management Accountability has been prepared, but it is not yet in use, given that it contains elements that are harmonized according to the new OBL, the MF-CHU is not putting into use, considering that the implementation of this law has been postponed from 01.01.2028. At the same time, CHU has mostly prepared the draft methodological/sub-laws acts in financial management and control (in accordance with the new law) and they should be finalized in the following period.

At the 117th session of The Government of the Republic of Macedonia held on 07.10.2025 adopted the "Annual Report on the Functioning of the Public Internal Financial Control

System for 2024" with appropriate conclusions for the improvement of financial management and control.

The Central Harmonization Unit, independently (through the Public Finance Academy) and in cooperation with foreign experts, organized/conducted more than four trainings/workshops in the field of financial management and control for employees in the financial affairs units and for employees of the CHU.

Priority 2. Internal Audit

Measure 1: Strengthening the Quality of Work of the Internal Audit Units in the Ministries

The Ministry of Finance, through the Central Harmonization Unit, after the adoption of the Law on the Internal Financial Control System in the Public Sector, implemented several activities in 2025 aimed at improving the function and quality of internal audit in the public sector.

In addition, to implement the measures of this program, Guidelines for the implementation of performance audits and Guidelines for the implementation of IT audits have been prepared, they have been published on the website of the Ministry of Finance and shared with internal auditors. Workshops were held for the draft version of these guidelines, and in the future, other workshops on these topics will be organized. In addition, CHU continuously suggests that internal audit units be encouraged to plan in their annual work plans the implementation of this type of audits. The preparation of by-laws and materials for the exam (exam questions and textbooks) for the certification of internal auditors is in the final phase. At the same time, CHU has largely prepared the draft methodological/bylaws around internal audit (in accordance with the new law) and they should be finalized in the coming period.

Also, to strengthen the quality of internal audit in 2025 within the framework of the ongoing project "Support to the Implementation of the PFM Program", CHU through the Public Finance Academy (individually conducted trainings) and PEMPAL, organized at least five trainings for internal auditors from the public sector and CHU employees.

CHU in 2025 played a key role in implementing a series of activities related to the Growth Plan, i.e. the Reform Agenda in internal audit, whereby:

- The step from the Reform Agenda "At least 80% of budget users at the central level and 75% at the local level to submit a report on the internal audits performed [in relation to the fiscal year 2024]" was successfully implemented, with 81% of budget users at the central level submitting a report on the internal audits performed (i.e.

submitted Annex 5 - Report on audits performed and activities for internal audit for 2024), and at the local level, 77% of budget users submitted a report on internal audits performed (i.e. Annex 5 - Report on audits performed and internal audit activities for 2024 submitted).

- CHU conducted an extensive coordination activity to conduct ad hoc internal audits in all institutions covered by the Reform Agenda. The result was that seven audits were conducted, and based on the final audit reports from them, CHU prepared a Consolidated Report which the Minister of Finance (in his capacity as the Coordinator for Financial Management and Control for the Growth Plan) submitted to the Minister for European Affairs.

From the aspect of strengthening the capacities of CHU, the Strategic Plan of the Ministry of Finance 2025-2027 plans to increase the human resources of CHU. Within the framework of IFMIS, it is planned to have a special module through which the Annual Report on the PIFC system will be prepared.

At the 117th session of the Government of the Republic of Macedonia held on 07.10.2025, the "Annual Report on the Functioning of the Public Internal Financial Control System for 2024" was adopted with appropriate conclusions for the improvement of internal audit, especially for strengthening human resources in internal audit units.

Pillar VII - External Control and Parliamentary Oversight

Priority 1. External Audit

Measure 1: Strengthen the legal framework for external audit

Within the Twinning project "Strengthening External Audit and Parliamentary Oversight," an assessment of the legal framework for state audit was conducted, and recommendations were provided to achieve constitutional, financial, and operational independence of the State Audit Office (SAO), in line with international standards and EU best practices.

With the support of the project, the SAO prepared a proposal for draft constitutional amendments to regulate the SAO as a constitutional category, as well as a new Draft Law on State Audit, aimed at strengthening its independence, improving the follow-up of audit recommendations, and enabling the Parliament to review final audit reports. The proposals were submitted to the competent institutions, with an indication that the initiative would be considered within a broader inclusive process.

In February 2023, a public consultation on the Law on State Audit was launched, and following the receipt of opinions from the competent institutions, a harmonized new draft law was prepared and submitted to the Ministry of Finance in July 2025. Although in April 2025 the Government adopted a conclusion requesting the Ministry of Finance to prepare and submit a new draft law by May 2025, the draft law was not submitted by the end of 2025.

In 2024, the SAO conducted a Peer Review with the support of the Supreme Audit Institution of the Republic of Poland, aimed at assessing the level of compliance with INTOSAI International Standards of Supreme Audit Institutions (ISSAIs). The final report published in June 2025 confirmed that SAO operations, strategic documents, audit methodology, and communication approach of the SAO are aligned with international standards and best practices, while full constitutional independence was identified as the only outstanding issue.

Additionally, through amendments to the Rulebook on Organizational Classification in accordance with the new Budget Law, the SAO has been established as a separate main budget user. In the forthcoming period, the initiation of procedures for the adoption of the new Law on State Audit and the related constitutional amendments is expected.

Measure 2: Strengthening the institutional capacities and HR capacities of the SAO

Activity 1: Preparing new or improved SAO strategic, planning and methodology acts

In 2025, the implementation of the Development Strategy of the State Audit Office (SAO) for the period 2023–2027 continued through activities envisaged in the Annual Work Programme for 2025, which foresees the implementation of a total of 89 audits: 73 regularity audits, 13 performance audits, 2 compliance audits, and 1 real-time audit. The Strategy is closely aligned with the priorities and measures set out in the PFM Reform Programme 2025–2028.

Within this framework, the SAO continued the implementation of the Human Resources Management Strategy 2024–2027, the Communication Strategy 2024–2027, and the ICT Strategy 2023–2027, all of which were developed in line with the SAO Development Strategy 2023–2027.

Furthermore, a new Risk Management Strategy of the SAO for the period 2025–2028 was adopted. The Strategy is aligned with the Methodology for Corruption Risk Assessment, the Methodology for Risk Management in Public Sector Entities, the Guidelines for Corruption Risk Assessment at central and local levels and in specific sectors, as well as the National Strategy for the Prevention of Corruption and Conflict of Interest (2021–2025), addressing risks that may affect the achievement of strategic objectives and the effective functioning of the SAO.

Within the UNDP project "Support to the Public Financial Management Reform Initiative in the Republic of North Macedonia," guidelines were developed for auditing the implementation and effects of the National Development Strategy and the Sustainable Development Goals (SDGs). In addition, the Guidelines for Strategic and Annual Audit Planning were further enhanced through improved audit selection criteria and alignment with the National Development Strategy 2024–2044.

With the support of the World Bank, capacities for conducting audits related to the Reform Agenda 2024–2027 were strengthened, and the Guidelines for Performance Audits in the area of Public Investment Management were adopted, further reinforcing the methodological framework for audits in this field.

Additionally, with the support of UN Women, a draft gender-responsive audit programme and a training-of-trainers programme were developed, and relevant staff trainings were delivered.

With the support of IFES, workshops were organized in December 2025 to develop audit programmes for audits of political parties and election campaigns. Furthermore, with the support of the European Union, methodological tools were developed for the introduction of forensic audit, technical assistance was provided for the implementation of ISSAI 140 and ISSAI 150, and the regularity audit methodology was aligned with ISSAI standards and the relevant International Financial Reporting Standards (IFRS).

In cooperation with SIGMA, activities were initiated to develop methodological guidelines for auditing the Final Account of the Budget, in line with the new Budget Law.

Activity 2: Strengthening capacities for conducting audits

Based on the Law on State Audit, in 2025 activities were undertaken to establish a regulatory framework for administering the professional examination required to obtain the title of Certified State Auditor. To this end, on 13 November 2025, a Memorandum of Interinstitutional Cooperation was signed between the State Audit Office (SAO), the Agency for Administration, and the Agency for Electronic Communications, aimed at supporting the organization and implementation of the examination procedure for acquiring the professional title of Certified State Auditor.

Within this framework, a Rulebook on the requirements related to premises and technical and ICT equipment for administering the examination for the title of

Certified State Auditor was adopted and published in the Official Gazette of the Republic of North Macedonia No. 229/2025. In addition, a Programme for the Professional Examination for Certified State Auditor was developed, while the rulebook regulating the examination procedure is in its final stage of preparation. The drafting of the Rulebook on the manner and procedure for conducting the professional examination for acquiring the title of Certified State Auditor, as well as on the form and content of the Certificate of Certified State Auditor, is also in its final phase, with adoption expected in 2026.

In 2025, the Auditor General appointed educators responsible for the preparation and delivery of training for the professional examination for Certified State Auditor, as well as an examination commission for its implementation, with the nomination of representatives from the Ministry of Finance also expected.

The State Audit Office continuously invests in strengthening the skills and knowledge of state auditors through the implementation of the Annual Plan for Continuous Professional Development (CPD) for 2025. The Plan was implemented using internal resources, domestic and international experts, and with the support of international partners, including UNDP, the World Bank, IFES, UN Women, NDI, and SIDA. The focus was placed on enhancing auditors' knowledge in the areas of regularity audits, performance audits, audits of local self-government units, audits of political parties and election campaigns, gender audits, accounting and recent legislative amendments, the use of IT resources and audit tools, information security, quality management and quality control units, audit planning and risk analysis, development of soft skills, focused audits, audits of the Sustainable Development Goals (SDGs) and the National Development Strategy (NDS), cost-benefit analysis, and other areas identified in the 2025 CPD Annual Plan.

Within the Performance Audit Training Programme for the Western Balkans and Turkey, implemented by the Swedish National Audit Office, the SAO participated with two audit teams. The programme continues until May 2026.

The SAO actively participated in international and regional initiatives and events, including the XV INCOSAI Congress of INTOSAI, meetings of EUROSAI and INTOSAI working bodies, as well as numerous bilateral meetings with Supreme Audit Institutions. Particularly significant is the continued cooperation with the Office of the Auditor General of the Kingdom of Norway, which supported regularity and performance audits, as well as the development of an Innovation Lab within the SAO, including IT tools for public procurement analysis and support to the audit process.

In the area of transparency and integrity, the SAO was recognized as the highest-ranked institution in the country in the 2024 Integrity System Monitoring Report of the State Commission for the Prevention of Corruption, as well as in the proactive transparency monitoring conducted by the Agency for Protection of the Right to Free Access to Public Information, achieving the maximum score.

The SAO successfully completed the implementation of the Annual Work Programme for 2024, with all final audit reports submitted to the Parliament in a timely manner and published on the institution's website. The Annual Report for 2024 was reviewed and adopted by the Parliament in September 2025, accompanied by conclusions supporting the activities of the SAO and strengthening parliamentary oversight.

In December 2025, the Annual Work Programme for 2026 was adopted, prepared through a transparent and inclusive process involving civil society organizations, media, and citizens. The Programme covers a total of 237 audits and is aligned with the strategic objectives of the SAO, the Sustainable Development Goals, the National Development Strategy 2024–2044, and the OECD/SIGMA methodology.

Through continuous international cooperation, cooperative and parallel audits, and an active role in regional initiatives, the State Audit Office remains a key pillar of external oversight and an important contributor to strengthening transparency, accountability, and sound management of public funds in the Republic of North Macedonia.

Activity 3: Increasing SAO visibility and communication with stakeholders

In November 2025, the State Audit Office (SAO) marked 26 years since its establishment as a guardian of public funds. Throughout the year, the SAO actively implemented its Communication Strategy with the aim of enhancing transparency, accountability, and access to information on its work.

The stakeholder database was expanded to 2,417 individuals and organizations, ensuring broader and more timely dissemination of final audit reports and relevant information. The SAO continued to prepare audit briefs and press releases, as well as to provide regular updates through its website and social media channels.

In 2025, the SAO's website recorded 305,404 visits, representing an increase of 634% compared to 2020. Social media platforms (Facebook, Instagram, YouTube, and LinkedIn) were used as active communication channels, with the Facebook page reaching 3,723,055 visits and 9,940 followers.

To improve the visual presentation of audit results, video content related to final audit reports was produced and published. SAO representatives participated in at least 15 television news and investigative programmes, contributing to increased public awareness of the importance of audit findings and recommendations.

According to the public survey conducted in 2025, 98% of stakeholders expressed satisfaction with cooperation with the SAO, assessing the institution as independent, professional, transparent, and objective, with a high quality of audit reports.

In May 2025, a recertification process was conducted by the Certification Body, confirming full compliance of the SAO’s management system with the MKC EN ISO 9001:2015 standard, with the certificate valid until May 2027.

During the year, institutional cooperation was further strengthened, particularly with the Public Prosecutor’s Office, the Public Procurement Bureau, the State Appeals Commission for Public Procurement, the State Commission for the Prevention of Corruption, the Commission for Protection of Competition, and the Ministry of Energy, Mining and Mineral Resources, through workshops, coordination meetings, and the application of adopted operational guidelines. The SAO also actively participated in inter-institutional anti-corruption mechanisms and processes of national importance, including the development of the Investment Map and the preparation of the new National Anti-Corruption Strategy.

The Annual Report on the conducted audits and the work of the SAO was submitted to all Supreme Audit Institutions, the European Court of Auditors, INTOSAI and EUROSAI, the Delegation of the European Union to the Republic of North Macedonia, missions of international organizations, as well as selected diplomatic representations in the Republic of North Macedonia.

In 2025, several memoranda of cooperation were signed with key institutions to enhance information exchange, coordination, and systems of mutual interest, including in the areas of public procurement and the financing of election campaigns.

The SAO continued activities aimed at strengthening public accountability through support to participants in electoral processes, cooperation with the academic community, and reinforcement of the institution’s communication capacities, including the establishment of a press centre.

In the forthcoming period, further strengthening of visibility and communication with stakeholders will continue through the implementation of the SAO Communication Strategy for the period 2024–2027.

Priority 2: Parliamentary Oversight

Measure 1: Establishing a mechanism for reviewing audit reports and the measures taken following the recommendations given in the audit reports in the RNM Assembly

The State Audit Office (SAO) provides timely and objective information to Parliament on its activities and audit findings, thereby supporting the Parliament in the exercise of its competencies through the identification and presentation of irregularities, non-compliance with legal provisions, unlawful use of public funds, and potential cases of corruption and abuse of office. In this context, communication with the Parliament is assessed as particularly important.

Cooperation between the SAO and the Parliament is continuous and is carried out in accordance with the Law on State Audit and the Memorandum of Cooperation, through the submission of the SAO Annual Work Programme, the Annual Report on the conducted audits and the work of the SAO, final audit reports, and consolidated reports of final audit reports by specific areas.

Within the Twinning project "Strengthening External Audit and Parliamentary Oversight" (MK 18 IPA FI 03 20), a Memorandum of Cooperation between the Parliament and the SAO was signed on 21 October 2022. In addition, procedures of the SAO and the Parliament for the submission and review of audit reports were developed, which will be finalized following the adoption of the new Law on State Audit.

In the first half of 2025, in accordance with the Memorandum of Cooperation, the SAO submitted to the Parliament consolidated reports containing key findings from audits conducted in accordance with the Annual work program of the SAO for 2024, relating to public health institutions, local self-government units, courts and 2024 election of the President of the RNM and members of the Parliament.

In the forthcoming period, the focus will be placed on the full implementation of the Memorandum of Cooperation between the SAO and the Parliament and the finalization of procedures within the SAO and the Parliament for the submission and review of audit reports and other documents.

Measure 2: Strengthening institutional capacities for reviewing audit reports in RNM Assembly

Within the Twinning project "Strengthening External Audit and Parliamentary Oversight" (MK 18 IPA FI 03 20), Component 3, several activities were implemented aimed at enhancing cooperation between the State Audit Office (SAO) and the Parliament. A new Handbook entitled *"The Role of the State Audit Office and the*

Parliament in Strengthening Efficiency in Public Financial Management" was prepared, along with proposed amendments to the internal acts of the Parliament and an Action Plan to improve cooperation between the SAO and the Parliament for the submission and review of audit reports.

Following the adoption of the new Law on State Audit, the preparation and implementation of a Training Plan for Members of Parliament and staff of the Parliamentary Service is envisaged, as well as the strengthening of cooperation with the Committee on Finance and Budget, the Parliamentary Institute, and the Parliamentary Budget Office of the Parliament.

The planned activities for the preparation and delivery of trainings within the Twinning project were postponed due to the Memorandum of Cooperation not being signed within the timeframe envisaged for their implementation.

Towards the end of 2025, the SAO submitted to the Parliamentary Institute, within the Parliament, proposed training topics and activities for the 2026 Training Programme, which was reviewed and adopted in January 2026.

During 2025, the Parliament reviewed individual final audit report, including a public hearing held by the Committee on Equal Opportunities for women and men, as well as the Annual Report on the audits performed and the work of the SAO for 2024, for which conclusions were adopted. In addition, the Final Account of the Budget for 2024, together with the accompanying audit report, was reviewed and adopted.

The State Audit Office adopted the SAO Annual Work Programme for 2026 and submitted it to the Parliament at the end of December 2025.

7. Monitoring and Coordination

PFM Reform Programme 2025-2028 sets indicators and targets by year for each planned activity. As regards PFM sub-sector, Performance Assessment Framework integrates the indicators and the targets for the PRFM Reform Programme, and the responsibilities for data collection and processing are being assigned on the grounds of the monitoring and reporting system envisaged in the PFM Reform Programme.

The monitoring process is based on the PFM reform management and coordination framework, comprising the following structures established at all hierarchical levels of decision-making.

- *PFM Council*
- *PFM Working Group*
- *Priority Coordinators*
- *Coordination Unit within MoF*

Strong political commitment as regards the fulfilment of the reform goals set in PFM Reform Programme

2025 - 2028 is ensured through the PFM Council.

On 17 June 2025, the Government adopted a new Decision establishing the PFM Council as a key body within the structure for governance, coordination, monitoring and reporting on the implementation of the PFM Reform Programme 2025–2028.

In August 2025, the PFM Council conducted a written consultation procedure for the approval of the Draft Public Financial Management Reform Programme for the period 2025–2028, the Draft Action Plan for the implementation of the Public Financial Management Reform Programme for 2025, as well as the Draft Monitoring Report on the implementation of the PFM Reform Programme for 2025, covering the period January–December 2025. These documents were adopted by the Government in September 2025.

The PFM Sector Working Group (SWG) is a technical working body established by the Minister of Finance for the purpose of preparing, monitoring and reporting on the implementation of the PFM Reform Programme. It consists of members and observers nominated by relevant institutions involved in the PFM sector (ministries and other public entities, civil society organisations, and the donor community). The Working Group was initially established by a Decision of the Minister of Finance adopted on 10 June 2015, which has been amended several times, with the latest amendment made on 21 January 2026.

The IPA and NPAA Department within the Ministry of Finance acts as the Coordination Unit and serves as the technical secretariat supporting the functioning of both the PFM Working Group and the PFM Council. In general, its tasks include technical preparation of meetings of the PFM Council and the PFM Working Group, as well as preparation of consolidated progress reports on the implementation of reforms within each priority area and consolidated annual action plans, based on input provided by priority coordinators.

These working bodies also ensure the necessary coordination among all strategies and policies related to the PFM sub-systems (Strategy for Development of Public Internal Financial Control, Tax System Reform Strategy, Strategic Plans of the Public Revenue Office and the Customs Administration), as well as other relevant national strategies, such as the Public Administration Reform Strategy. Meetings of the PFM SWG are held regularly, both at policy and technical levels.

At the technical level, SWG meetings are organised to address specific measures within PFM sub-areas, including the programming and implementation of IPA II and IPA III.

On 17 July 2025, a technical meeting of the PFM SWG was held, during which the Draft Monitoring Report on the implementation of the PFM Reform Programme for the period January–December 2025 and the Draft PFM Reform Programme 2025–2028, together with the Draft Action Plan for 2025, were discussed.

The monitoring and coordination system of the PFM Reform Programme is designed to ensure regular and timely monitoring of progress in reform implementation, based on clearly defined indicators, targets and sources of verification. This system enables early identification of delays and implementation risks, as well as the adoption of corrective measures. In the context of the increased linkage between reform progress and access to EU financial support, particularly through the Reform and Growth Facility, effective monitoring of the PFM Reform Programme represents a key element for ensuring credibility, accountability and trust vis-à-vis European partners.

8. Financing of the PFM Reform Programme for 2025

The following table presents the planning and realisation of the budget for the implementation of the reform activities of the PFM Reform Program for 2025.

Pillars	Priority	Budget(Eur)					
		National budget		Donor funds		Total	
		Planned-2025	Realised	Planned-2025	Realised	Planned 2025	Realised
I Economic Analysis, Macroeconomic and Fiscal Framework	1.Revenue forecasting and reporting	0	0	150,000	65,000	150,000	65,000
	2.Economic analysis and Macroeconomic forecasting	0	32,000	190,000	0	190,000	32,000
	3.Strengthening Debt Management	14,200	7,880	10,000	0	24,200	7,880
II Revenue Mobilization	1.Tax and customs policy	0	0	250,000	0	500,000	0
	2.Tax administration	5,863,033	179,033	0	0	5,863,033	179,033
	3.Customs	1,000,000	415,854	7,000,000	4,000,000	8,000,000	4,415,854

III Planning and Budget	1.Budget Planning	0	0	660,000	250,000	660,000	250,000
	2.Strengthened Public Investment Management	30,000	0	105,000	104,000	135,000	104,000
	3. Strengthen the accounting of budgets and budget users	0	0	0	0	0	0
	Priority 4. Public finance management at local level	2,000	0	20,000	0	22,000	0
IV Public procurement	1.Public Procurement Policy	0	0	0	0	0	0
	2.Public Private Partnerships (PPPs)	192,000	0	0	0	1,214,000	0
V Integrated Public Finances	2.Public Finance Academy (learning organisation)	3,000	0	0	12,000	62,000	12,000
VI Public finance digitalisation and continuous learning	1.Financial Management and Control	42,000	9,000	0	0	42,000	9,000
	2.Internal Audit	52,000	0	0	0	52,000	0
VII External Control and Parliamentary Oversight	1.External audit	214,500	100,736	1,027,400	193,450	1,241,900	294,186
	2.Parliamentary Oversight	0	0	83,400	9,500	83,400	9,500
Total		7,412,733	744,503	9,495,800	4,633,950	18,239,533	5,378,453

Annexes

Annex 1: Performance Indicator Matrix for the 2025 Public Finance Reform Program

Annex 2: Risk assessment of the PFM Reform Programme for the year 2025