



**REPUBLIC OF NORTH MACEDONIA**

**MINISTRY OF FINANCE**

**Monitoring Report  
on Implementation of the 2020 Action Plan  
for Public Financial Management  
Reform Programme**

**for the period January - December 2020**

**February 2021**

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## Abbreviations and acronyms

AEO	Authorised economic operator
CARNM	Customs Administration of the Republic of North Macedonia
CDEPS	Customs Declarations and Excise Documents Processing System - <i>CDEPS</i>
CEFTA	Central European Free Trade Agreement
CHU	Central Harmonisation Unit in the MoF
EC	European Commission
EFTA	European Free Trade Association
ERP	Economic Reform Program
ESA	European System of Accounts
ESPP	Electronic System on Public Procurement
EU	European Union
EUIF	EU Integration Facility
GDP	Gross domestic product
HR	Human resources
ICT	Information and communications technology
IFI	International Financial Institution
IFMIS	International Financial Management Information System
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
ISSAI	International Standards of Supreme Audit Institutions
IT	Information technology
MoF	Ministry of Finance
MTBF	Medium-term budget framework

NPAA	National Programme for Adoption of Acquis
OECD	Organisation for Economic Cooperation and Development
PAR	Public administration reform
PFM	Public financial management
PIFC	Public internal financial control
PIT	Personal Income Tax
PPB	Public Procurement Bureau
PPP	Public private partnership
PRO	Public Revenue Office
SAA	Stabilisation and Association Agreement
SAC	State Appeal Commission for Public Procurement
SAI	Supreme audit institutions
SAO	State Audit Office
SEED	Systematic Electronic Exchange of Data
SIGMA	Support for Improvement in Governance and Management
SSO	State Statistical Office
SWG	Sector working group
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank



## Introduction

The monitoring report on implementation of the 2020 Action Plan for realisation of the Public Finance Management Reform Programme for the period January - December 2020 was prepared by the Ministry of Finance (MoF) of the Republic of North Macedonia, with active participation of other line ministries and institutions represented in the Sector Working Group for PFM: Ministry of Economy, State Audit Office (SAO), State Statistical Office (SSO), Customs Administration of the Republic of North Macedonia (CARNM), Public Revenue Office (PRO), Public Procurement Bureau (PPB), State Appeal Commission for Public Procurement (SAC). The process of preparation of the report was initiated and finalised by the end of January 2021. The report was prepared based on an instruction for reporting, including deadlines and reporting templates, prepared by the IPA and NPAA Unit at the Ministry of Finance (coordination unit), which facilitated the consolidation and presentation of the PFM reform reporting information.

The Report provides information on progress achieved in implementation of reform activities for the period January – December 2020.

## 1. Executive summary

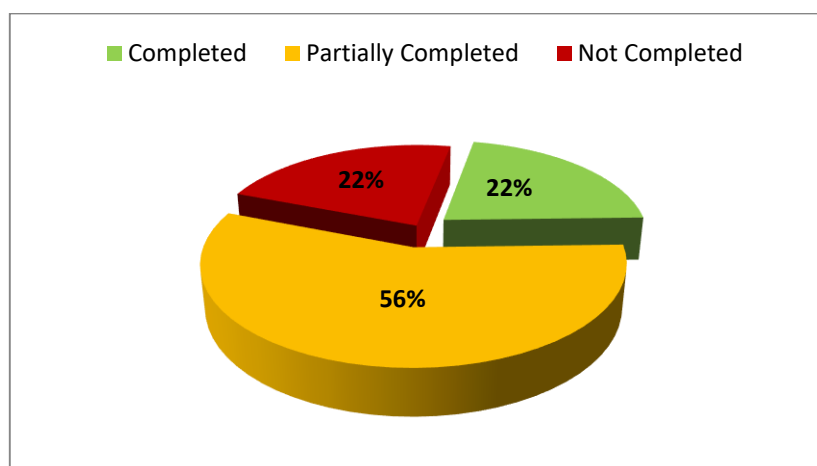
The Government has adopted the PFM Reform Programme 2018-2021 (hereinafter: the Programme) in December 2017. The overall objective of the Programme is to ensure efficient and effective allocation of public funds towards activities that contribute to economic growth and development and maintain effective management of the use of public funds in all areas and sectors of public administration. The Government has also developed sub-system reform strategies, including in the areas of public internal financial control and tax system.

In the third year of implementation of the PFM Reform Programme, the Government is continuing the PFM reforms activities which started in 2018 and 2019, but also planned new reform activities launched in 2020.

The 2020 Action Plan for implementation of the PFM Reform Programme was prepared by the Ministry of Finance of the Republic of North Macedonia, in close collaboration with the following institutions: Ministry of Economy, State Audit Office, State Statistical Office, Customs Administration, Public Revenue Office, Public Procurement Bureau, State Appeal Commission for Public Procurement. The Action Plan was adopted by the Government in July 2020. The 2020 Action Plan provides continuation of the planned PFM reform agenda and ensures its sustainability.

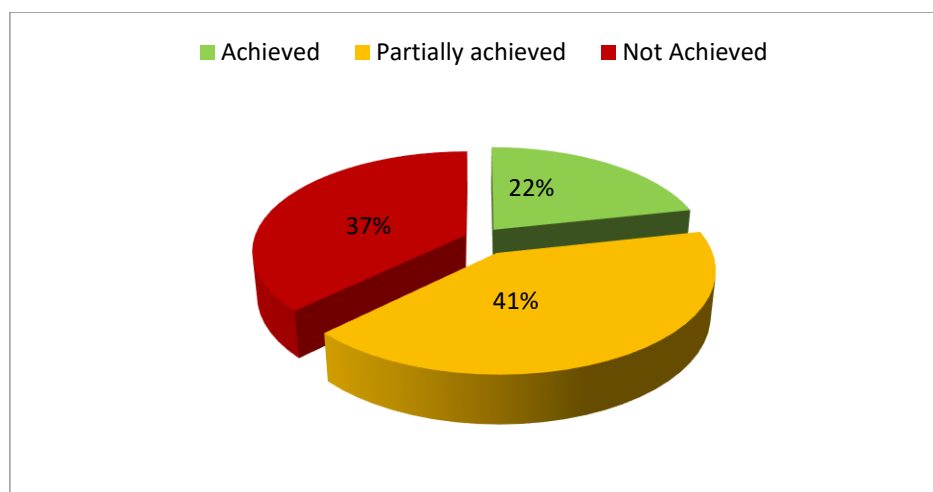
The status of the implementation of the activities/sub-activities covered by the Action Plan 2020 is as follows: out of 144 sub-activities, 31 are completed, 81 are in the process of implementation and 32 are not completed (not yet started), which in terms of the percentage of implemented activities is represented as follows:

*Percentage of implemented activities in the reporting period from January - December 2020*



The achievement of indicator targets for 2020 is the following: 22 indicator targets are achieved, 42 indicator targets are partially achieved and 38 are not achieved.

*Percentage of achieved indicator targets in the reporting period from January - December 2020*



The detailed status of achievement of indicator targets for 2020 and status of implementation of the planned activities are presented in the Annex 1: Performance Indicators Matrix on the 2020 Action Plan for PFM Reform Programme.

All the activities that were initially planned to be completed in 2020, but were not realised, will be planned in the 2021. The draft 2021 Action Plan provides continuation of the planned PFM reform agenda and ensures its sustainability.

The updated Risk assessment of the 2020 Action Plan for PFM Reform Programme is presented in Annex 2.

## 2. Aggregate overview

### 2.1 Background

The PFM Reform Programme 2018-2021 was adopted by the Government of the Republic of North Macedonia on 19<sup>th</sup> December 2017.

The Programme seeks to strengthen the public finance system, promoting transparency, accountability, fiscal discipline and efficiency in the management and use of public

resources for improved service delivery and economic development. Importantly for the accession process, the PFM Reform Programme supports the dialogue with the EU and help use EU resources more efficiently throughout North Macedonia's institutions, on the road to EU accession.

Reforms under the Programme are structured in the form of 7 priorities, the goal of which is to improve both efficiency and effectiveness of public spending, through fiscal discipline, debt sustainability and efficient, transparent and modern public financial management, which is an imperative for a stable, sustainable development and well-being of the citizens of the Republic of North Macedonia.

7 priorities are envisaged under the PFM Reform Programme:

- Priority 1: Improved Fiscal Framework
- Priority 2: Revenue Mobilization
- Priority 3: Planning and Budgeting
- Priority 4: Budget Execution
- Priority 5: Transparent Government Reporting
- Priority 6: Internal Control
- Priority 7: External Control and Parliamentary Oversight

The PFM Reform Programme 2018 - 2021 is implemented through annual Action Plans approved by the Government of the Republic of North Macedonia for each year during the implementation period of the Programme, thus ensuring timely implementation and sequencing of the Programme's activities.

The 2020 Action Plan for Implementation of the PFM Reform Programme was adopted by the Government on 21<sup>st</sup> July 2020, following its endorsement by the PFM Council. The delay in the process of reviewing, consulting and endorsing this Action Plan was due to the Government's measures to deal with the health crisis caused by the pandemic with COVID 19 and its consequences.

It elaborated in details the measures, activities and sub-activities of the PFM Reform Programme to be implemented in 2020, defined specific indicator targets to be achieved and presented an estimation of the costs implications and sources of funds needed for implementation of these activities. The 2020 Action Plan was based on continuation of the reform activities started with the previous Action Plans for 2018 and 2019, which were mainly focused on improving legislation in several areas (public procurement, public internal financial control, budget planning, public debt management), but also contained new activities to commence in 2020. –

Sound public financial management is a key requirement in the European integration process and is linked to a large number of negotiating chapters, (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).

## 2.2 Links to Strategic Documents

### 2.2.1 Policies, Strategies and Programmes Linked to PFM

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

The PFM Reform Programme 2018-2021 takes into account all the relevant documents in the field of European integration, starting from 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 II Indicative Strategy Paper 2014-2020*

The priorities set 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 2014 - 2020 set out in the IPA II Indicative Strategy Paper 2014-2020. Along with improved capacities for macro-economic planning, IPA will also invest in establishing a robust framework for the management of economic changes and financial crisis. IPA will also provide support for the preparation and implementation of a comprehensive public financial management reform programme. Specific focus will be put on improving the revenue administration and collection (customs/tax) and strengthening the operational and institutional capacities including the IT interconnectivity and interoperability of customs and tax administrations with EU systems. A key priority will be the improvement in the medium term budget planning and introduction of a solid programme-based budgeting. At the same time IPA funds will also be invested in optimising the budget preparation, budget execution and cash management, including the introduction of the integrated PFM IT System, covering all key PFM sub-systems and gender responsive budgeting. Assistance will be allocated for ensuring the efficiency and effectiveness of the public procurement system. Strengthening the public internal financial control and the external audit remains among the key priorities of the sector as well. Particular focus will be put on statistics where investments will be made into the data collection (sex-disaggregated), processing

and publication and ensuring the compliance with the EU statistical criteria for production of statistics and organisation of the statistical system.

### *Economic Reform Programme (ERP)*

The Economic Reform Programme is prepared and submitted to the European Commission (EC) in accordance to EC Guidance and in the frame of European Semester - light which follows similar time dynamic as the European Semester for Member States. The Economic Reform Programme 2020 - 2022 has been submitted to EC on 3 February 2020<sup>1</sup> after government's formal endorsement.

The European Commission's assessment<sup>2</sup> of ERP 2020 - 2022 points that the policy guidance set out in the conclusions of the Economic and Financial Dialogue of May 2019 has been partially implemented. In the area of macro-fiscal reform measures, it states among others, that the government further enhanced fiscal transparency, but measures to strengthen fiscal frameworks have been delayed. A tax strategy was prepared but needs to be followed up with decisive policy steps, such as review of existing tax exemptions to broaden the tax base. The general government debt ratio narrowed somewhat in 2019, largely as a result of under implemented capital expenditure. In relation to progress in statistics, it states that progress is made concerning annual international trade in service statistics, research and development, harmonised indices of consumer prices, and short-term business statistics. Further progress is expected regarding adherence to the excessive deficit procedure methodology. Efforts on government finance statistics should be intensified and the data gaps in annual and quarterly national accounts should be addressed.

As the Covid-19 pandemic was expected to have strong effects on the economy in 2020, the Policy guidance adopted within Economic and financial dialogue in May 2020<sup>3</sup>, put focus this year on the short-term priorities to mitigate the socio-economic consequences of the pandemic crisis and on the medium-term priorities to strengthen the foundations of a sustained recovery thereafter. Hence, the following recommendations are to be implemented and reported upon in the next ERP 2021-2023:

1. Use fiscal policy to mitigate the crisis-induced impact on growth and employment. Adopt the Tax System Reform Strategy 2020-2023 and improve revenue collection capacities in line with the strategy. Further improve the transparency of public finances by publishing regular fiscal reports on public enterprises and taking steps towards incorporating them in general government statistics in line with the excessive deficit procedure methodology.

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<sup>1</sup><https://finance.gov.mk/files/ERP%20MKD%202020-2022%20en.pdf>

<sup>2</sup><https://data.consilium.europa.eu/doc/document/ST-7470-2020-INIT/en/pdf>

<sup>3</sup><https://www.consilium.europa.eu/media/44029/st08101-en20.pdf>

2. To support economic recovery, improve public investment management to mitigate technical obstacles to implementation of capital spending. Establish a comprehensive registry of state aid and review firm-level subsidies based on their cost-effectiveness. Take initial legal and operational steps to establish fiscal rules and a fiscal council with a view to strengthening fiscal sustainability in the medium term.

On 26 August 2020, the Ministry of Finance as national coordinator of the ERP preparatory process, held a kick-off meeting for preparation of the ERP 2021-2023 with the representatives from institutions in charge – members of the ERP WG: the Cabinet of the Deputy Prime-minister for Economic Affairs, National bank, Ministry of Finance, Ministry of Economy, Ministry of labour and Social Policy, Ministry of Education and Science, Ministry of Transport and Communications, Ministry of Agriculture, Forestry and Water Economy, Ministry of Information Society and Administration, Ministry of Health, Public Procurement Bureau, Fund for Innovation and Technology Development, Employment Agency.

The preparation of the programme was faced with new challenges as situation appeared where due to pandemic of Covid-19, the tools for virtual events were used most in organizing working meetings with the institutions, workshops, public consultations, EC advisory mission. In the frame of EU financed regional project implemented by CEF for supporting ERP process, workshops were organized for: 1/ integration of structural reform measures in the budget, 2/ coordination schemes for costing of structural reforms, 3/ knowledge sharing on costing of structural reform measures. Bilateral meetings and consultations were organized with the institutions for the purpose of improving the quality of the measures. From 9-10 November 2020, an EC advisory mission was held on draft structural reform measures. In the frame of abovementioned activities, as it was the practice so far, along with the members of the ERP Working Group, actively were involved representatives from the subject matter departments responsible for policy creation, as well as from budget units. From 7-21 December 2020, draft ERP 2021-2023, part 5 Structural reform measures was published online for public consultations on MoF web site (<https://arhiva.finance.gov.mk/en/node/9182>). The document was also submitted to the Economic and Social Council and will be reviewed at session planned for 15 January 2021. After its adoption by the Government, the ERP 2021-2023 will be submitted to EC till 31 January 2021 at latest. The EC Assessment mission on ERP 2021-2023 is announced for end of February 2021. Within this mission the level of implementation of the Policy guidance from May 2020 shall be presented, such as:

- Activities taken within fiscal policy for measures to mitigate pandemic effects,
- Adopted Tax System Reform Strategy 2020-2023 and follow up activities,

- Increased fiscal transparency by publishing data by the Ministry of Finance on revenues and expenditures of public enterprises and state owned enterprises on quarterly level and by enterprise; additional public debt data; local government budget execution data on quarterly level,
- Activities planned for establishing of a unit within MoF for public investments management,
- New Budget law prepared that defines among other midterm budget planning, fiscal rules and fiscal council.

The implementation of the Policy guidance contributes to improvement of the economic governance, that is one of the three key pillars of the EU enlargement process. The revised enlargement methodology states that the credibility of accession process should be reinforced through even stronger focus on fundamental reforms, that are to become more central in accession negotiations. Negotiation on the fundamentals will be guided by: roadmap for the rule of law, roadmap on the functioning of democratic institutions and a stronger link with the economic reform programme process to help countries meet the economic criteria.

### ***State Programme for Prevention and Repression of Corruption and Prevention and Reduction of Conflict of Interests with Action Plan***

The implementation of the annual Action Plan and the PFM Reform Programme as a whole is expected to significantly improve the accountability and transparency in the management of the public finance as well as to strengthen the public and Parliamentary oversight. The planned improvements in the budgeting process and in the budget documentation, as well as in the public contracting process and procurement information will improve the quality of the available PFM information and will allow citizens to better follow and assess key PFM processes. In addition, the efforts to enhance the managerial accountability and internal audit are expected to result into stronger management systems less prone to corruption and maladministration. Finally, the investments in the external audit function have the potential to improve the effectiveness of the external audit, which is expected to result into a closer involvement of the Parliament in the oversight of the PFM. With transparency and accountability being the key instruments to prevent corruption, the Programme therefore is expected to support the implementation of the anti-corruption programme in a horizontal manner through a direct impact on all budget users.

### ***Public Administration Reform (PAR) Strategy***



Reform of public finances is one of the key pillars of the Public Administration Reform, and as such is embedded in the PAR Strategy and Action Plan for the implementation of the PAR Strategy. Given that modern public administration is a basis for efficient and effective management of the public finances, during the preparation of PFM Reform Programme and PAR Strategy, full coherence and harmonization of both strategic documents is provided. Particular attention has been given to the 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. Moreover, the link between these two strategic documents has been further strengthened by participation of the Minister of Information Society and Administration in the process of management and coordination of the PFM Reform Programme, as member of PFM Council, and membership in Sector Working Group for PFM, thus ensuring consistency and complementarity in implementation of both strategies. Also, PFM reforms are placed on the agenda of the SAA monitoring process, in particular, the progress in implementation of the reforms is discussed during the meetings of the Special Group for Public Administration Reform. Moreover, the agendas for conducting both, the PFM policy dialogue and Special Group for PAR are aligned.

### 2.2.2 PFM Sub-Areas Strategies

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

***Tax System Reform Strategy*** was officially adopted by the Government on 29.12.2020 after two public consultations with stakeholders. The first public consultation was conducted in February 2020 and the second one in December 2020, following which many suggestions were implemented in the final text of the Strategy. The strategy covers a period of 5 years (2021 - 2025) and is in correlation with the timeline of other strategic documents of the Ministry of Finance and its bodies. The Tax System Reform Strategy includes 5 priorities of the tax policy-makers and the public revenues administration institutions for the period 2021 - 2025 (1 - Increase Fairness of Taxation, 2 – Improve Efficiency and effectiveness of the Tax System, 3 – Increase Tax Transparency, 4 – Improve Quality of Services, 5 – Introduce Green- ecology Taxation), elaborating their key activities, results, responsible entities and key performance indicators.

***Policy for internal financial control in the public sector (with Action Plan for the period 2019-2021)*** (hereinafter: PIFC Policy Paper 2019-2021) was adopted by the Government in March 2019. The document is consistent with the PAR Strategy 2018-

2022 and the PFM Program 2018-2021 and defines priorities aimed to ensure further consistent strengthening of the PIFC. For the purpose of monitoring the implementation of the PIFC Policy Paper 2019 - 2021, on May 21, 2019, the Minister of Finance adopted a Decision on the establishment of a Committee for monitoring the implementation of the Internal Financial Control Policy in the public sector.

The progress reports on the implementation of the PIFC Policy Paper 2019 - 2021 for July-December 2019 and January - June 2020 were adopted by the Committee for Monitoring the Implementation of the Internal Financial Control Policy in the Public Sector in January and July 2020 respectively.

The implementation of the measures and activities set out in the PFM Program and PIFC Policy Paper are supported by the Twinning project "Strengthening the functions of budget planning, execution and internal control", within Component 2: "Strengthening the system of public internal financial control through effective Implementation of the PIFC Policy Paper". Due to the situation with COVID-19, the activities within the Twinning project started in June 2020 and are implemented with reduced dynamics.

***PRO Strategic Plan 2020 - 2022*** is fully complementary with the Programme. Under Programme 3. Public Finance Management - Revenue Mobilisation, sub - programme 3.1. Improved stability, efficiency and quality of revenue collection system (tax system and policy) and sub-programme 3.3: Establishment of a Disaster Recovery Centre, it contains activities which are in full consistency with the planned activities under Priority 2 - Revenue mobilisation of the Programme.

***PRO IT Strategy for the period from 2019 to 2022*** is in line with the PFM Reform Programme and the Tax System Reform Strategy. The key goal of the IT Strategy of the PRO is to define the overall development strategy for the information and communication systems of the PRO in accordance with the development strategy of the PRO as a whole. The Strategy defines the future development of the IT systems, infrastructure and technical environment and the development direction of the Directorate for Information Technology and its employees, mandatory application of IT standards and methodologies.

### ***SAO Development Strategy 2018 – 2022***

Measures under the Priority 7: External Control and Parliamentary Oversight of the PFM Reform Programme 2018 -2021, are closely connected to the strategic goals in SAO Development Strategy 2018 – 2022.

- Measure 1: Improved strategic planning and external audit process in line with the ISSAIs is connected to Strategic goal 2 – Further improvement of the quality of audits and Strategic goal 3 – Further development of SAO institutional capacity;
- Measure 2: Improved scrutiny over the budget by the Parliament is connected to Strategic goal 5 - Improvement of communication and exchange of information with domestic and international entities and informing the public.

***CARNM Strategic Plan 2020 – 2022*** is fully complementary with the Public Finance Management Reform Programme 2018 - 2021. Measures under the Priority 2: Revenue Mobilisation of the Programme are fully compliant with the CARNM strategic objectives VI.1.1. Further harmonization of the national Customs Legislation and procedures with the legislation of the European Union, VI.1.3. Ensuring simple and predictable procedures and formalities and VI. 2.1. Ensuring effective and efficient controls and VI.4.3 Improvement and further development of IT support systems.

***Strategy for ICT development of the Customs Administration 2019 – 2023 and Action Plan for Interconnection and Interoperability of the Customs Administration with the EU systems 2019-2023*** (adopted by the Government in April 2019), provides a basis for implementation of the IT systems for the coming mid-term period, according to the Multi-Annual Strategic Plan for Implementation of e-Customs of the EU for harmonisation with the UCC and EU accession. The Strategy gives the mission, vision and strategic priorities and goals of the Customs Administration in the development of ICT, as well as the activities and the necessary resources for their realization. In the period 2019-2023, the Customs Administration plans to implement several projects from all areas of customs operations, which should be IT supported and to assist the CA in the timely implementation of the planned activities to create adequate administrative capacity and establish interoperability with the systems of the EU, which are a precondition for the accession of the Republic of North Macedonia to the European Union.

The ***Strategy for Integrity and Fight against Corruption was adopted in CARNM 2019-2022***, the implementation of which was subject to ***Action Plan*** containing measures with a time limit of 2019-2022.

## 2.3 Links to external assessments

From 1<sup>st</sup> of April to 5<sup>th</sup> of April 2019 TAIEX Peer-review mission on public procurement system was conducted in the area of public procurement. The aim of expert mission was

to access the capacity of the Republic of North Macedonia to effectively enforce judicial decisions in civil including commercial matters. For that purpose, assessment was made on the basis of studying the legal and institutional provisions as well as a number of concrete cases. Experts delivered set of recommendations regarding enforcement structures, procedures and of their effectiveness.

Fiscal Transparency Evaluation was conducted in April/May 2018 by the IMF and the Report was published in October 2018. Number of recommendation were taken into consideration while defining the activities related to transparent government reporting.

### **Public Investment Management Assessment (PIMA)**

In response to a request of the Government, in coordination with Ministry of Finance (MoF), from January 21 to February 4, 2020, a team of experts from Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF), World Bank, and European Court of Auditors, conducted the Public Investment Management Assessment (PIMA) which aimed to evaluate the quality of public investment management practices (the focus is on infrastructure projects). This assessment was provided with financial support from EU Directorate-General for Neighbourhood and Enlargement Negotiations (DG Near).

The tasks of the mission were to: (i) assess North Macedonia's public investment management framework; (ii) assist the authorities to prepare a reform strategy and prioritized action plan for strengthening the management of public investment; and (iii) recommend follow-up areas of technical support that could be provided by FAD or other development partners.

The Final PIMA report was submitted by the IMF to the Ministry of Finance on April 28, 2020. The report assesses the quality (institutional set-up and effectiveness) of the so-called PIM institutions in the three main phases of the investment cycle: planning, allocation and implementation, identify findings and make recommendations for improving the public investment management framework.

Based on the recommendations given, the IMF has proposed a detailed Action Plan contained in Annex I of the Report. It prioritizes the recommendations, proposes deadlines for implementation (by years, from 2020 to 2023), identifies implementing authorities and proposes providers of technical assistance for capacity development.

In December 2020, the Government adopted the Action Plan for implementation of the PIMA recommendations, which is based on the recommendations of the proposed Action Plan in the PIMA Report for the first two years - 2020 and 2021..

Further information is presented in the relevant section of Priority 3.

## 2.4 Donor coordination

Commitment of donors to support the PFM reforms and maintain the policy dialogue in the country continues during the third year of implementation of the Programme. 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 to co-ordinate the donors' assistance through conducting open and inclusive PFM policy dialogue with all relevant institutions and donors.

Due to the COVID 19 pandemic, one PFM policy dialogue was held on 7th October 2020.

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*PFM donor coordination is carried out on the following two levels:*

*1. Policy level - PFM Council and PAR Council. One of the main tasks of the PFM Council is to facilitate the policy dialogue with relevant institutions and donors. Members of the PFM Council participate in the PFM Policy Dialogues with all relevant stakeholders.*

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

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Also, the PAR Special Group meeting was held on 8<sup>th</sup> October 2020.

On 17<sup>th</sup> December 2020, the Sector Monitoring Committee on Democracy and Government was held with all stakeholders

participating, where PFM related issues were discussed.

In December 2020, several public consultations with stakeholders were organised for presenting and discussing the draft OBL, draft PIFC Law and draft Tax System Reform Strategy.

Starting from the beginning of 2020, in the next 3 years (until 2023) Ministry of Finance in cooperation with other institutions (Public Revenue Office, Customs Administration, Public Procurement Bureau, State Appeal Commission on Public Procurement and Ministry of Economy) will implement two major twinning projects funded by EU - IPA 2018, which should provide support to the functions of the MoF in the field of budget planning and execution, internal control, public procurement, as well as in the field of tax and customs policy and system and revenue collection:

- 1. Strengthening budget planning, execution and internal control functions,** with twinning partner consisting of the following EU member states: Netherlands (National Academy of Economics and Finance of the Ministry of

Finance), Croatia (Ministry of Finance), Latvia (Ministry of Finance) and Bulgaria (Ministry of Finance).

2. **Improving Revenue Collection and Tax and Customs Policy**, with twinning partner consisting of the following EU member states: Austria (Agency for European Integration and Economic Development together with the Federal Ministry of Finance) and Croatia (Ministry of Finance - Customs and Tax Administration).

The FAD technical assistance for the Tax Administration of Republic of North Macedonia is crucial for successful implementation of the foreseen strategic priorities, measures and activities. In addition, IMF's continuous support to the long-term modernization processes and the already developed reform programs will greatly contribute to ensuring smooth change management to the end of establishing electronic tax administration and improving the public finance management – revenue mobilization.

In the area of external audit, SAO representatives established cooperation with SIGMA experts to prepare guidelines for auditing the final account of the state budget. As part of the activities, several working meetings and workshops were held to present the experiences of the United Kingdom and Latvia in this area. As a result of these activities, in 2020 Guidelines for Auditing the Final Account of the Budget of the RNM were prepared.

SAO continues its cooperation with the Westminster Foundation for Democracy (WFD) by implementing new project entitled "Increasing accountability and transparency in Macedonia through improved implementation of SAO recommendations", supported by the British Government. Planned activities within this project relate to the implementation of SAO Communication Strategy 2020- 2023, focusing on SAO communication with the media and journalists. The initial project activities started in February 2020 and were planned to be completed by July 2020, but due to the circumstances with the coronavirus pandemic, the activities are expected to finish in February 2021.

In 2020, the State Audit Office was approved a grant by the IDI - INTOSAI Development Initiative, to support the continuity of operations in the conditions of the COVID-19 pandemic. The approved grant for 10.000 euros is intended for the purchase of computer equipment - laptops needed for effective and efficient field auditing and remote work.

## 2.5 Human, IT and financial resources - administrative capacities

The issue for 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 the 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 all public administration.
2. The 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 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. The 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 rationalised, sustainable and cost-effective management of the public administration and public resources.
3. Also, strategic plans on institutional level are developed on 3 years' basis and they provide overview of the objectives and tasks of each separate institution, the activities for achieving those goals, the effects and the expected results and the human and financial resources for their realization. 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 sector, as well as within the framework of the various donor projects currently implemented and planned. Also, it is expected that the planned establishment of the Public Finance School, which will be supported under the EU twinning project

*Strengthening budget planning, execution and internal control functions*, will contribute to the improvement of knowledge and skills of the relevant staff.

The PFM Reform Programme envisages that all priorities, measures and activities shall be funded through two main sources: the state budget and the donors' funded capacity development projects or technical assistance. The Programme provides a synopsis of the known estimated costs at the time of preparation of the document. In addition, each annual Action plan presents an estimation of the costs implications and sources of funds needed for implementation of the planned activities.

The relevant financial resources are envisaged in the frameworks of the cost benefit analysis and regulatory impact assessment done under each strategic document.

The progress in capacity building of PFM institutions is further elaborated under the status of implementation of the concrete activities planned in the Programme (Part 4. Assessment of 2020 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 programs.



### 3. Overall Progress in the Implementation of the Programme- Summary of Progress Made During the Reporting Period

#### **Improved Fiscal Framework**

Articles for prescribing numerical fiscal rules and establishing and regulating the operation of the Fiscal Council are elaborated in the draft OBL. The draft Law was finalised and submitted to the Government for adoption at the end of December 2020.

In the area of strengthening of forecasting, the construction of a new micro-simulation model in the programming language R which started in third quarter of 2019, is continuing with activities under the IPA twinning project *Improving Revenue Collection and Tax and Customs Policy*, with a main goal to upgrade the current micro-simulation R models for direct and indirect taxation in Agent-Based Model (ABM) with dynamic component for behavioural effects between agents. Based on micro-simulation data provided by the Public Revenue Office related with direct taxation, testing of different machine learning models in order to build dynamic component for behavioural effects has been performed.

Ministry of Finance, supported by the twinning experts, prepared the Tax Expenditures Report, which is a first such report for the Republic of North Macedonia.

Macroeconomic Policy Department has already started with further development of the macroeconomic model by applying different methods for quarterly distribution of national account data, and by reassessing the supply side of the model, using the knowledge gained within the previous EU twinning projects.

In the area of statistics, the SSO continues with the activities under the *Component 1: Further alignment with the EU standards in the field of macro-economic statistics* of the IPA project *Improving the Production and Dissemination of Statistics*, aimed to achieve increased data availability for better forecasting of GDP.

#### **Revenue mobilization**

Activities related to harmonization of the tax and customs legislation will be implemented with twinning support under the EU-IPA 2018 twinning project *Improving Revenue Collection and Tax and Customs Policy*. Project activities started in May 2020. Several workshops were realized related to gap analysis of national legislative provisions in the area of: Value Added Tax, Excises, Tax Procedure and Customs Code,

compared to the latest EU legislation and best practices and elaboration of written recommendations for improvement of Excise Law.

The IT system hall in the PRO - General Directorate Skopje has finished.

The process of upgrading and maintaining the existing subsystems of the PRO and IT equipment continued, but as a consequence of the new crisis with the Coronavirus Covid-19, some of the initiated activities have been postponed due to the introduction of the state of emergency. The upgrade of the e-personal income tax is being implemented, but the realization of the overall process is ongoing. The upgrade and maintenance of e-taxes has started. Technical specification for the application module Debt Management and Debt Collection Procedures has been prepared.

The activities under the Component 4: Operational and administrative capacities of Public Revenue Office for enforcement of national legislation, IT services and procedures improved of the IPA twinning project Improving Revenue Collection and Tax and Customs Policy, have started, related to the collection of taxes, VAT refunds, automatic data exchange, modernization of the PRO and professional and ethical standards. In the field of customs operations, during the reporting period, several acts and regulations were adopted, in terms of taking measures to address and mitigate the effects of the **Covid-19** pandemic.

The Customs Administration drafted *Guidelines for customs issues related to the Coronavirus emergency*, in order to offer guidance to participants, with practical solutions arising from the existing legal framework (application of customs regulations in the decision-making process, customs procedures and formalities, as well as application on procedures related to excise goods).

A National Plan for implementation of the **NCTS phase 5** has been prepared and submitted to DG TAXUD.

Since the introduction of CDEPS in June 2019, about 60% of the total exports to the Republic of North Macedonia have taken place through simplified customs procedures, which practically means that two out of three trucks export without coming to the customs terminal, which no longer has customs costs terminal, nor holidays or non-working day costs, given that the system operates 24/7.

As of 1<sup>st</sup> April 2020, the customs procedure for export through the new software is completely paperless. The pilot procedure for completely paperless import has started, so that all customs procedures are completely paperless by the end of 2021 year.

In 2020, the Customs Administration successfully chaired the CEFTA Subcommittee on Customs and Origin of Goods, where the main priorities of the Macedonian Presidency of the CEFTA Subcommittee were the following: further facilitation of trade in goods, greater integration of the CEFTA market with the EU market and promotion of e- trade and paperless customs.

The Republic of North Macedonia through the Customs Administration is the first country in the CEFTA region to submit an official request for the start of the process for international recognition of the issued authorisations for Authorised Economic Operator (AEO) for customs simplification as well as security and safety. The Customs Administration intensively promotes this program among the economic operators, increasing the interest of the economic operators for this type of authorisations, which also contributes to increasing their understanding of the concept itself, what is its meaning and what are the benefits of owning this type of authorisation.

### **Planning and budgeting**

Following the comments received by the World Bank, IMF and EU delegation, the MoF supported by WB expertise funded by the Government of United Kingdom was intensively working during 2020 to finalise the draft Organic Budget Law and prepare proposals for certain areas included in the law (medium-term fiscal strategy, budget document structure, organizational structure, register of public sector entities, fiscal rules). MoF conducted the public consultation process in the fourth quarter of 2020, through publishing the draft OBL to the Single National Electronic Registry of Regulations of the Republic of North Macedonia - ENER and organising additional public debate, and subsequently has submitted the draft OBL to the Government for adoption.

Furthermore, during 2020, the MoF in cooperation with the World Bank, the Government of United Kingdom and the EU (through the IPA 2018 twinning project Strengthening budget planning, execution and internal control functions) continued to work on preparing implementing legislation - bylaws, guidelines, manuals etc. - aimed at operationalization of the Organic Budget Law and further improvements of the PFM system.

Activities related to programme budgeting will be implemented as part of the process for preparation of the methodology and the guidelines for programme budget.

The first Public Investments Management Assessment (PIMA) in North Macedonia was conducted in the period January 21 to February 4, 2020, by a team of experts from Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF), World Bank, and European Court of Auditors, under coordination of the MoF. The final PIMA report was

submitted by the IMF at the end of April 2020. The report assesses the quality (institutional set-up and effectiveness) of the so-called PIM institutions in the three main phases of the investment cycle: planning, allocation and implementation, identify findings and make recommendations for improving the public investment management framework. Based on the recommendations given, the IMF has proposed a detailed Action Plan contained in Annex I of the Report. The national Action Plan for implementation of PIMA recommendations was adopted by the Government of the Republic of North Macedonia in December 2020.

In the area of statistics, the implementation of the activities aimed to develop capacities for compilation of EDP notification tables continued under the IPA project “Improving the Production and Dissemination of Statistics”.

### **Budget execution**

During 2020, Ministry of Finance, with support by World Bank experts, worked intensively on updating the technical specification for the new IFMIS, based on which a tender dossier should be prepared and a public procurement should be conducted for the new integrated system during 2021.

Simultaneously, the Ministry of Finance has led discussions with the EU, the World Bank and other donors about the options for financing of IFMIS.

Quarterly summary reports from the recorded data for reported liabilities in accordance with the Law on reporting and recording of liabilities are published regularly. The latest report on the MoF's website is published for the fourth quarter of 2020.

Debt management strategy for the period 2021 - 2023 with outlook up to 2025 was adopted by the Government in December 2020, together with the revised Fiscal Strategy 2021 - 2023 with outlook up to 2025.

In the area of public procurement, all corresponding bylaws deriving from the new Law on Public Procurement and the new Law on public procurement in the area of defence and security were adopted and published in the "Official Gazette of the Republic of North Macedonia". Also, PPB prepared and published on its website an updated brochures and guidelines, corresponding to the new Law on Public Procurement, as well as, Frequently Asked Questions (FAQ), related to the implementation of the new Law on Public Procurement.

As regards strengthening the capacities of the contracting authorities and procurement officials, in the period January – December 2020, PPB organized 14 regular education trainings, which were attended by 225 participants, 13 trainings for recertification, attended by 235 participants and 1 training for trainers, attended by 20 participants.

Assessment report on public procurement legislation in North Macedonia was prepared and delivered by twinning project's experts, with recommendations concerning legislation and strengthening capacity in the field of public procurement.

Tender procedure for developing platform for e-Marketplace and e-Catalogues and SAC processing system has finished and a contractor was chosen for the implementation of the project. PPB, SAC and the contractor started developing the platform.

In order to increase transparency and accessibility to the data on the public contracts connected with the COVID-19 crisis, a new tool for easier indication of COVID-19 related public contracts was introduced on the ESPP. This tool provides special marking of the Contract award notices published on ESPP for the conducted negotiated procedures connected with the COVID-19 crisis.

The administrative capacity of the PPB has been strengthened with 11 new employments realized in 2020.

In the area of PPP system, in the past period Ministry of Economy, supported by the World Bank experts and the EU Twinning Project *Strengthening budget planning, execution and internal control functions*, worked on drafting the new PPP Law. The report on the legal analysis with recommendations for the legal regulation of this area by the experts of the World Bank was prepared and submitted to the Ministry of Economy at the end of July 2020. Also, under the EU Twinning project, a draft analysis of the legal framework in the area of PPP and concessions with recommendations has been prepared. Based on these analyses, a draft Law on PPP was prepared, and sent to the SEA at the end of December 2020 in order to be submitted to the EC for opinion.

Also, with World Bank assistance, the Ministry of Economy worked on analysing and developing technical specifications for establishing the Single Electronic PPP system, with modules needed to ensure the implementation of the entire procedure for granting contracts related to establishment of a public-private partnership from the announcement to the conclusion of the contract, that will generate a Register of concluded contracts.

In the area of statistics, the activities related to establishing General Government Accounts in accordance with ESA 2010 and further strengthening statistical services in the area of IT, have continued under the IPA project Improving the Production and Dissemination of Statistics.

In March 2020, IT equipment was delivered and installed in SSO, as a result of the tendering procedure for purchase of hardware. Also, in the frame of the project, a document was prepared that defines the business requirements of different parts of the re-engineered IT system for creation of statistical data.

## Transparent Government Reporting

In February 2020, the MoF launched a new transparency tool about the public debt [javendolg.open.finance.gov.mk](http://javendolg.open.finance.gov.mk), prepared with support from IRI and USAID. Platform comprise five parts: public debt and its components, debt trends by years, public debt financing in 2020, securities issuance, and debt of public companies for each of them separately, as well as the expected borrowing and the repayment by the enterprises in 2020, are published on this platform.

In June 2020, Open Finance portal data set was broaden with data for transactions of municipalities.

The new Fiscal Strategy 2021-2023 is additionally improved with data on realization in the first quarter of 2020, as well as data on the amount of capital investments expressed through investment programs of public enterprises and state-owned companies at the central level.

In October 2020, the Ministry of Finance started a regular practice of publishing data on revenues and expenditures of public enterprises and state-owned companies at the enterprise level on a quarterly basis and data on the execution of the local government budget (fiscal table for local government) on a quarterly basis.

## Internal control

The new Draft Law on the System of Internal Financial Control in the Public Sector was published on ENER on November 3, 2020, and on December 15, 2020, a public debate was organized with the stakeholders. According to the comments received on ENER and the public debate, the draft law was finalized and reviewed by the Economic Council of the Government and subsequently adopted by the Government on December 28, 2020. The Draft Law will be submitted to the Parliament in the beginning of January 2021 for adoption.

The progress reports on the implementation of the PIFC Policy (with the Action Plan for the period from 2019 to 2021) for July-December 2019 and January - June 2020 were adopted by the Committee for Monitoring the Implementation of the Internal Financial Control Policy in the Public Sector in January and July 2020 respectively.

The activities within the EU IPA 2018 twinning project *Strengthening budget planning, execution and internal control functions* started in June 2020 and are implemented with slowed dynamics due to the COVID 19 pandemic.

In 2020, the CHU continued with the assessment of the key control activities in the Ministry of Labor and Social Policy, within the Dutch bilateral support.

Annual Report on the Functioning of the Public Internal Financial Control System for 2019 was adopted by the Government of the Republic of North Macedonia in August 2020.

## **External Control and Parliamentary Oversight**

At the session of the Assembly of the Republic of North Macedonia held on 12 December 2019, Maksim Acevski, MSc, was elected new Auditor General, and at the session held on 4 February 2020, Orhan Ademi was elected Deputy Auditor General, which ensured conditions for unimpeded managing and organization of the work of the State Audit Office.

Aspects of the recommendations contained in the Report of the European Commission on the Republic of North Macedonia for 2020 and the PFM Reform Programme are contained in SAO strategic documents as follows:

- SAO Development Strategy 2018 - 2022;
- SAO IT Strategy 2018 - 2022;
- Human Resources Management Strategy 2020 - 2023;
- SAO Communication Strategy 2020 - 2023;
- SAO Risk Management Strategy 2020-2023,
- Guidelines for Strategic and Annual Audit Planning;
- Decision for setting audit strategic goals of the State Audit Office for the period 2021 - 2023 and for priority audit areas by audit departments, and
- SAO Strategic Audit Plan 2021 - 2023.

The last six above-mentioned strategic documents were adopted in 2020.

Based on the SAO Communication Strategy 2020-2023 adopted in mid-February 2020, SAO commenced several activities to increase transparency and accountability, as well as activities within the project funded by the British Government and implemented by the Westminster Foundation for Democracy (WFD), in cooperation with RESIS - Research Institute for Social Development from Skopje, with focus on communication with the media and journalists.

Based on the recommendations for further development of the strategic and annual audit planning process given by the experts in the previous Twinning project, SAO

prepared and adopted Guidelines for Strategic and Annual Audit Planning. The Guidelines provides basis for the Decision for setting audit strategic goals of the State Audit Office for the period 2021 - 2023 and for priority audit areas by audit departments, adopted in mid-November 2020, as well for preparing SAO Strategic Audit Plan 2021 – 2023, adopted in December 2020. Based on the above-mentioned strategic audit documents, SAO Annual Working Program for 2021 was prepared.

Important aspects of the audit processes have been improved with the adoption of the following acts:

- Procedure for the manner of operation of the Expert Body in the State Audit Office;
- Public Procurement Audit Program based on the new Public Procurement Law;
- New Rulebook on the manner of performing state audit (“Official Gazette of the RNM”, no. 264 of 5 November 2020), and
- Amendments to the Regularity Audit Manual, in order to implement recommendations from the previous Twinning project for implementation of ISSAIs in the audit process.

SAO institutional capacities were strengthened in 2020 by increasing the number of SAO employees to 97, as a result of 14 new employments, though 2 employees left the organization due to retirement.

With the aim of improving SAO institutional capacities, new acts for internal organization and systematization of jobs were adopted in September 2020, based on previously performed Functional Analysis and obtained consent of the competent ministries.

SAO successfully implemented the Annual Work Program for 2019 by issuing 90 final audit reports, submitting these reports to the Assembly of Republic of North Macedonia and publishing the reports on SAO website.

SAO 2019 Annual Report on performed audits and operation was prepared and submitted to the Assembly of Republic of North Macedonia within the legally prescribed deadline by the end of June 2020 and is made available on SAO website, as well as it was submitted to the President of the Assembly and to each MP, to acquaint them with the contents of the Report.

SAO capacities for conducting performance audits are constantly upgraded. The Annual Work Program for 2020 contains 8 performance audits, including two international cooperative audits. Also, SAO is conducting two audits on implemented measures related to the coronavirus.



Consistent with SAO 2019 Annual Report on performed audits and operation published in June 2020, with the implementation of the SAO Annual Work Program for 2018 and 2019, measures have been taken upon 789 recommendations, i.e. acting upon audit recommendations is 76.6%.

As a result of the activities of the previous Twinning Project, SAO has clear recommendations on what is needed to develop quality parliamentary discussion on audit reports and the expected effect of reviewing audit reports in the Assembly. These recommendations were starting point for the new Twinning project "Improving external audit and parliamentary oversight" MK 18 IPA FI 03 20. The Twinning Project will start to be realized in February 2021, lasting for the next 21 months.

## 4. Assessment of Implementation of the 2020 Action Plan

### 4.1. Priority 1: Improved Fiscal Framework

#### **Measure 1: Formulation, adoption and implementation of fiscal rules**

Establishment of fiscal rules and a fiscal council with a view to strengthening fiscal sustainability in the medium term is to be regulated with the Organic Budget Law (OBL). Articles for prescribing numerical fiscal rules and establishing and regulating the operation of the Fiscal Council are elaborated in the draft OBL.

Draft OBL was published to the Single National Electronic Registry of Regulations of the Republic of North Macedonia - ENER for public consultation on 1<sup>st</sup> October 2020. Additionally, on December 4, 2020, a public presentation and discussion on the draft OBL was organized with all stakeholders (World Bank, IMF, European Commission, expert public, chambers of commerce and CSOs). Following the comments received, the draft Law was finalised and presented to the Economic Council of the Government and subsequently submitted to the Government at the end of December 2020 for adoption. After the approval by the Government, which is expected at the beginning of January 2021, it will be submitted to the Assembly for adoption.

#### **Measure 2: Strengthening forecasting**

In order to meet the objectives for strengthening of forecasting in the period of January-December 2020, the following activities were undertaken:

For the purpose of strengthening the administrative capacities of the employees from the Forecasting and Analysis Unit within the Department for Public Revenues, Tax and Customs policy, several trainings were realized in cooperation with JVI and CEF related to fiscal framework and revenue forecasting.

Also, in this period, the new EU-IPA 2018 twinning project *Improving Revenue Collection and Tax and Customs Policy* started with implementation, second component “Capacities of the MoF for conducting tax policy analysis and forecasting enhanced” is specifically earmarked to strengthen forecasting capacity of the MoF. In this period several workshops were conducted on modern data analysis (e.g. coding in the programming language R, working with tool for the preparation of the interactive reports (dashboards) with R Markdown etc.) and practical examples on how to download big data sets from internet (e.g. annual macro-economic database of the European Commission's Directorate General for Economic and Financial Affairs - AMECO etc.).

The construction of a new micro-simulation model in the programming language R which started in third quarter of 2019, is continuing with activities of the twinning project, which main goal is to upgrade the current micro-simulation R models for direct and indirect taxation in Agent-Based Model (ABM) with dynamic component for behavioural effects between agents. In order to achieve this, in August 2020, Public Revenue Office provided micro-simulation data related with direct taxation. These data has helped us to test different machine learning models in order to build dynamic component for behavioural effects. Further work in this field work could continue in the future period as planned in the Roll-up Action Plan of the twinning project. Additionally, in the field of micro-simulation, training was provided by the World Bank in the programming language Python and GitHub platform, where main focus was put on how to design the model, how to put growth factors, making reforms, running various reforms in the model to estimate revenue and distributional impact.

As a result of successfully performed activities with twinning project, first Report on Tax Expenditures in Republic of North Macedonia was prepared. Calculation and publication of tax expenditures is also part of the Fiscal Transparency Action Plan, which was adopted by the Ministry of Finance in order to meet the obligations arising from the IMF Fiscal Transparency Report, which recommended the regular annual publication of tax expenditures reports. Also, producing such report is one of the criteria related to the structural adjustment measures for disbursement of the second instalment under the Macro-financial Assistance from the EU.

### **Further development of the macroeconomic model**

The macroeconomic model that was built during the EU twinning project "Strengthening the capacity of the MoF for macroeconomic analysis and policy formulation" is

functional and is efficiently functioning. In order to further develop it, the MoF initially intended to use certain disaggregated quarterly national accounts data which should have been published by the SSO. But, having in mind that their publication was postponed by the State Statistical Office, the MoF - Macroeconomic Policy Department has already started with further development of the model by applying different methods for quarterly distribution of national account data, and by reassessing the supply side of the model, using the knowledge gained within the EU Twinning project "Strengthening the capacity of the Ministry of Finance for macroeconomic analysis and policy formulation" and follow-up missions within the EU Twinning project "Strengthening the medium-term budgeting for effective public financial management". Therefore, we deem that the technical assistance previously planned for this activity is not necessary.

### **Measure 3: Increased data availability for better forecasting of GDP**

This measure will be implemented as part of the Component 1: Further alignment with the EU standards in the field of macro-economic statistics within the project on Improving the Production and Dissemination of Statistics, financed under IPA 2017.

During the period from 20 January to 24 January 2020 one mission was carried out, and the following activities were implemented:

- ✓ Analysis of employment and hours worked based on National accounts figures, quarterly and annual data were done.
- ✓ Discussion of the current situation in the compilation and transmission of national accounts data on Gross capital formation and changes in inventories - data sources, coverage, Identification of deficiencies in estimates of Changes in inventories; mark-up for the Work in progress inventories, Improving the estimations of Changes in inventories.
- ✓ The main data sources concerning GDP data by Income approach and employment and hours worked based on ESA'2010 requirements have been analysed and reviewed. Meanwhile, the available information from SSO (Department for Labour market - code by code from the database, in order to prepare a relevant model for GDP by income approach) reviewed and analysed.
- ✓ Activities started related to: improvement of GDP quarterly data and additional data according to Reg 549/2013 ESA 2010, Annex B Data Transmission Programme – e.g. including GDP by income approach, Employment and Hours worked, Labour productivity, changes in inventories and Gross fixed capital formation. ESA 2010 DTP for tables: 0110, 0111 and 0303.

During the period 19-30 October 2020, one expert's mission was carried out for elaboration of final method of employment and hours worked. The data on working hours from the Labor Force Survey for 2019 and the first two quarters of 2020 were sent to the experts in November 2020.

## 4.2. Priority 2: Revenue Mobilization

### **Measure 1: Improved revenue legislation framework, harmonized with the EU Acquis**

This measure will be implemented with twinning support under the EU-IPA 2018 twinning project *Improving Revenue Collection and Tax and Customs Policy*. In particular, Component 1 of the twinning project is related to harmonization of tax and customs legislation with EU acquis, standards and best practices.

The project commenced on January 21, 2020 and will be implemented in the next 36 months with twinning partners from Austria and Croatia.

Project activities related to harmonization of the tax and customs legislation started in May 2020.

By the end of 2020, under Component 1, were realized 10 workshops. Concretely, these workshops we related to: gap analysis of national legislative provisions in the area of Value Added Tax, Excises, Tax Procedure, Personal Income Tax, Profit Tax, Customs Measures for Protection of Intellectual Property Rights and Customs Code, compared to the latest EU legislation and best practices; elaboration of written recommendations for improvement of Excise and VAT Law; preparation on Reports on the normative framework on suspending autonomous customs tariff duties favourable tariff treatment of goods for end-use, guarantees of customs debt and write-off uncollected claims, customs fees and for drafting and alignment of the Customs Law (new UCC) and bylaws with EU legislation.

Due to the current situation with COVID-19 pandemic, the workshops were carried out via video conference.

In the next period, January - April 2021, are planed to be realized workshops for performing gap analysis of Motor Vehicles Tax Law, Public Revenue Office Law, Customs Administration Law and Law on Customs Tariff and for drafting new Customs Code and the implementing provisions align with EU legislation.

### **Measure 2: Improved tax and customs services and procedures**

Regarding the implementation of project activities of the PROs Modernisation Programme and Strategic Plan, the following progress has been made:

The IPA 2/EUIF 2014 project "Development and re-engineering of business processes of the new tax integrated IT system" officially ended on 31/01/2019 and delivered the following outputs: modelled business processes (BPM2) which show the global scheme of business processes that need to be re-engineered and integrated in the new IT system ("TO-BE" system), a technical specification for the hardware and software for the new integrated IT system and quality control - technical support for implementation.

Procurement of BMP tool (software and licenses) was completed unsuccessfully, there was no economic operator that meets the criteria. The procedure should be repeated in the next period.

Regarding the software for the new integrated tax system for IT and the technical support for quality control during the implementation of the software, the Public Revenue Office, in cooperation with the Ministry of Finance is in the phase of application for a new project for financing the development of the new IFMIS and expansion of the new IT system of the PRO.

The Public Revenue Office, the Ministry of Finance and the World Bank in coordination of the Delegation of European Union hold online meetings and have constant electronic communication within the application for the new project for financing the new IFMIS and the expansion of the new IT system of the PRO. IT system hall in the General Directorate - Skopje is functional and put into use.

Regarding upgrading of existing PRO subsystems and IT equipment, maintenance of licenses etc, as a result of the new crisis with the Corona virus Covid -19, the initiated activities and / or the prepared technical specification are mainly delayed due to the introduction of the state of emergency. The following progress has been achieved:

- Upgrading and maintaining e-personal income tax is in the phase of implementation.
- Upgrade and maintenance of e-Taxes has started.
- Specification of functional requirements for a new IT Debt Management module has been prepared. A request - consent from the Government of the Republic of North Macedonia was submitted for conducting a public procurement procedure.

PRO is one of the beneficiaries of the new EU-IPA 2018 twinning project *Improving Revenue Collection and Tax and Customs Policy*, which started in January 2020. Namely, the component 4 *Operational and administrative capacities of Public Revenue Office for enforcement of national legislation, IT services and procedures improved* of this twinning project is specifically designed to strengthen the capacities of the PRO.

As of end-December 2020, 10 activities have started, related to the collection of taxes, VAT refunds, automatic data exchange, modernization of the PRO and professional and ethical standards. 56 representatives of the PRO participated in the activities. Due to the health and economic crisis caused by the COVID-19 pandemic, the activities of the project have been organised and conducted online.

During this period, the following acts and regulations related to customs operations were adopted:

- **Regulations for the classification of certain goods in the Combined Nomenclature in accordance with the regulations of the European Commission** (Official Gazette No. 222/2012, 281/2020), thus harmonising with the EU Commission Regulations for the classification of certain goods in the Combined Nomenclature ,
- **A Decision on harmonisation and amendment of the Customs Tariff for 2021** (Official Gazette 282/2020) was adopted; harmonising with the EU Regulation No. 1577 of the EU dated 30.10.2020.

In the period January 2020– December 2020, additional acts and regulations related to customs operations were adopted in order to facilitate the management of the COVID crisis:

- **Guidelines for customs issues related to the state of emergency COVID-19 –** The purpose of this document is **in times of crisis, to offer stakeholders guidance on practical solutions arising from the existing legal framework.**
- In order to better regulate trade, in conditions of application of emergency measures, the Customs Administration adopted a **Guideline for movement of goods through the green corridors** for the Western Balkans is to provide priority access to the goods identified on the priority list, prepared by CEFTA members.
- **User Guidelines for operational use of the SEED system, regarding the procedures for ensuring fast flow of consignments of basic goods within the green corridors (such as: food, animal food, chemicals and vital medical supplies and equipment), at the following customs border crossings located on the priority green corridors: Customs Office Tabanovce Highway, Customs Office Blace and Customs Office Kafasan.**

An upgraded version of the One-Stop-Shop system for import, export and transit permits of goods - EXIM has been put into production. In this way, greater visibility of the approved goods and traceability of the used quantities was ensured. In addition, the system makes a reservation of the quantities when submitting a customs declaration to

CDEPS, which will be a significant relief for economic operators in conducting customs procedures.

The NCTS system is currently operating smoothly and a tool for monitoring its functioning and a module for monitoring the movement of excise goods have been developed. A national plan for implementation of the NCTS phase 5 has been drafted and submitted to DGTAXUD. Intensive work is being done on the tender documentation for NCTS phase 5.

Maintenance agreements have been signed for both the NCTS and the ITO systems, which ensure the maintenance, upgrade and business continuity of all customs IT systems.

**17 companies have received approval for Authorised Economic Operator (AEO),** and the interest of the economic operators for this type of approval is increasing.

In 2020, the Customs Administration chaired the CEFTA Subcommittee on customs and origin of goods, where the main priorities of presidency were the following:

- further facilitation of trade in goods,
- greater integration of the CEFTA market with the EU market, and
- promoting e-commerce and paperless customs.

Results achieved within the meetings/activities:

- joint border controls were established at the Tabanovce-Presevo border crossing (with Serbia).
- Negotiations between the Republic of North Macedonia and Albania are underway to open a border crossing with the realisation of the concept of joint one-stop controls.
- promoted concept of Authorised Economic Operator.
- Several decisions have been taken within CEFTA that affect the acceleration of the flow of goods and passengers of phytosanitary and veterinary control of Albania, Serbia and North Macedonia (priority lanes and Green corridors).
- Participation in the preparation of new Multi-annual Action Plan on regional economic area in the Western Balkans (Multiannual Action Plan - Regional Economic Area 2021-2024 (MAP REA 2021-2024).
- Revised Regional Convention on Pan-Euro-Mediterranean Preferential Rules (PEM Convention), as well as the possibilities of expanding the cumulation of origin by amending the free trade agreements with the European Union, EFTA and Turkey. Also discussed were: the consequences of copulation of origin as a result of the United Kingdom's withdrawal from the European Union.

- Mutual recognition of AEO authorisations, between the CEFTA countries has been progressed and Republic of North Macedonia is the first country to be evaluated in order to ensure that the national AEO programme is recognised by all CEFTA countries, enhanced functions of the SEED and adoption of Real Time Data Exchange Decision addressed.
- Planned implementation of the cross-border e-commerce project and specific activities for a common regional market.
- new project "Support to Regional Economic Integration" for the Western Balkans and the Republic of Moldova supported by CEFTA, EU and German Federal Ministry for Economic Cooperation and Development for launching organized.

The Customs Administration, having in mind the current and forthcoming European integration processes of the country, within the **ICT Development Strategy** defines the projects and activities related to the development of the national customs systems, in order to enable Interoperability and Interconnection with the European systems for the period until 2025. The main document referenced in the ICT Development Strategy is MASP (Multi Annual Strategic Planning), an EU document that defines the development of European customs systems, within the common and national domain, in accordance with the Union Customs Code - UCC). The Customs Administration completed a series of consultations through the Twinning project with the customs administrations of Austria/Croatia, where the necessity for development and implementation of the customs systems was determined, in order to ensure readiness for later connection in the common domain and interconnection with the central customs systems of the EU. A special and urgent priority, given that North Macedonia is a member of the Transit Convention, is to ensure the development and implementation of NCTS Phase 5 within the set deadlines at EU level.

A report has been drafted on the implementation of the **Strategy for Integrity and Anti-Corruption in the CARNM 2019 - 2022**. Guidelines, Procedures and Registers for fight against corruption were established respectively. Survey to measure the level of exposure to abuse of office and the occurrence of corrupt activities in the Customs Administration was conducted, through the Agency for Research of Public Opinion, Market and Media. The results and analysis of this research will be used as a basis for creating a policy for prevention of corruption and conflict of interest, strengthening integrity and proper identification of future concrete activities in the field of fight against corruption.

In the reporting period, over 40 activities for **professional training of customs officers** with over 400 participants were conducted.



In 2021, the already procured **sophisticated equipment and vehicles for transport of customs dogs** will be delivered to increase the completed inspections for the Sector for Control and Investigations within the project - Improving the quality of customs controls and combating fraud and illicit trade in goods, which is part of the Public Financial Management Program, within EU-IPA 2018.

In the forthcoming period, the Customs Administration will focus on further development of the existing IT systems and will strive for further harmonization of the customs legislation and acceleration of the procedures.

Regarding the measure 3 - ensuring stability of the PFM systems in case of crisis, following a procurement procedure conducted by the EU Delegation under the IPA 2018 PFM Programme, in February 2021 it is expected to start with the delivery of computer equipment (servers, data warehouses, switches, laptops and system software) to ensure continuous operation of the information systems and creation of data centres at a remote location (Disaster Recovery Centre) of the Customs Administration and the State Audit Office.

### 4.3. Priority 3: Planning and Budgeting

**Measure 1: Upgraded programme based budget approach and improved project information**

**Measure 2: Improving the medium – term budget planning**

**Measure 3: Revised Organic Budget Law in line with the improvements of the PFM system**

Maintaining the overall fiscal discipline in the medium term is one of the priorities within the planning and budgeting process, which will result in: i) Medium term fiscal consolidation; ii) Allocation of resources based on programs and program indicators included; and, iii) Medium-term budget framework serves as a reliable guide to future budget allocation for each budget user.

Measures implemented under this priority are aimed to strengthen and upgrade programme budgeting, provide improved project information and continue the process of introduction of a comprehensive Medium-term Budget Framework (MTBF). Programme based budget will enable budget users to manage their budgets in line with the policies and priorities in their institutions. Project activities are aimed to define a structure for comprehensive programme budgeting. This includes developing and defining a structure of programmes and sub-programmes with key results thereof.

Furthermore, using unified approach for appraisal and selection of proposals for public investment projects and improving organizational aspects would make project implementation more transparent.

Introduction of a comprehensive MTBF is the key planning tool to link medium-term budgetary decisions with those deficit and debt targets that have been set. Moreover, reliable medium term budget planning is of key importance in medium term fiscal policy making. First thing needed is a reliable medium term baseline scenario so that fiscal space for new initiatives for financing or possible cuts can be estimated.

All the above mentioned measures with activities and sub activities under Priority 3, which were planned in the 2020 Action plan are closely interlinked with preparation of the new Organic Budget law and establishment of the new Integrated Financial Management Information System (IFMIS).

The OBL is the framework legislation that defines public financial management system in North Macedonia – it is the main legislation that defines the scope of the central and general government in the country. The Organic Budget Law is the basic legal act regulating the overall budget process, including the main participants in the budget process, the procedure for preparation and adoption of the budget, execution of the budget and Final report for budget execution, management of the budget allocations and preparation of a Medium-term Fiscal Strategy.

The new OBL will be in line with the improvements of the PFM system, aiming to ensure framework for conducting a sound, predictable and sustainable fiscal policy and increasing the budget discipline and responsibility. Important new mechanism of the law include:

- i) Establishment of fiscal rules and institutionalization of fiscal council;
- ii) Publication of a Register of Public Sector Entities;
- iii) Medium-Term Fiscal Strategy process improvement, preparation of a baseline scenario and new initiatives; and
- iv) Improvement of transparency (submission of data for public enterprises, LSGUs)
- v) Establishment of an integrated information system for public financial management.

The new law should be in line with the improvements planned in the public finance management system, in order to provide a framework for sound, predictable and sustainable fiscal policy and increased budget discipline and accountability.

The activities related to preparation of new Organic Budget Law that started in 2018, continued in 2020. Following the comments received by the World Bank, IMF and EU

Delegation, the MoF supported by WB expertise funded by the Government of United Kingdom was intensively working during 2020 to finalise the draft Organic Budget Law, prepare proposals for certain areas included in the law (medium-term fiscal strategy, budget document structure, organizational structure, register of public sector entities, fiscal rules). The MoF conducted the public consultation process in the fourth quarter of 2020, through publishing the draft OBL to the Single National Electronic Registry of Regulations of the Republic of North Macedonia - ENER and subsequently, submitted the Law to the Government for its adopting.

Government adopted the Revised Medium Term Fiscal Strategy 2021-2023 with outlook up to 2025 in December 2020.

In the interest of improved fiscal predictability, medium-term planning under the Fiscal Strategy 2021–2023 covers the period 2021–2023, as well as prospects for the following two years.

Despite the still present unpredictability and the risks related to the duration and the intensity of the pandemic globally, its implications on the budget and the economy as a whole, taking into account the so-far implemented four sets of economic measures, medium-term projections for the period 2021-2025 are expected to ensure fiscal sustainability, redesigning the public expenditure structure, fiscal consolidation through gradual reduction of the budget deficit, as well as continuation of the positive trends of the North Macedonia's economy.

To that end, budget deficit is projected to gradually reduce from 4.9% of GDP in 2021, 3.8% of GDP in 2022, 3.2% of GDP in 2022, 3.2% of GDP in 2023, 2.8% of GDP in 2024 to 2% of GDP in 2025.

Total genuine revenues of the Budget of the Republic of North Macedonia (central government and Funds) for the period 2021-2025 are projected to around 29.6% of GDP. Revenue projections in the coming medium-term period are based on revenues generated in the previous years and the effects from the planned tax and pension reforms.

Expenditure side of the Budget of the Republic of North Macedonia in the next period is fully created in terms of achieving the strategic priorities, accelerating the economic growth and the EU integration process. In the period 2021-2025, average share of total expenditures of the Budget of the Republic of North Macedonia accounts for around 33% of GDP.

In the medium term, the focus of fiscal policy remains on providing a significant level of public investment, which is a prerequisite for improving economic prospects, as well as for better living standard of the citizens. In this regard, significant amount of capital

investments is planned to be financed from the state budget, including loans from the international financial institutions and bilateral creditors. They are intended for intensification of the infrastructure projects, i.e. investments in road and railway infrastructure, energy and utilities infrastructure, as well as capital investments aimed at improving the conditions in the health, education and social systems, agriculture, culture, sports, environment protection and judiciary.

Despite the still present unpredictability and risks associated with the duration and intensity of the global health pandemic, its implications for the budget and the economy as a whole, the medium-term projections for 2021-2025 are expected to ensure fiscal sustainability, redesigning the structure of public spending through increased capital investments not only in absolute amount, but also by increased share of capital expenditures in total expenditures, ie from 9.7% in 2021 to 12.8 in 2025.

2021-2025 Budget of the Republic of North Macedonia	2021	2022	2023	2024	2025
<b>GDP</b>	706,834	754,135	809,217	872,478	944,281
<b>TOTAL expenditures</b>	247,567	252,483	265,172	281,515	297,251
<i>Capital expenditures</i>	24,055	25,890	31,828	35,637	37,981
Capital expenditures (% of total expenditures)	9.7	10.3	12.0	12.7	12.8
Capital expenditures (% of GDP)	3.4	3.4	3.9	4.1	4.0

In order to improve capital expenditure execution, new mechanism is introduced with the Law on 2021 Budget Execution, i.e. an obligation for the budget users to execute 15% of the capital expenditures in the first quarter, 40% as of the second quarter inclusive and 65% as of the third quarter inclusive. In case of failure to do so, Ministry of Finance reallocates the unused funds up to the prescribed limit to item 414-Capital Expenditures Reserves at the respective budget user, without any right to spending. Should the budget users spend the funds up to the prescribed limit in the next quarter, i.e. should they execute 70% of the capital expenditures by 15 November inclusive, Ministry of Finance, ex officio, returns the reduced funds to the appropriate sub-programme and item where they were reallocated from. Should the budget users fail to spend the funds up to the prescribed limit in the next quarter as well, the Parliament, upon proposal by the Government, decides on the use of the funds reallocated to item 414-Capital Expenditures Reserves. Thus, the budget users would be encouraged to execute the capital expenditures in the envisaged scope and for the account of the budget users

having underperformed, i.e. budget users having executed the capital expenditures in line with the approved Budget would obtain more funds.

Furthermore, during 2020, the MoF in cooperation with the World Bank, the Government of United Kingdom and the EU (through the IPA 2018 twinning project Strengthening budget planning, execution and internal control functions) continues to work on the preparation of implementing legislation - bylaws, guidelines, manuals etc. - aimed at operationalization of the Organic Budget Law and further improvements of the PFM system. Activities related to programme budgeting will be implemented as part of the process for preparation of the methodology and the guidelines for programme budget. The activities planned under the *Component 1: Support for implementation of the new OBL provided of the EU - IPA 2018 twinning project Strengthening budget planning, execution and internal control functions*, that started in February 2020, were paused due to the COVID 19 pandemic, but their implementation continued from September/October 2020.

In response to a Government's request, in coordination with the Ministry of Finance, in the period January 21 - February 4, 2020, a team of experts from Fiscal Affairs Department (FAD) of the International Monetary Fund (IMF), World Bank, and European Court of Auditors, conducted the first Public Investment Management Assessment (PIMA) which aimed to evaluate the quality of public investment management practices (the focus is on infrastructure projects).

The implementation of the technical mission, the provision of data requested by the IMF team of experts and the organization of technical meetings with national institutions was coordinated by the Ministry of Finance - International Financial Relations and Public Debt Management Department. All Ministries and other institutions, regulatory bodies and state-owned enterprises (SOE) that implement infrastructure projects participated in the assessment.

The tasks of the mission were to: (i) assess North Macedonia's public investment management framework; (ii) assist the authorities to prepare a reform strategy and prioritized action plan for strengthening the management of public investment; and (iii) recommend follow-up areas of technical support that could be provided by FAD or other development partners.

The Final PIMA report was submitted by the IMF to the Ministry of Finance on April 28, 2020.

The report assesses the quality (institutional set-up and effectiveness) of the so-called PIM institutions in the three main phases of the investment cycle: planning, allocation

and implementation identify findings and make recommendations for improving the public investment management framework.

Based on the recommendations given, the IMF has proposed a detailed Action Plan contained in Annex I of the Report. It prioritizes the recommendations, proposes deadlines for implementation (by years, from 2020 to 2023), identifies implementing authorities and proposes providers of technical assistance for capacity development.

In December 2020, the Government adopted the Action Plan for implementation of the PIMA recommendations, which is based on the recommendations of the proposed Action Plan in the PIMA Report for the first two years - 2020 and 2021.

The Ministry of Finance has envisaged in the new functional analysis to be implemented from 2021, an establishment of a new organisational unit that will deal with tasks related to public investment. Namely, in accordance with the IMF recommendations given in the report, new functions will emerge for the MoF in the field of PIM which are not currently performed (no expertise and staff), in the area of assessment and monitoring of public investments - infrastructure projects and fiscal risk assessment on infrastructure projects. In terms of capacity building of people who will work on PIM, MoF will need coordinated technical assistance from the EU, IMF and World Bank.

#### **Measure 5: Developed capacities for compilation of EDP notification tables**

This measure will be implemented as part of the Component 1: Further alignment with the EU standards in the field of macro-economic statistics within the project on Improving the Production and Dissemination of Statistics, financed under IPA 2017.

During the period 20-24.01.2020 second mission on EDP notification tables and related questionnaires was carried out.

The following activities were done:

- Analysis of quality of the data sources for EDP Notification tables, EDP Questionnaires, methodology and timetable;
- Experimental calculation based on the existing information for compilation of Questionnaires related to EDP tables 1.1, 1.2 and 3) - sources and timetable.
- Work on Memorandum for cooperation between SSO, Ministry of Finance and National Bank - deadlines for submitting of available data among the institutions.
- The EDP Inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts according to ESA'2010 has been reviewed and discussed in details.

During the period 19-30 October 2020 third mission on EDP notification tables and related questionnaires was carried out.

The following activities were implemented:

- Analysis of quality of the data sources for EDP Notification tables, EDP Questionnaires, methodology and timetable;
- Compilation of the data for EDP tables 1, 2, 3 and 4.
- Experimental calculation based on the existing information for compilation of Questionnaires related to EDP tables– sources for tables 4 and 5 and compilation of tables 1.1, 1.2, 2.1, 2.2 and 3.
- Work on Memorandum for cooperation between SSO, Ministry of Finance and National Bank - deadlines for submitting of available data among the institutions. Two proposals for Memorandum of cooperation were provided by the middle of November for internal discussions.
- The EDP Inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts according to ESA'2010 has been reviewed and discussed in details.

## 4.4. Priority 4: Budget Execution

### **Measure 1: Implementation of new financial management information system (IFMIS)**

The establishment of a new efficient and integrated financial management information system in the Ministry of Finance (IFMIS) is one of the key reforms in the public financial management system. During 2019, Ministry of Finance worked intensively on development of functional and technical requirements for the new IFMIS together with World Bank experts through a project funded by the United Kingdom. As a result, a detailed technical specification was prepared, based on which a tender dossier should be prepared and a public procurement should be conducted for the new integrated system during 2021.

Recently, Ministry of Finance together with EU and the World Bank considered an option for financing IFMIS with IPA 2018 funds and a loan provided by the World Bank, where the World Bank would act as the implementer of the project. Namely, given the experience that the World Bank has had in implementing such projects, the indivisibility of the procurement of such systems (IT systems) as well as technical assistance to be provided during the process of implementation, the Ministry of Finance prefers this project to be implemented by the World Bank in order to use their expertise and support

in the process of implementation of the IFMIS. Regarding the financing of IFMIS, during 2020, the Ministry of Finance has held discussions with the EU, the World Bank and other donors on the options for financing IFMIS.

In the meantime, the existing technical specification is being updated with the assistance of experts from World Bank and it is expected to be finalized by March 2021. In addition, the Ministry of Finance will establish a dedicated IFMIS organizational unit.

### **Measure 2: Strengthening commitments controls**

The publication of quarterly summary reports from the recorded data for reported liabilities in accordance with the Law on reporting and recording of liabilities (Official Gazette No.64/18) is performed continuously. The reports on the reported liabilities are published by: subjects, group of subjects, type of expenditure and types of customers. The latest reports are published on the MoF's website with data for the fourth quarter of 2020<sup>4</sup>.

### **Measure 3: Strengthening debt management**

Latest amendments of the Law on Public Debt (Official Gazette of the Republic of North Macedonia No. 98 of 21.05.2019) envisage the development of a public debt management strategy as a separate document. However, due to postponement of the activities for preparation the Fiscal Strategy caused by emergency situation with COVID-19, there was a need for consequent postponement of the activities for preparation and adoption of the Public Debt Management Strategy. This need arises from the very tight connection between the activities for preparation of the Fiscal Strategy and the Public Debt Management Strategy. Debt management strategy 2021 -2023 with outlook up to 2025 was adopted by the Government in December 2020.

### **Measure 4: Strengthening public procurement system**

Public Procurement Bureau (further: PPB) continued the process of complementation of primary legislation by corresponding secondary legislation.

In this direction, all corresponding bylaws deriving from the new Law on Public Procurement ("Official Gazette of the Republic of Macedonia" No. 24/19) were adopted and published in "Official Gazette of the Republic of North Macedonia".

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<sup>4</sup><https://finance.gov.mk/mk/node/7317>



Additionally, all bylaws deriving from the new Law on Public Procurement in the field of defence and security ("Official Gazette of the Republic of Macedonia" No. 180/19) were also adopted and published in "Official Gazette of the Republic of North Macedonia".

As regards strengthening the capacities of the contracting authorities and procurement officials, PPB continued with organizing trainings, which due to the COVID -19 crisis, were conducted online.

In the period January – December 2020, PPB organized 14 regular education trainings, which were attended by 294 participants, 14 trainings for recertification, attended by 289 participants and 1 training for trainers, attended by 20 participants.

PPB also organized and carried out 3 additional workshops for auditors/representatives of State Audit Office (further: SAO), aiming to improve the expertise and capacity of SAO regarding the new Law on Public Procurement, as well as 2 lectures within the trainings organized by Academy for Judges and Public Prosecutors.

In this direction, PPB also prepared and published on its website an updated brochures and guidelines, corresponding to the new Law on Public Procurement, as well as, Frequently Asked Questions (FAQ), related to the implementation of the new Law on Public Procurement.

As the PPB is beneficiary institution in Twinning Project Strengthening budget planning, execution and internal control functions, an Assessment report on public procurement legislation in North Macedonia was prepared and delivered by Project's experts, with recommendations concerning legislation and strengthening capacity in the field of public procurement.

Tender procedure related to developing platform for e-Marketplace and e-Catalogues and SAC processing system (EU support Project (FWC SIEA 2018- LOT 2: Infrastructure, sustainable growth and jobs, EuropeAid/138778/DH/SER/multi), has finished and a contractor was chosen for the implementation of the project. PPB and the contractor started developing the platform.

Furthermore, new tool for easier indication of COVID-19 related public contracts was introduced on ESPP. This tool provides special marking of the Contract award notices published on ESPP for the conducted negotiated procedures which are connected with the COVID-19 crisis. The tool would increase transparency and accessibility to the data on the public contracts connected with the crisis.

13 new employments were envisaged with 2020 action plan, out of which 11 new employments were realized. Recruitment procedure for 2 new employments is still in process and it is expected to be finalized in Q1 2021.

## **Measure 5: Effective PPP and concessions system**

For the purpose to harmonize the legislation with the relevant EU legislation in the field of concessions and public-private partnership, that is, transposition of Directive 2014/23/EU on the award of concession agreements, with technical assistance from the World Bank, activities were initiated to regulate the area.

In direction to establishing effective system for public-private partnerships and concessions and aligning national legislation with European legislation, in the past period, several video conferences were held with World Bank experts to harmonize views on certain issues, taking into account international experience and good practices in this area. The report on the legal analysis with recommendations for legal regulation of this area was prepared by the World Bank experts and submitted to the Ministry of Economy at the end of July 2020, based on which the Ministry of Economy prepared the initial draft version of the law.

At the end of July 2020, the experts from the EU twinning project Strengthening the functions for budget planning, execution and internal control were involved in the activities for drafting the PPP law, by preparing draft analysis of the legal framework with recommendations.

In the past period, the Ministry of Economy in cooperation with the Working Group and with the technical assistance by the World Bank and the Twinning Project prepared a Draft Law on Public Private Partnership which was sent to the SEA at the end of December for its submission to the EC. After receiving the opinion on the draft text of the law by the EC, the Ministry of Economy will continue with the activities related to the adoption of the law will be continued until its adoption by the Parliament, as well as with the activities related to the preparation of bylaws for full harmonization with EU legislation.

In parallel with the engagement of legal experts, conference meetings were held with IT experts from the World Bank to analyse and develop the technical specifications for the establishment of the Single Electronic PPP system, with modules needed to ensure the implementation of the overall procedure for awarding agreements related to the establishment of a public-private partnership from the announcement to the conclusion of the agreement, which will generate a register of concluded agreements.

## **Measure 6: General Government Accounts established in accordance with ESA 2010 and made available for policy makers**

This measure is implemented as part of the Component 1: Further alignment with the EU standards in the field of macro-economic statistics, within the IPA 2017 project on Improving the Production and Dissemination of Statistics.

During the period from 20 January to 24 January 2020 one mission was carried out.

The following activities were implemented:

- Analysis of quality of the data sources for table 25.
- Compilation method based on the new derived information, analysis of the data, discussion for experimental calculation based on the existing information for table 25.
- Several data sources and calculation procedures have been analysed and discussed in relation to the elaboration of Table 25 based on the ESA 2010' definitions and requirements.

#### **Measure7: Strengthening statistical services**

This measure will be implemented as part of the Component 1: Further alignment with the EU standards in the field of macro-economic statistics, within the IPA 2017 project on Improving the Production and Dissemination of Statistics.

During 2020, SSO staff in cooperation with the experts from the project worked on upgrading the IT environment. In the meantime, activities for designing the system interfaces has progressed.

In March 2020, IT equipment was delivered to SSO, as a result of the tendering procedure for purchase of hardware. The equipment is installed in SSO. However, one part of it is foreseen to be installed in the Disaster Recovery Centre in Prilep, for which specific steps have been taken and it is expected that this activity will be realised in the period to come.

During 2020, in the frame of the project, a document was prepared that defines the business requirements of different parts of the re-engineered IT system for creation of statistical data.

### **4.5. Priority 5: Transparent Government Reporting**

As of February 2020, North Macedonia's citizens have had the opportunity to be informed about the public debt through the new transparency tool [javendolg.open.finance.gov.mk](http://javendolg.open.finance.gov.mk), prepared by the Ministry of Finance with support by IRI and USAID. Debt, its trends by years, repayment, disbursements for 2020 and the manner of its financing are thoroughly presented thereon. Platform comprises five parts: public debt and its components, debt trends by years, public debt financing in 2020, securities issuance, and debt of public companies for each of them separately, as well as the expected borrowing and the repayment by the enterprises in 2020, are published on this platform.

In June 2020, Open Finance portal data set was broadened with data for transactions of municipalities in the same format as data for budget institutions within the Budget of the Republic of North Macedonia.

The financial indicators from the financial operations of the public enterprises and trade companies at central level, as part of the budget documentation are presented for the first time within the Fiscal Strategy of Republic of North Macedonia 2020-2022. The new Fiscal Strategy of Republic of North Macedonia 2021-2023, in addition to data on total revenues and expenditures on annual basis, is additionally improved with data on realization in the first quarter of 2020, as well as data on the amount of capital investments expressed through investment programs of public enterprises and companies at the central level.

As of October 2020, Ministry of Finance, as a regular practice, has started with publishing data on revenues and expenditures of the public companies and state-owned companies at the enterprise level on a quarterly basis, as well as data on the execution of the local government budget (fiscal table for local government).

Additionally, Ministry of Finance published a new web page.

## 4.6. Priority 6: Internal Control

In 2020, the implementation of the reforms planned in PFM Reform Program for Priority 6: Internal Control continued, through the following activities:

- In order to strengthen managerial accountability through the application of a decentralized public funds management system, the CHU prepared a passport indicator "Percentage of budget users who apply a decentralized system for public funds management".
- In order to better monitor the quality of work of the internal audit units and increase the percentage of implemented internal audit recommendations, the CHU prepared a passport indicator - "Percentage of implemented internal audit recommendations".

Within the framework of the Dutch bilateral support and cooperation with the National Academy of Finance and Economics in 2020, the following activities for Assessment of the key control activities in the Ministry of Labor and Social Policy, continued:

- On March 3 and 4, 2020, a working meeting was held at the Ministry of Labor and Social Policy and the Centre for Social Work - Skopje, where the implementation

of the process “The right to child allowance” and “The right to guaranteed minimum allowance” were assessed.

- A report on the conducted assessment of the financial management and control in the area of the right to child allowance and the right to a guaranteed minimum allowance was submitted by the Dutch experts to the CHU on June 30, 2020 and it was submitted for comments to the Ministry of Labor and Social Policy.

On January 28, 2020, the Committee for Monitoring the Implementation of the Internal Financial Control Policy in the Public Sector held its second meeting, at which the Progress Report on the Implementation of the PIFC Policy (with the Action Plan for the period from 2019 to 2021) for the period July - December 2019 was reviewed and adopted. In July 2020, the Committee reviewed and adopted the Progress Report on the implementation of the PIFC Policy Paper, for the period January-June 2020.

The implementation of the measures and activities set out in the PFM Reform Program and the PIFC Policy Paper is supported by the EU IPA 2018 Twinning Project *Strengthening budget planning, execution and internal control functions*, within *Component 2: Strengthening the system of public internal financial control through the effective implementation of the PIFC Policy Paper*. Due to the situation with COVID-19, the activities within the Twinning project started in June 2020 and are implemented with slowed dynamics.

In the period June-December 2020, the experts involved in the project in cooperation with the Central Harmonization Unit prepared:

- Report with analysis and recommendations for improvement of the Action Plan for the period 2019 to 2021 from the PIFC Policy Paper.
- Draft Rulebook on the form and content of the reports, action plans and the statement on the quality and condition of the internal controls for the PIFC Annual Report.
- Report on the evaluation of the existing methodological tools according to the draft law on PIFC and recommendations for their improvement.
- New Risk Management Guideline has been prepared for public sector institutions. The purpose of this guidelines is to assist public sector institutions in risk management. The preparation of the guidelines is a planned activity in the measures 3.1. Priority 3 - Effective risk management of the PIFC Policy Paper 2019-2021.

In order to provide continuous training in public finance (including PIFC) within the Twinning project, activities related to the establishment of a Public Finance School were

started. A working group has been established to coordinate the activities for the establishment of the school, which will have the task to prepare an analysis and give a proposal for the selection of a model for the organization of the Public Finance School.

On April 22, 2020, the CHU published on its website "Guidelines for the work of the internal audit units of the public sector in the Republic of North Macedonia in conditions of emergency caused by COVID -19".

The Government of the Republic of North Macedonia on August 18, 2020 adopted the Annual Report on the Functioning of the Public Internal Financial Control System for 2019.

On November 3, 2020, the Draft Law on the Internal Financial Control System in the Public Sector was published on ENER, and on December 15, 2020, a public discussion was organized attended by 35 representatives of the state administration bodies, the non-governmental sector and the EU Delegation in Skopje. Following the comments received through ENER and the public debate, the draft Law was finalised and reviewed by the Government's Economic Council and subsequently adopted by the Government on December 28, 2020. The Draft Law will be submitted to the Parliament in the beginning of January 2021 for adoption.

## 4.7. Priority 7: External Control and Parliamentary Oversight

### **Measure 1: Improved strategic planning and external audit process in line with the ISSAIs**

The objective of this measure is to enhance SAO as sustainable institution capable to apply the most modern and up to date methodologies and guidance on how to plan the process of external audit and thus deliver its core competence as embedded in the provisions in the State Audit Law and other relevant legal framework.

Developing and implementation of the Strategic Plan of SAO is essential condition for successful audit execution and reporting by using all of SAI's capacity and resources on the most effective and efficient manner.

In 2020, SAO has adopted the following strategic documents:

- SAO Communication Strategy 2020-2023;
- Risk Management Strategy 2020 - 2023 and Risk Register;

- Human Resources Management Strategy 2020 - 2023;
- Guidelines for Strategic and Annual Audit Planning;
- Decision for setting audit strategic goals of the State Audit Office for the period 2021 - 2023 and for priority audit areas by audit departments, and
- SAO Strategic Audit Plan 2021 – 2023.

Based on the SAO Communication Strategy 2020-2023 adopted in mid-February 2020, SAO commenced several activities to increase transparency and accountability, as follows:

- Promotion of a new website (<https://dzt.mk>) to make the results of SAO work and conducted audits more accessible to stakeholders and the public. As part of the activities for improving communication, over 190 stakeholders were identified (journalists, media, portals, daily newspapers, weekly magazines, NGOs, broadcasting laboratories / investigative journalists and institutions), so they would receive regular e-mail notifications when each final audit report is published on the website. Consequently, the total number of visits to SAO website for the period January-December 2020 has significantly increased to 48.184 visits, i.e. an average of 4.015 visits per month;
- The form of the abstract of the final audit report was defined;
- In mid-February 2020, Memorandum of Cooperation was signed with the Association of Journalists of Macedonia;
- Activities have been implemented to strengthen SAO communication within the project funded by the British Government and implemented by the Westminster Foundation for Democracy (WFD), in cooperation with RESIS - Research Institute for Social Development from Skopje; the activities were related to the implementation of SAO Communication Strategy 2020-2023, with focus on communication with the media and journalists. Within the project, from July till October 2020 several workshops were organized for strengthening communication skills of SAO employees with media and journalists;
- Project funded by the British Government supported and organized a series of "Training for graphic design" that included nine SAO employees, and
- As a result of these activities, transparency of the SAO and the results of the audit work has significantly increased with 231 media publications in

2020 on the final SAO audit reports, 22 journalists required additional information regarding audit reports and areas of audit work and the Auditor General was participating in 11 interviews with the media.

Recommendations from the previous Twinning project were taken into account in the preparation of the Procedure for the manner of operation of the Expert Body in the State Audit Office, adopted in March 2020.

Based on the new Public Procurement Law, in March 2020 SAO adopted new Public Procurement Audit Program, which provides updated guidelines and methodology tools for auditors in performing this very important aspect of audits.

New Rulebook on the manner of performing state audit was adopted in 2020 ("Official Gazette of the RNM", no. 264 of 5 November 2020), prescribing the performance of the state audit, on the basis of methodological acts harmonized with the requirements of the INTOSAI Professional Pronouncements Framework and the Code of Business Ethics and Conduct of the State Audit Office.

Regularity Audit Manual was amended in December 2020, in order to implement recommendations given in the Report for assessment for improvement of the audit process based on ISSAIs, prepared under activities from the previous Twinning project implemented 2017-2019.

With the aim of implementing recommendation for improving SAO institutional capacities stated in EC Report on Republic of North Macedonia regarding External Audit Area, SAO adopted new acts for internal organization and systematization of jobs and obtained consent of the competent ministries. These new acts are based on a functional analysis done in February 2020.

During 2020 and in the beginning of 2021, these acts were amended in the part of number of systematized job posts; consent of the competed ministries was obtained.

The new acts of organisation and systematization consist of 11/eleven/ audit departments, 2 /two/ departments for support of the audit (Department of Legal affairs and Public Procurement and Financial Affairs Department and 2/ two/ independent units for Internal Audit and Human Resources Management.

SAO act for systematization consist of 183 job posts, out of which 99 or 54% are filled, from which 92 are audit staff, 5 are administrative support staff and two are technical staff, still 46% are not filled yet.



In order to support the continuity of operations in the conditions of the COVID-19 pandemic, the State Audit Office in 2020 was approved a grant in the amount of 10.000 euros by the IDI - INTOSAI Development Initiative for procurement of computer equipment - laptops that are needed for effective and efficient field auditing and remote work.

In 2020, EU Delegation conducted procedure for procurement of computer equipment financed by IPA 2018 funds, to ensure continuous operation of the information system of the State Audit Office at the primary and secondary location.

SAO is currently finishing audits under the Annual Work Program for 2020, which was timely adopted on 31 December 2019 within the legally established deadline. To meet the challenges faced by our country due to the coronavirus pandemic, with a second modification to the Annual Work Program for 2020, SAO conducts two audits that address aspects of the measures implemented for dealing with the crisis caused by the global pandemic.

SAO capacities for conducting performance audits are constantly upgraded. The Annual Work Program for 2020 contains 8 performance audits, including the international cooperative audit on efficient handling and treatment of plastic waste, as well as 2 performance audits started in 2019 - the international cooperative performance audit in the field of labor and the IT audit.

SAO has implemented the Annual Plan for continuous professional development and training for 2020.

With the aim of improving follow-up of audit recommendations, the Government of Republic of North Macedonia reviewed the final audit reports on a regular basis in 2020.

Consistent with SAO 2019 Annual Report on performed audits and operation published in June 2020, with the implementation of the SAO Annual Work Program for 2018 and 2019, 1030 audit recommendations were given in final audit reports for which the deadline of 90 days for submission of feedback from the audited entities has expired. Measures have been taken upon 789 recommendations, i.e. acting upon audit recommendations is 76.6%.

Based on SAO strategic audit documents adopted in 2020, SAO Annual Working Program for 2021 was prepared containing 71 audits, out of which 59 regularity (financial and compliance) audits, 9 performance audits, 1 IT audit, 1 compliance audit and 1 thematic audit.

## **Measure 2: Improved scrutiny over the budget by the Parliament**

The objective of this measure is to improve institutional and/or legal mechanism for anticipation of audit reports by the Parliament.

SAO 2019 Annual Report on performed audits and operation was prepared and submitted to the Assembly of Republic of North Macedonia within the legally prescribed deadline by the end of June 2020 and is made available on SAO website. In addition, following the constitution of the new Assembly of Republic of North Macedonia, SAO submitted 2019 Annual Report in electronic form to the President of the Assembly and to each MP, to acquaint them with the contents of the Report.

SAO has timely submitted its Annual Work Program for 2021 to the Assembly of RNM on 29 December 2020.

As a result of the activities of the previous Twinning Project, SAO has clear recommendations on what is needed to develop quality parliamentary discussion on audit reports and the expected effect of reviewing audit reports in the Assembly.

These recommendations were the starting point for drafting the twinning fiche for a new twinning project "Improving external audit and parliamentary oversight" MK 18 IPA FI 03 20, which should start in February 2021 for a period of 21 months.

The recommendations concerning the cooperation of SAO with the Parliament will be implemented through activities under Component 3 of the new Twinning project, which should achieve:

- Improved legal framework and methodological framework of the SAO and the Assembly for submission and review of audit reports in the Assembly in accordance with the recommendations of the previous IPA 2013 Twinning project;
- Improved cooperation between the Assembly and the State Audit Office for review of audit reports, and
- Strengthening the capacities of the Assembly for reviewing the audit reports in accordance with the new legal and methodological framework.

Early parliamentary elections in Republic of North Macedonia were held on 15 July 2020, which resulted in election of a new composition of the Assembly of Republic of North Macedonia with a 4-year mandate. Representatives of the Assembly of Republic of North Macedonia will take active part in the implementation of planned activities and results of the new Twinning project, with reference to the implementation of an improved legislative oversight function of the Assembly based on review and discussion of SAO audit reports.

## 5. Monitoring and Coordination

For the purpose of monitoring of the progress in implementation of the PFM reforms, priority outcomes with outcome indicators and activity outputs with output indicators for each priority/activity are defined in the log-frame of the Programme.

In addition, the 2020 Action Plan sets up indicators and targets per year for each activity planned.

The country, with the support of the Commission, is in a process of developing a sector-based performance assessment framework structured around a set of objectives, result and impact indicators and targets. For the PFM sub-sector the PAF integrates the



*The monitoring process is based on the PFM reform management and coordination framework, consisted of the following structures established at all hierarchical level of decision-making:*

- *PFM Council*
- *PFM Working Group*
- *Coordinators per Priorities*
- *Measure Leaders*

indicators and targets as per the PFM Reform Programme and the responsibilities for data collection and processing are being assigned on the grounds of the monitoring and reporting system planned in the PFM Reform Programme. The SWG for PFM has finalised the proposal of indicators to be included in the PAF system.

Strong political commitment as regards the fulfilment of the reform goals set in the 2018 - 2021 PFM Reform Programme is ensured through the PFM Council.

The PFM Council has held one meeting in 2020. On the 19<sup>th</sup> June 2020, the PFM Council held its a meeting on which the draft Annual Monitoring Report on Implementation of the 2019 Action Plan for PFM Reform Programme for the period January 2019– December 2019, and the draft 2020 Action Plan for Implementation the PFM Reform Programme were discussed and endorsed, before their submission for adoption by the Government. Also, in November 2020 the PFM Council has conducted one consultation following a written procedure on the draft Monitoring Report on Implementation of the 2020 Action Plan for PFM Reform Programme for the period January–August 2020.

The SWG for PFM is established with the Decision from the Minister of Finance and comprises of representatives from all relevant PFM and other related institutions (MoF, State Audit Office, State Statistical Office, Customs Administration, Public Revenue Office, Public Procurement Bureau, State Appeal Commission for Public Procurement, Ministry of Economy, Secretariat of European Affairs, Ministry of Information Society

and Administration, Cabinet of the Deputy Prime Minister for Economic Affairs), as well as observers from donor community and civil society organisations. The Decision also appoints priority coordinators and measure leaders for each priority and measure from the Programme, giving them certain tasks in the system for monitoring and reporting.

The IPA and NPAA Unit within the MoF represents the Coordination Unit, acting as a technical secretariat to support functioning of the PFM Working Group and PFM Council. In general, its tasks comprise of technical preparation of the meetings of the PFM Council and PFM Working Group and preparation of compiled reports on progress in implementation of the reforms under each priority and compiled annual action plans, based on the input provided by the Priority Coordinators and Measure Leaders.

These working bodies also ensure the necessary coordination among all PFM sub-system strategies and policies (PIFC Policy Paper, Tax System Reform Strategy, PRO and CARM strategies) as well as the other related national strategies, such as the Public Administration Reform Strategy.

Meetings of the PFM SWG are held regularly both on policy and technical level.

On policy level, meetings of the PFM SWG are held in a form of PFM policy dialogues with all relevant stakeholders (civil society, business sector, academia, EC and other donors, IFI's and other international partners active in the sector).

The PFM policy dialogue was held on 7<sup>th</sup> October 2020, before the meeting of the PAR Special Group.

On technical level, SWG meetings are held on concrete PFM sub-areas measures, including on IPA II programming and implementation.

During 2020, two technical meetings of the SWG for PFM was held in July and November 2020, for discussing and finalisation of the draft Strategic Response for IPA 3 in the PFM area. Also, the consultation process for the draft 2019 Annual Monitoring Report and draft 2020 Action Plan for PFM Reform Programme was conducted in March/April 2020 in written, via electronic communication, due to the constraints imposed by the COVID 19 pandemic. The members and observers of the SWG for PFM also attended the PFM policy dialogue which took place on 7<sup>th</sup> October 2020.

## 6. Financing of 2020 Action Plan

The 2020 Action Plan provides details on the cost implications of the reform activities in 2020: budget funds were allocated, while part of these activities were planned to be

financed with donor funds. The following table presents the realisation of the budget for implementation of the 2020 Action Plan.

Priority	Budget in EUR					
	National budget		Donor funds		Total	
	Planned	Realised	Planned	Realised	Planned	Realised
1: Improved Fiscal Framework	40,156	12,160	618,500	40,480	658,656	52,640
2: Revenue Mobilization	1,928,688	279,223	6,620,000	2,187,596	8,548,688	2,466,819
3: Planning and Budgeting	171,892	43,902	140,000	140,000	311,892	183,902
4: Budget Execution	164,905	40,122	1,145,000	1,082,651	1,309,905	1,122,773
5: Transparent Government Reporting	15,500	15,500	/	0	15,500	15,500
6: Internal Control	/	0	1,250,000	155,000	1,250,000	155,000
7: External Control and Parliamentary Oversight	24,000	24,000	/	0	24,000	24,000
<b>Total</b>	<b>2,345,141</b>	<b>414,907</b>	<b>9,773,500</b>	<b>3,605,727</b>	<b>12,118,641</b>	<b>4,020,634</b>

Priority	Budget in MKD					
	National budget		Donor funds		Total	
	Planned	Realised	Planned	Realised	Planned	Realised
1: Improved Fiscal Framework	2,469,360	748,000	38,038,000	2,490,000	40,507,360	3,238,000
2: Revenue Mobilization	119,000,000	17,172,000	407,130,000	134,537,000	526,130,000	151,709,000
3: Planning and Budgeting	10,572,500	2,700,000	8,610,000	8,610,000	19,182,500	11,310,000
4: Budget Execution	10,141,748	2,468,000	70,407,000	66,583,000	80,548,748	69,051,000
5: Transparent Government Reporting	956,600	956,600	/	/	956,600	956,600
6: Internal Control	/	0	76,875,000	9,533,000	76,875,000	9,533,000
7: External Control and Parliamentary Oversight	1,476,000	1,476,000	/	/	1,476,000	1,476,000
<b>Total</b>	<b>144,616,208</b>	<b>25,520,600</b>	<b>601,060,000</b>	<b>221,753,000</b>	<b>745,676,208</b>	<b>247,273,600</b>

## Annexes

Annex 1: Performance Indicators Matrix on the 2020 Action Plan for PFM Reform Programme

Annex 2: Risk assessment of the 2020 Action Plan for PFM Reform Programme