



EUROPEAN  
COMMISSION

Brussels, 3.8.2018  
C(2018) 5068 final

**COMMISSION IMPLEMENTING DECISION**

**of 3.8.2018**

**adopting an Annual Action Programme for the Republic of Macedonia for the year 2018**

# COMMISSION IMPLEMENTING DECISION

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**adopting an Annual Action Programme for the Republic of Macedonia for the year 2018**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 236/2014 of the European Parliament and of the Council of 11 March 2014 laying down common rules and procedures of the implementation of the Union's instruments for financing external action<sup>1</sup> and in particular Article 2(1) thereof,

Having regard to Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002<sup>2</sup> and in particular Article 84(2) thereof,

Whereas:

- (1) Regulation (EU) No 231/2014<sup>3</sup> lays down the objectives and main principles for pre-accession assistance to beneficiaries listed in Annex I to that Regulation.
- (2) In accordance with Article 7 of Regulation (EU) No 231/2014 the assistance should be implemented through annual or multi-annual, country-specific or multi-country programmes. These programmes should be drawn up in accordance with the framework for assistance referred to in Article 4 of Regulation (EU) No 231/2014 and the relevant country or multi-country indicative strategy papers referred to in Article 6 of that Regulation.
- (3) The Council established an Accession Partnership or a European Partnership for all beneficiaries listed in Annex I of Regulation (EU) No 231/2014. The Commission amended the Indicative Strategy Paper for the Republic of Macedonia for 2014–2020 on 02/08/2018 which provides indicative allocations for the sectors for pre-accession assistance.<sup>4</sup>
- (4) Considering the proposals for action submitted by the beneficiaries concerned, the Annual Action Programme for the Republic of Macedonia for 2018 aims at providing assistance for actions in the following sectors: democracy and governance.

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<sup>1</sup> OJ L 77, 15.03.2014, p. 95.

<sup>2</sup> OJ L 298, 26.10.2012, p.1.

<sup>3</sup> Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (OJ L 77, 15.03.2014, p. 11).

<sup>4</sup> C(2018) 5024 of 03/08/2018

- (5) It is necessary to adopt a financing decision, the detailed rules of which are set out in Article 94 of Commission Delegated Regulation (EU) No 1268/2012.<sup>5</sup>
- (6) The envisaged assistance to the Republic of Macedonia is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU.
- (7) The Commission should be able to entrust budget-implementation tasks under indirect management to the IPA II beneficiary specified in this Decision, subject to the conclusion of a Financing Agreement. In accordance with Article 60(1) and (2) of Regulation (EU, Euratom) No 966/2012 and first subparagraph of Article 14(3) of the Commission Implementing Regulation (EU) No 447/2014<sup>6</sup> the authorising officer responsible needs to ensure that the entrusted entity guarantees a level of protection of the financial interests of the Union equivalent to that required under Regulation (EU, Euratom) No 966/2012, when the Commission manages Union funds.  
  
The entrusted entity complies with the conditions laid down in points (a) to (d) of the first subparagraph of Article 60(2) of Regulation (EC, Euratom) No 966/2012 and Article 13(3) of Implementing Regulation (EU) No 447/2014.
- (8) The maximum contribution of the European Union set by this Decision should cover any possible claims for interest due for late payment on the basis of Article 92 of Regulation (EU, Euratom) No 966/2012 and Article 111(4) of Delegated Regulation (EU) No 1268/2012.
- (9) Pursuant to Article 94(4) of Delegated Regulation (EU) No 1268/2012, the Commission should define changes to this Decision which are not substantial in order to ensure that any such changes can be adopted by the authorising officer responsible.
- (10) The action programme provided for by this Decision are in accordance with the opinion of the IPA II Committee set up by Article 13 of Regulation (EU) No 231/2014,

HAS DECIDED AS FOLLOWS:

*Article 1*

*Adoption of the programme*

The Annual Action Programme for the Republic of Macedonia for the year 2018 under the Instrument for Pre-accession Assistance (IPA II) as set out in the Annex, is hereby approved.

*Article 2*

*Financial contribution*

The maximum amount of the European Union contribution for the implementation of the programme referred to in Article 1 is set at EUR 32,089,675 and shall be financed as follows:

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<sup>5</sup> Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

<sup>6</sup> Commission Implementing Regulation (EU) No 447/2014 of 2 May 2014 on the specific rules for implementing Regulation (EU) No 231/2014 of the European Parliament and of the Council establishing an Instrument for Pre-accession assistance (IPA II) (OJ L 132, 3.5.2014, p. 32).

EUR 32,089,675 from the budget line 22.02.01.01 of the general budget of the EU for year 2018.

The financial contribution(s) referred to in the first sub-paragraph may also cover interest due for late payment.

### *Article 3*

#### *Implementation modalities*

This programme shall be implemented by direct and indirect management.

The budget implementation tasks under indirect management may be entrusted to the entities identified in the Annex subject to the conclusion of the relevant agreements.

A Financing Agreement shall be concluded between the Commission and the Government of the Republic of Macedonia in conformity with the Framework Agreement concluded between the same parties on 24 June 2015.

### *Article 4*

#### *Non-substantial changes*

The following changes shall not be considered substantial provided that they do not significantly affect the nature and objectives of the actions:

- (a) increases or decreases for not more than 20% of the maximum contribution set in the first paragraph of Article 2, and not exceeding EUR 10 million;
- (b) cumulated reassignments of funds between specific actions not exceeding 20% of the maximum contribution set in the first paragraph of Article 2;
- (c) extensions of the implementation and closure period;
- (d) within the limits of 20% referred to in points (a) and (b) above, up to 5% of the contribution referred to in the first paragraph of Article 2 of this financing decision may serve to finance actions which were not foreseeable at the time the present financing decision was adopted, provided that those actions are necessary to implement the objectives and the results set out in the programme.

The authorising officer responsible may adopt such non-substantial changes in accordance with the principles of sound financial management and proportionality.

Done at Brussels, 3.8.2018

*For the Commission*  
*Johannes HAHN*  
*Member of the Commission*

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ANNEX

TO THE COMMISSION IMPLEMENTING DECISION ADOPTING AN ANNUAL ACTION PROGRAMME FOR THE REPUBLIC OF MACEDONIA FOR THE YEAR 2018

**1 IDENTIFICATION**

<b>Beneficiary</b>	The Republic of Macedonia
<b>CRIS/ABAC Commitment references / Budget lines</b>	2018/040-860 - 22.02.01.01
<b>Total cost</b>	Total cost: EUR 42,327,085
<b>EU Contribution</b>	EU Contribution: EUR 32,089,675
<b>Management Mode/ Entrusted entities</b>	<ul style="list-style-type: none"><li>• Direct management by the European Commission</li><li>• Indirect management with beneficiary country for:  Action 1: Participation in Union Programmes (UP), where implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.</li></ul>
<b>Final date for concluding Financing Agreements with the IPA II beneficiary</b>	At the latest by 31 December 2019
<b>Final date for concluding delegation agreements under indirect management</b>	Not applicable
<b>Final date for concluding procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
<b>Final date for operational implementation</b>	6 years following the date of conclusion of the Financing Agreement.
<b>Final date for implementing the Financing Agreement</b> (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement.
<b>Programming Unit</b>	DG NEAR, D3: the Republic of Macedonia, Kosovo
<b>Implementing EU Delegation</b>	EU Delegation to the Republic of Macedonia

## 2 DESCRIPTION OF THE ACTION PROGRAMME

### 2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- Rationale for the selection of the specific sectors under this programme:

The Programme will provide funding for sector "Democracy and Governance". The selection of this sector has been made on the grounds of:

- The relevance with the key fundamentals outlined in the Enlargement Strategy<sup>1</sup> and the continued commitment of the Commission to the public finance management (PFM) reform in support of meeting the Copenhagen criteria and the promotion of the good economic governance and transparent and sound management of public funds.
  - The relevance with the strategic priorities, presented in the revised Indicative Strategy Paper<sup>2</sup> (ISP), which allocates 22% of all EU funds to the sector of Democracy and Governance, thus recognising the strategic importance of the investments in this sector. The ISP also identifies some recurrent priorities such as the participation in the Union programmes.
  - The need to improve effectiveness of the EU aid by concentrating financial assistance on a limited number of key priorities, thus improving the dynamics of changes in the selected sector and strengthening the impact of the Instrument for Pre-Accession Assistance (IPA II) funds on the relevant reforms.
  - The maturity in the implementation of the sector approach in this area, where clear strategic objectives have been defined with the adopted in December 2017 PFM Reform Programme<sup>3</sup>. In addition, good administrative capacity has been established to back up the implementation of the IPA actions. Sector coordination will be ensured through the high level PFM dialogue launched in September 2017 in the context of the preparation of the PFM Reform Programme and through the established sector approach working mechanism.
- Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:

The country benefits from IPA and other donors support in the selected sector since 2007. Yet, the reforms require a long-term approach, well-grounded on previous experience:

- Political turbulences in the past have affected the efficiency of the public administration in conducting the agreed reforms. Since EU funds are allocated in support of the reform process, the effectiveness and impact of the IPA assistance is difficult to ensure in the absence of an engaged state leadership. Therefore, strong governmental commitment, particularly to horizontal reforms such as the reform in PFM, as well as an inclusive high-level sector dialogue is a pre-requisite for successful implementation of the reform measures and purposeful use of the EU funds.
- The national authorities need to demonstrate strengthened commitment to achieving the expected results independently of the implementation modality. While the EU Delegation may act as contracting authority, achieving the outcomes and impact of the actions remains primarily a responsibility of the national authorities. Hence, ownership

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<sup>1</sup> COM(2015) 611 of 10.11.2015

<sup>2</sup> C(2018) 5024 of 03/08/2018

<sup>3</sup> [https://www.finance.gov.mk/files/u3/PFM%20Reform%20%20Programme\\_\\_EN%20DEC%202017\\_final%20Vlada.pdf](https://www.finance.gov.mk/files/u3/PFM%20Reform%20%20Programme__EN%20DEC%202017_final%20Vlada.pdf)

must be strengthened and the efforts for improving the beneficiaries' performance uphold.

- There is a need for greater transparency and information sharing with civil society and non-state stakeholders to ensure that sector policy priorities, particularly as regards PFM, enjoy large societal support. To enhance this process, the EU assistance has been subject to public consultations at the development stage. Further on, the implementation process envisages a stronger coordination with civil society organisations and businesses through the PFM policy dialogue. The development of a new administrative culture of cooperation with civil society and non-state actors need to be strongly encouraged, also through enhanced participation in the PFM sector working group, established within the sector approach.
- Further efforts will be needed to strengthen the coordination among all stakeholders to ensure an efficient framework for sector support. While progress in the sector approach is evident, the efforts should be extended to turn the established sector working groups into a platform for sector coordination beyond the IPA framework, including also the other donors and international organisations.

*List of Actions foreseen under the selected Sectors/Priorities:*

*Sector Democracy and Governance*

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS (DIRECT MANAGEMENT)	
Action 1: Support to participation in the Union Programmes (UP)	EUR 7,689,675		
		Action 2: EU Integration Facility (EUIF)	5,800,000
		Action 3: EU Support to Public Finance Management	18,600,000
<b>TOTAL</b>	<b>EUR 7,689,675</b>		<b>EUR 24,400,000</b>

## 2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

The envisaged assistance to the Republic of Macedonia is deemed to follow the conditions and procedures set out by the restrictive measures adopted pursuant to Article 215 TFEU<sup>4</sup>.

<b>SECTOR</b>	<b>DEMOCRACY AND GOVERNANCE</b>	<b>EUR</b>
		<b>32,089,675</b>
<i>Action 1</i>	<i>Support to participation in Union Programmes (UP)</i>	<i>Indirect management by beneficiary country</i>
		<i>EUR</i>
		<i>7,689,675</i>

### *(1) Description of the Action, objective, expected results and key performance indicators*

The Indicative Strategy Paper stipulates that financial assistance can be provided through co-financing the country's participation in relevant Union Programmes and Agencies. The objective of this action is to ensure participation of the Republic of Macedonia in Union Programmes by co-financing the costs of the entry-tickets/participation fees for selected Union Programmes in areas such as education, culture, civil protection, private sector developments, labour market and employment, taxation, research and technological development (RTD). Thus the IPA support will facilitate the progressive transfer of know-how and the strengthening of capacities of the relevant administrative bodies benefiting from the participation in Union Programmes and Agencies.

The following results are foreseen:

- Enhanced participation of the Republic of Macedonia in Union Programmes;
- Increased exchanges with EU Member States;
- Strengthened ownership and responsibility (including in financial terms) for participation in Union Programmes;
- Improved awareness in the country of the Union Programmes.

The achievement of the results will be measured through the following indicators:

- Increasing number of projects prepared and funded involving country participation;
- Ratio between the value of the entry ticket and the value of the projects in which the country participates;
- Number of beneficiaries involved in international projects;
- Number of promotion events and measures.

The Union Programmes (2014-2020) shall be gradually open for the participation of the Western Balkan countries. The beneficiary country has expressed its interest in participating in 13 programmes and agencies; however the current action programme will only cover the participation in 11 programmes and one Agency as follows:

<sup>4</sup>[https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions\\_en](https://eeas.europa.eu/headquarters/headquarters-homepage/8442/consolidated-list-sanctions_en)



1. Horizon 2020
2. COSME 2020 (Programme for competitiveness of enterprises and SMEs)
3. Europe for Citizens 2020
4. Culture (Creative Europe) 2020
5. Media (Creative Europe) 2020
6. Customs 2020
7. Fiscalis 2020
8. Civil Protection Mechanism 2020
9. Erasmus plus 2020
10. Programme for Employment and Social Innovation (EaSI) Progress strand 2020
11. Erasmus plus external strand 2020
12. Fundamental Rights Agency 2019 and 2020

Participation in other Union Programmes will be determined at a later stage or has been settled down through other country programmes.

The participation of the Republic of Macedonia in Union Programmes shall follow the specific terms and conditions set out in the International Agreement between the European Commission and the country for each programme, in accordance with the agreements establishing the general principles for participation in Union Programmes.

***(2) Assumptions and conditions***

EU integration remains a government priority, which entails a continuous political commitment to EU accession and provision of sufficient resources to ensure the national co-financing of the country's participation in the Union programmes.

***(3) Implementation arrangements for the action:***

Indirect management with the beneficiary country

***(3)(a) Entity entrusted with budget implementation tasks***

National Fund, Ministry of Finance

***(3)(b) Short description of the tasks entrusted to the entity***

The implementation will consist in the payment of the IPA part of the financial contribution to the Union programmes by the National Fund.

<b><i>Action 2</i></b>	<b><i>EU Integration Facility (EUIF)</i></b>	<b><i>Direct management by the EU Delegation</i></b>	<b><i>EUR 5,800,000</i></b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The overall objective of the action is to contribute to a more effective EU integration process. This action replenishes the EU Integration facility (EUIF), created in 2014 as a long-term, flexible, on-going funding mechanism, providing ad hoc support for smaller-scale projects of democratic institutions and public administration bodies.

The specific objectives of the EUIF are:

- 1) To strengthen the capacities of the democratic institutions and administration to assume the obligations stemming from the democratic process and the EU accession process;
- 2) To enhance the alignment with the EU acquis and EU/International Standards including legal enforcement;
- 3) To improve the management of the EU funds and to strengthen the sector approach.

The key performance indicators for the EUIF include:

- Number of Urgent Reform Priorities addressed;
- Implementation rate of the supported Sector/sub-sector Strategies (by measure and/or priority);
- Number of legislative acts prepared in an inclusive and evidence-based process and adopted in compliance with the acquis;
- Number of sector approach criteria met;
- Level of absorption of EU funds improved (contracting and disbursement rate);
- Financial management and control systems operate smoothly (number of major audit findings and audit error rate);
- Degree of public recognition of the EU support (percentage of people recognising the EU as the main donor).

The direct results of the action are:

- Public administration and democratic institutions receive targeted EU support to address specific ad hoc needs in very short time and cut red tape;
- Capacity of the administration to address ad hoc challenges is improved;
- Specific challenges of the democratic process and country's accession are addressed quickly and effectively.

The achievement of these direct results will be measured through:

- Number of project proposals submitted under the EUIF / Number of proposals approved for funding and typology by institution, policy area and type of support;
- Number of institutions involved in project implementation;
- Ease of mobilising resources under the EUIF:
  - Average length of project launch (duration from submission of project proposal until contract signature)
  - EUIF Funds implementation rate (EUIF Contracting and disbursement rate)
- Number and percentage of projects completed successfully/ results delivered - Number of documents adopted, Number of people trained, No of IT tools put in use;
- Number of people benefiting from the funded projects (data segregated by gender, ethnicity, vulnerability).

## ***(2) Assumptions and conditions***

The following assumptions relate to the implementation of this action:

- EU integration remains a government priority, which entails a continuous high-level political commitment to EU accession, support for the reforms and active participation in the sector policy dialogue;
- Macroeconomic and political stability is maintained;
- Key reforms (such as Public Finance Management (PFM), Public Administration Reform (PAR), Judiciary) are well progressing;
- Sufficient interest exists on behalf of the public bodies and democratic institutions to develop and implement projects.

The implementation of the action is conditional on:

- Governmental commitment to the EU accession process translated into allocation of sufficient resources for the sector reforms, high-level support for the reforms and active participation in the sector policy dialogue;
- Governmental commitment on public administration reform. This is necessary to build the administration capacity at horizontal level, i.e. for policy and legislative development and implementation;
- Advancement in the sector approach as per the developed roadmaps;
- Selection of project proposals following a line of prioritisation.

*Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding*

***(3) Implementation arrangements for the action:***

Direct management by the EU Delegation.

***(3)(a) Essential elements of the action***

**Procurement:**

- a) global budgetary envelope reserved for procurement: EUR 3,500,000
- b) indicative number and type of contracts: 10-15 service/supply, works in exceptional cases
- c) indicative time frame for launching the procurement procedure: 12-33 months after the conclusion of the Financing Agreement.

**Grant - Twinning – Call(s) for proposal:**

- a) Objectives and foreseen results:

Depending on the needs of the beneficiary country, one or more call(s) for proposal for twinning contracts may be organised in line with two of the objectives of the EUIF:

- To strengthen the capacity of democratic institutions and administration to assume the obligations stemming from the democratic process and the EU accession process;
- To enhance the alignment with the EU acquis and EU/International Standards including legal enforcement.

The expected results of the funded projects include addressing the Urgent Reform Priorities, success in implementation of sector/sub-sector strategies, legislation harmonised with the EU acquis, fully-fledged sector approach established in the country, improved level of absorption of EU funds, improved degree of public recognition of the EU support.

- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.
- e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.
- f) Indicative amount of Twinning contract:  
A total of EUR 2,300,000 will be used for twinning contracts, including twinning light contracts. One twinning contract may vary from EUR 100,000 to 1,500,000.
- d) Indicative date for launching the selection procedure: 12-33 months after the conclusion of the Financing agreement

<b>Action 3</b>	<b>EU Support to the Public Finance Management</b>	<b>Direct management by the EUD</b>	<b>EUR 18,600,000</b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

The overall objective of the action is to improve governance and ensure fiscal sustainability and sound use and management of the public funds.

The specific objective of the action is to raise stability, efficiency, effectiveness and transparency of the public finance management.

The following key performance indicators will be applied to measure how the specific objective is achieved:

- No of indicators of the PFM Reform programme fully met;
- Improvement in PEFA and SIGMA (Support for Improvement in Governance and Management) PFM indicators/assessment.

The action is expected to deliver the following results:

- Improved budget system based on implementation of a new organic budget law;
- Improved stability, efficiency and quality of revenue collection system (tax system and policy and customs system);
- Improved legal compliance, efficiency and transparency of the public procurement system;

- Strengthened internal control in line with the new Public Internal Financial Control (PIFC) Policy Paper;
- Improved external audit efficiency and impact.

The achievements of the expected results will be measured through:

- Percentage deviation between annual budget of year N+1 and N+2 with medium-term budget framework projections year N;
- Level of harmonization of the national legislation with the European *acquis* in the field of taxes and customs;
- Tax efficiency coefficient;
- Percentage of tax services digitalised;
- Number of customs decisions to use simplified digitalised procedures;
- Business continuity and stability of the Taxation and Customs offices electronic systems in case of crisis;
- Competition rate on procurement market (number of one bid tenders in electronic procedures / average No of tenderers per tender);
- Publication rate of procurement plans;
- Number of budget users applying decentralised system for managing public funds;
- Percentage of implemented internal audit recommendations;
- Percentage of external audit coverage of the total public expenditure;
- Number of audit reports discussed by the Parliament.

## ***(2) Assumptions and conditions***

The following assumptions relate to the implementation of this Action:

- Stable political and economic development (positive trend);
- Strong political commitment to apply "Good Governance" standards;
- Significantly improved sector coordination;
- Commitment and good and continuous interaction of the PFM actors, including budgetary users and various stakeholders (Parliament, courts, business operators);
- Political commitment to the PFM reforms indicated by ensuring the sufficient financial, human and administrative resources for the implementation of the PFM Reform Programme;
- Policy dialogue on PFM continues with the involvement of all stakeholders to ensure transparency of the reforms and monitoring of the achievements in the PFM sector;
- Interest on behalf of the business entities to use the new IT tools in the area of taxation and public procurement;
- Infrastructure needs addressed (National Disaster Recovery Centre built, accommodation for the new equipment ensured).

The present Action will support the implementation of the PFM Reform Programme by providing about 50% of the total cost of the intended PFM reforms. Therefore, ensuring the remaining funds is both a condition and an indicator for the political commitment to the PFM Reform and will be followed on yearly basis through the PFM policy dialogue.

Other conditions will also apply in relation to the specific PFM sub-system, notably the adoption of a number of laws and strategies with key importance such as:

- Organic Budget Law creating the legal ground for the functioning of a comprehensive Medium-term Budget Framework (MTBF) and Medium term expenditure framework;
- New Law on Public Procurement transposing the 2014 Package of EU directives on public procurement;
- Tax System Strategy;
- PIFC Policy Paper 2018-2020 and new Law on the system of internal controls in the public sector (PIC Law).

*Failure to comply with the requirements set out above may lead to a recovery of funds under this programme and/or the re-allocation of future funding.”?*

**(3) Implementation arrangements for the action:**

Direct Management by the EU Delegation.

**(3)(a) Essential elements of the action (for direct management)**

**Procurement:**

- a) the global budgetary envelope reserved for procurement: EUR 9,900,000
- b) the indicative number and type of contracts: 4-6 service and supply contracts
- c) indicative time frame for launching the procurement procedure: 3 to 32 months after the conclusion of the Financing agreement

**Grant – Twinning – Call for proposal "Strengthening of core PFM Functions":**

- a) Objectives and foreseen results:

This call for proposals for a twinning contract will aim at improving the budget planning, execution and internal control functions in the Ministry of Finance and across the public administration of the Republic of Macedonia. More specifically, the project will pursue the following results: 1). Improved budget system based on implementation of a new organic budget law, completion of the Medium-term Budgetary and Expenditure Frameworks, improved budget forecasting tools and upgrading of the budget planning capacities of the employees in MoF and budget users, 2). Improved legal compliance, efficiency and transparency of the public procurement system, through methodological and capacity building support for the implementation of the new Law on Public Procurement harmonised with the 2014 EU Public Procurement Package, and strengthening the institutional and human capacities of the Public Procurement Bureau, the State Appeals Commission and procurement officers in the country to implement the new legal provisions, and 3). Strengthened internal control in line with the new PIFC Policy Paper through promotion and introduction of decentralised system for managing public funds in a number of budget users.

- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

- e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.
- f) Indicative amount of Twinning contract: EUR 3,700,000
- g) Indicative date for launching the selection procedure: Quarter 1 of 2019

**Grant – Twinning – Call for proposal "Improving Revenue Collection and Policy":**

- a) Objectives and foreseen results:

This call for proposals for a twinning contract will aim at improving the improving the stability, efficiency and quality of revenue collection system of the Republic of Macedonia, including tax system and policy and customs system. More specifically, the project will pursue the following results: 1). increased level of harmonization of the national legislation with the European legislation in the field of taxes and customs, 2). Remodelling and re-organisation of the business processes in the tax administration, 3).enhancing customs controls and financial investigations and 4). Enlarging the scope of use of simplified procedures in customs operations.

- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.
- e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.
- f) Indicative amount of Twinning contract: EUR 3,500,000
- g) Indicative date for launching the selection procedure: Quarter 3 of 2018

**Grant – Twinning – Call for proposal "Strengthening external audit":**

- a) Objectives and foreseen results:

This call for proposals for a twinning contract will aim at improving the improving the efficiency and impact pf the external audit in the Republic of Macedonia. More specifically, the project will pursue the following results: 1). Strengthening the capacities of the State Audit office to perform financial and performance audits and increase the audit coverage of the total public expenditure and 2). Enhancing the interaction between the State audit office and the Parliament.

- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.

- e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.
- f) Indicative amount of Twinning contract: EUR 1,500,000
- g) Indicative date for launching the selection procedure: Quarter 3 2019



### 3 BUDGET

#### 3.1 INDICATIVE BUDGET TABLE - ANNUAL ACTION PROGRAMME FOR REPUBLIC OF MACEDONIA FOR YEAR 2018

	Indirect Management with the IPA II beneficiary			Other implementation arrangements			MM <sup>5</sup>	Total EU contribution for 2018		
	EU Contribution	IPA II beneficiary Cofinancing	Total expenditure	EU Contribution	IPA II beneficiary Cofinancing	Total expenditure				
<b>1 – Democracy &amp; Governance</b>	<b>7,689,675</b>	<b>6,566,822</b>	<b>14,256,497</b>		<b>24,400,000</b>	<b>3,670,588</b>		<b>32,089,675</b>		
Objective 1 (CRS:MI 860)	Action 1: Support to participation in Union Programmes	7,689,675	6,566,822	14,256,497				IM BC	7,689,675	
					Action 2: EU Integration Facility	5,800,000	0	5,800,000	DM	5,800,000
					EU Support for PFM					
<b>TOTALS</b>	<b>7,689,675</b>	<b>6,566,822</b>	<b>14,256,497</b>		<b>24,400,000</b>	<b>3,670,588</b>		<b>32,089,675</b>		

<sup>5</sup> IMBC = Indirect management with beneficiary country; DM = Direct management by EU Delegation, Mix = Indirect management with beneficiary country and Direct management by the EU Delegation

#### **4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES**

##### **DIRECT MANAGEMENT:**

Part of this programme shall be implemented by direct management by the Union Delegation in accordance with article 58(1)(a) of the Financial Regulation and the corresponding provisions of its Rules of Application

Procurement shall follow the provisions of Part Two, Title IV Chapter 3 of the Financial Regulation No 966/2012 and Part Two, Title II, Chapter 3 of its Rules of Application.

Grant award procedures shall follow the provisions of Part Two Title IV Chapter 4 of the Financial Regulation No 966/2012 and Part Two Title II Chapter 4 of its Rules of Application.

Under the Financial Regulation, Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

The Commission may also use services and supplies under its Framework Contracts concluded following Part One of the Financial Regulation.

##### **Twinning:**

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the IPA II beneficiary as resident twinning advisor.

Twinning grant agreement shall be established in accordance with relevant provisions of Part Two Title IV Chapter 4 of the Financial Regulation and Part Two Title II Chapter 4 of its Rules of Application. Parts One and Three of the Financial Regulation and its Rules of Application shall apply to external actions except as otherwise provided in Part Two, Title IV.

##### **INDIRECT MANAGEMENT:**

Part of this programme shall be implemented by indirect management by the Republic of Macedonia in accordance with Article 58(1)(c) of the Financial Regulation and the corresponding provisions of its Rules of Application.

The general rules for procurement and grant award procedures shall be defined in the Financing Agreement and the relevant delegation agreements between the Commission and the entrusted entity implementing such action.

#### **5 PERFORMANCE MONITORING ARRANGEMENTS**

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Country Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, the National IPA Co-ordinator (NIPAC) will collect information on the performance of the actions and programme (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) monitoring performed by the EU Delegation; d) joint monitoring by DG NEAR and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committee, which will ensure a monitoring process at sector level.

In addition, evaluation is envisaged and included in the budget of the programme to assess the efficiency, effectiveness, impact and sustainability of Action 4: EU Support for the PFM.