



## **SIGMA**

**Support for Improvement in Governance and Management**

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**FORMER YUGOSLAV REPUBLIC OF MACEDONIA**  
**POLICY-MAKING AND CO-ORDINATION**  
**ASSESSMENT JUNE 2006**

## Introduction

This is the first standard assessment report on the former Yugoslav Republic of Macedonia<sup>1</sup> against the baselines that have been applied by Sigma since 1999 for the assessment of policy-making and co-ordination in EU candidate countries.

Since 2001, Macedonia has been engaged in a comprehensive reform of its decision-making system, which has introduced strategic planning, linkages between strategic and work planning, and policy co-ordination mechanisms at the centre of government. Major pieces of legislation and regulations, e.g. rules of procedures and a new systematisation, to support the reform have been adopted, and the General Secretariat has been fundamentally transformed from a body providing only administrative and logistical support to an organisation, staffed with managerial civil servants, capable of providing substantive planning and policy support to the government. The process of reform has also involved a large number of staff in ministries, and there is clearly a growing understanding and acceptance throughout the system of the importance of strategic planning with linkage to the budget, policy analysis and co-ordination.

The reform gives the system a good foundation, but many of the reforms are still very new, and need to be deepened through practice in the coming years.

### 1. Coherence of the Policy-Making Framework

The legal framework for decision-making and policy formulation is set by the *Rules of Procedure for Operation of the Government*. The Rules of Procedure were first adopted in April 2001 and were significantly amended in July 2003 and recently in April 2006 to incorporate the various reforms agreed by the government.

The Rules of Procedure set up a complete planning system linking the political priorities established by the government upon its election to the annual process of strategic planning and budgeting, which is finally translated into specific policies and actions presented in an annual work programme. The Rules of Procedure also require ministries to submit key information in support of all items brought for decision by the government, including: a completed Fiscal Impact Assessment form; a Government Memorandum summarising the key points of the policy presented, options reviewed and expected impacts; a Table of Concordance for laws and regulations that are harmonised with EU legislation; and other relevant information. They also establish a process of inter-ministerial consultation and co-ordination, culminating in a weekly meeting of all the state secretaries (the General Collegium, chaired by the Secretary General of the Government). The General Collegium ensures the adequate preparation of issues and the resolution of outstanding technical issues prior to the meetings of the standing committees and of the government.

The Rules of Procedure set up a clear and coherent decision-making system that is well understood and accepted by all actors in the policy-making process. They also establish the legal basis for two important documents that support the strategic planning and policy co-ordination systems. *The Methodology on Strategic Planning and Preparation of the Annual Work Programme of the Government*, adopted by the government in 2003, describes the process of identifying the priority policy objectives and ensuring that adequate resources are allocated to those priorities through the budget process and incorporated in the Annual Work Programme of the Government. It also establishes mechanisms for monitoring and reporting on progress in implementation of the strategic priorities. *The Methodology on Policy Analysis and Co-ordination*, adopted by the government in April 2006, defines six key principles for policy-making and elaborates the roles of the players in each of the stages of the decision-making process.

**The Rules of Procedure provide the necessary elements for a solid decision-making process, including strategic planning and preparation of proposals in ministries, co-ordination, and monitoring by the General Secretariat of the Government. The legal framework for policy development, planning, co-ordination, and decision-making is coherent and complete and will not require changes in the medium term.**

### 2. Inter-Ministerial Consultation on Policy Proposals

According to article 68 of the Rules of Procedure, the proposing ministries submitting the legislative draft or other materials for review to the government have the responsibility of consulting other “responsible,

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<sup>1</sup> In this report the former Yugoslav Republic of Macedonia will hereafter be referred to as “Macedonia”.

relevant and interested state administration bodies and other state bodies, depending on the nature of the material to be reviewed". In particular, the Rules of Procedure require the proposers to consult the Ministries of Finance, Justice, Defence, Foreign Affairs, and Environment and Spatial Planning as well as the Legislative Secretariat.

The staff in the General Secretariat's Policy Analysis and Co-ordination Sector checks whether consultations have been conducted, particularly with the Ministry of Finance and the Legislative Secretariat. They prepare a briefing note for the Secretary General, which includes a list of consulted ministries, whether the proposing ministry has accepted or rejected the comments and, in case of rejection, whether it has supported that rejection with relevant arguments, and whether relevant interested bodies or organisations have not been consulted. This note is discussed in the meeting of the General Collegium of State Secretaries, which according to the Rules of Procedure may decide to defer consideration of an issue if the relevant and interested parties have not been consulted.

In reality, however, most of the consultations take place late in the policy process, only after draft legislative proposals have been developed. Traditionally, policy proposals are rarely prepared prior to drafting laws and regulations, so there is no opportunity for consultations in the policy development stage. According to the Methodology on Policy Analysis and Co-ordination, staff in the General Secretariat take part in the working groups responsible for drafting systemic or other important legislative proposals in the initial stage. They play a co-ordinating role and act as "guardians" of the process. The Secretary General has appointed managerial civil servants from the General Secretariat to be responsible for this task, which might mitigate the effects of the late consultations and improve the policy-making process.

**The procedures for inter-ministerial co-ordination are appropriate. The General Secretariat should make more efforts to encourage ministries and other state administration bodies to improve the consultative process and, apart from legislative matters, focus discussions on more substantive policy issues.**

### **3. Agenda-Planning**

The annual legislative programme of the government is presented in the Annual Work Programme which, according to the timetable set in the *Methodology on Strategic Planning and Preparation of the Annual Work Programme*, is adopted by the end of the current year for activities in the following year. The preparation of the Annual Work Programme is co-ordinated by the General Secretariat's Sector for Strategy, Planning and Monitoring, which invites ministries to propose their initiatives to be included in the Annual Work Programme in accordance with the strategic priorities of the government and the strategic plan of the ministry. These proposals must be within the budget ceiling that was approved for the relevant ministry earlier in the process.

After the government has adopted the Annual Work Programme, the staff in the Sector for Strategy, Planning and Monitoring monitor its implementation on a monthly and quarterly basis. Monthly reports presented to the government give an overview of the planned proposals and obligations for that month and an overview of progress, with a clear indication of ministries that have not delivered on time. As an early warning system, the General Secretariat sends overviews of the proposals and commitments for the coming three-month period to all ministries. The ministries report on their progress in preparing the proposals, the stakeholders who are involved in developing the proposal and, in case of delays, the date on which they intend to submit the proposal to the government. A six-month progress report, together with a report on monitoring indicators, is also presented to the government.

This planning and monitoring system has been quite effective in forcing ministries to take more care in terms of realistic planning and keeping deadlines. However, the monitoring reports show that there are still some discrepancies between the Annual Work Programme and the actual materials presented at government sessions, which indicates that some issues, e.g. regular updating, reminding, etc. need to be addressed in managing the government agenda.

The agenda of the weekly meeting of the government is proposed by the Secretary General and approved by the Prime Minister. Issues planned for inclusion in the draft agenda are previously discussed in the meeting of the General Collegium of State Secretaries, where a decision is made on whether the issue and the relevant materials are ready for presentation to the government. The agenda is structured in three parts: (1) issues for deliberation and decision; (2) issues that have been previously resolved in the committees and need only a decision; and (3) issues for information. This three-part agenda focuses ministers' attention on a number of important issues requiring policy or political resolution. Although this approach is helpful in structuring the discussions, there are still instances when ministers present issues at the government meeting without going through the regular decision-making process.

**The planning and monitoring system of the government agenda seems to be sufficient and provides a good base for ensuring that government priorities will be addressed adequately. The General Secretariat should encourage ministries to be more realistic in planning and then to adhere to the agreed annual work programme.**

#### **4. Dispute Resolution Mechanisms**

According to the *Rules of Procedure* (article 67) and the *Methodology on Policy Analysis and Co-ordination*, the General Secretariat is responsible for providing relevant information and for assisting ministries in the development stage in dispute resolution of major legislative proposals or policies.

Once the proposals reach the General Secretariat for presentation to the government, there are two levels in place to resolve disputes among ministries. The first level is the weekly meeting of the General Collegium of State Secretaries, where – according to article 72, paragraph 10 of the Rules of Procedure – the Collegium may defer an issue for an additional five days if the relevant bodies have not been consulted or if additional co-ordination and consultations should be made on disputable issues. If no agreement is reached on such issues, this lack of consensus is indicated in the report on the meeting of the Collegium that is presented to the standing committees and to the government.

The second level is that of the standing committees that meet before the meeting of the government to discuss and resolve issues that were not resolved in the meeting of state secretaries. The standing government committees are ministerial committees organised by topic – political system, economic system and policy, and human resources and sustainable development. A report is prepared on the meeting of each of the committees, indicating the issues that are outstanding.

With the recent innovation of “Electronic Government Meeting”, together with the relevant materials for the agenda, the Prime Minister and all members of the government receive a joint report on all issues that have not been resolved in the meetings of the General Collegium and of the standing government committees.

**The mechanisms for resolving disagreements are appropriate and effective.**

#### **5. Central Co-ordination Capacity**

The June 2005 amendments to the Law on Government have transformed the General Secretariat into a government service responsible for providing both substantive and logistical support to the government and its committees. The General Secretariat has a leading co-ordinating role in the strategic planning and the policy processes, as well as in the public administration reform process. It also manages and supports the activities related to specific cross-cutting strategic priorities of the government, such as the implementation of the Ohrid Framework Agreement and economic reforms.

The General Secretariat is playing an increasingly significant role in helping the government adopt strategic plans, creating linkages between priorities and the budget, and ensuring that items reaching the government sessions are better co-ordinated and in line with government priorities. The General Secretariat is the “guardian” of the processes, with the mandate to return items that have not been developed in accordance with the Rules of Procedure. The structure of the General Secretariat includes permanent staff who have been appointed to offer expert and logistical support to the General Collegium of State Secretaries, to each of the standing government committees, and to any other committees that are established to support the work of the government. The General Secretariat is also responsible for recording all government decisions and for monitoring their implementation according to a special methodology, as discussed above.

The Office of the present Prime Minister, who took office in January 2005, employs civil servants who respond primarily to the day-to-day political needs of the Prime Minister by offering advice on specific issues. External political consultants, some of whom are international, also advise the Prime Minister on specific issues and areas. The Prime Minister’s Office has good co-operation with the General Secretariat. The Office is normally not involved in the preparation of items for decision by the government.

**The General Secretariat has the legal underpinnings, the organisational structure, the staff, and the working methods that allow it to play a significant role in the policy management system in Macedonia. It is an organisation with a sense of mission, where the leadership and staff have understood their new responsibilities and are committed to playing a substantive role in the policy system, in co-operation with other players.**

## 6. Central Strategic Capacity

The strategic planning process represents a full cycle of planning, including the formulation of the government's strategic priorities, which are linked to the Fiscal Strategy and the budget, translation of these strategic priorities into ministry-level strategic plans, and finally elaboration of the Annual Work Programme of the Government.

The two central bodies responsible for managing and co-ordinating the strategic planning process are the General Secretariat and the Ministry of Finance. Their roles and responsibilities are described in the *Methodology on Strategic Planning and Preparation of the Annual Work Programme*. The General Secretariat's Sector for Strategy, Planning and Monitoring is responsible for leading the process of formulating strategic priorities, and, following a decision by the government, for monitoring and reporting on the progress of their implementation. The linkages with the budget process are made through the Fiscal Strategy and the budget process, and co-operation with the Ministry of Finance can be assessed as continually improving.

Strategic planning at ministry level was introduced in spring 2005, when the government adopted a decision whereby all ministries were required to develop their three-year strategic plans. This decision was later reconfirmed in the new Law on Budget (adopted in August 2005 to be enforced in January 2006), which stipulated that ministry budget submissions had to be accompanied by their strategic plans, showing how they planned to spend their budgets in the next three years. The General Secretariat was tasked with developing Strategic Planning Instructions and with organising a series of training sessions on strategic planning and on costing ministerial strategic plans. The staff in the Sector for Strategy, Planning and Monitoring of the General Secretariat were proactively involved in the process, offering advice and guidance to all ministries that needed assistance. The general quality of the planning process was reasonably good, considering that it was the first attempt at articulated planning in ministries. The basic planning elements (such as the mission, strategic objectives, priorities and results) were included in all of the plans, and it appears that most ministries understood the principles of strategic planning.

**The central strategic capacity is well-established and operational. The government and the General Secretariat should encourage ministries to focus on developing their capacities for strategic planning and linking them to their budget requests and policy activities.**

## 7. Co-ordination of European Affairs

The June 2005 amendments to the Law on Government transformed the Sector for European Integration (SEI), which had been part of the General Secretariat, into an autonomous Secretariat for European Affairs, led by the Deputy Prime Minister responsible for European integration. These amendments increased the capacity of the government to co-ordinate its European integration (EI) programme.

The Secretariat for European Affairs is now an autonomous service of the government responsible for managing and co-ordinating the EI process. The Secretariat is still in the process of staffing in accordance with the new structure, and some key managerial positions in the sectors are still vacant. Most of the newly employed staff are young people with a master's degree in European affairs and/or law acquired abroad and financed by the government.

The Secretariat is responsible for co-ordinating, monitoring and reporting on implementation of the key activities related to the EI process, including the implementation of the Stabilisation and Association Agreement, the European Partnership Action Plan, and foreign technical assistance. It has recently developed the National Plan for the Adoption of the *Acquis* (NPAA) and appointed staff who are responsible for monitoring and reporting on progress in implementation of the specific chapters of the NPAA.

The Deputy Prime Minister responsible for EU integration chairs the regular meetings of the Working Committee on European Integration, comprised of state secretaries from all ministries, to discuss issues and activities related to the process and to monitor progress. Within the structure of all ministries a unit is responsible for EI co-ordination. There are also 35 working groups responsible for law approximation within the relevant chapters of the *acquis*.

To strengthen the capacities supporting the EU accession process and respond to the short-term priorities for implementation of the European Partnership, the Secretariat for European Affairs has identified the most critical areas that need urgent strengthening through new employment, additional expert assistance and equipment. The Secretariat is in the process of employing 60 new staff for deployment to the various ministries and other state administration bodies where such capacities are needed.

The Legislative Secretariat is an independent office providing legal advice to the government, with specific responsibility for reviewing all draft laws and secondary legislation from a juridical and constitutional standpoint. Following amendments to the Law on Government adopted in 2004, the Legislative Secretariat assumed responsibility for ensuring the compatibility of national legislation with EU legislation. To support this function, 11 new staff members have been recently employed, and a *Handbook on the Method of Transposition of EU Legislation into Macedonian Legislation* was published. The staff of the Legislative Secretariat have organised training sessions for ministries to present the handbook and the new methods of verifying compatibility, which include the requirement that all ministries submit Tables of Concordance for the Secretariat's approval. The head of the Legislative Secretariat attends meetings of the government.

**The structures and capacities responsible for management and co-ordination of activities related to EU accession are adequate and function well.**

## **8. Involvement of the Council of Ministers in Budget Decisions**

Once the government's decision on strategic priorities has been adopted, the Ministry of Finance begins the budget process by developing the Fiscal Strategy, which covers a three-year period. The Fiscal Strategy provides: an overview of the macroeconomic framework for the current year and projections of basic indicators for the following year; the execution of the budget and extra-budgetary revenues and expenditures in the current year, including preliminary projections until the end of the two-year planning period; and the assumptions and risks determining medium-term projections and priorities of the government for the next year. There are now efforts to include projections and indicative spending ceilings for the relevant period covered in the Fiscal Strategy. The government adopts the Fiscal Strategy as part of the annual budget process.

The Ministry of Finance then sets the spending ceilings for each of the ministries, based on the Fiscal Strategy, and sends to all ministries and budget-users the Budget Circular Letter, which includes the government's strategic priorities, and forms for budget submissions. Together with the budget submission, each ministry is required to submit its three-year Strategic Plan, showing the programmes that have been planned and the way in which the ministry intends to spend the budget within the set limits.

The draft budget is then discussed in the government session, where the government decides on the priority programmes and budget allocations of the ministries.

**The mechanisms for collective discussions and decisions of the government on the budget are adequate and effective.**

## **9. Impact Assessment**

*Fiscal Impact Assessment* – Ministers are responsible for providing an assessment of budgetary costs, according to an agreed format, for all proposals presented to the government for decision. In many cases, however, ministries comply only formally, giving very general information and often omitting the projections of fiscal implications for the next three years that are required by the budget submission form. The capacity in the Ministry of Finance and in the General Secretariat to perform quality checks on these forms is still insufficient.

*Memorandum to the Government* – For all proposals brought to the government sessions for decision, ministries are required to submit a standard memorandum that summarises the most important issues requiring informed decisions by ministers. The memorandum (maximum of five pages) has fixed headings relating to the justification of the proposal, alternatives considered, results of impact assessments and consultations, harmonisation with EU legislation, and key communication messages. The level of compliance in this regard is good, but the quality of information contained in the memoranda is still not satisfactory, especially with respect to the impact assessments that ministries should perform regularly in the course of the policy development process.

The implementation of the new approach and new procedures for policy and planning, which are now legally required by the Rules of Procedure, has advanced but more efforts are still needed before it can be considered a “fully-fledged” planning and policy system. This means that the focus of the system remains on the preparation and approval of legal texts, with insufficient concern being given to impact and policy implications.

**Policy development and legal drafting in ministries need to focus more on impact assessment and on planning for the implementation stage in order to provide ministers with relevant information for the final political decision and to ensure effective implementation of planned policies.**

## 10. Summary and Next Steps

The Government of Macedonia has made significant progress in introducing and developing strategic planning and policy co-ordination systems. The main characteristics of these systems are:

- The legislation and supporting regulations for policy planning and development are coherent and promote further development of the mechanisms and procedures supporting the systems;
- The General Secretariat has developed procedures and capacities to provide substantive and logistical support to the government and its committees in terms of setting and monitoring its strategic priorities and planning and co-ordinating policies;
- The procedures for inter-ministerial consultations are sensible, but consultations take place late in the policy development process;
- The agenda planning systems are adequate and effective but more efforts are needed to ensure realistic planning and to minimise the occurrence at government meetings of issues that have not been processed through the decision-making system;
- The dispute resolution mechanisms are effective;
- A good strategic planning system is in place to ensure that government priorities are adequately addressed and supported by necessary programmes and funds. The effectiveness of this system depends on cooperation between the General secretariat, the Ministry of Finance, and the budget users. It will need to improve through experience with successive budget cycles;
- The policy development and legal drafting capacities in ministries remain weak; efforts should now be concentrated on ministries to develop and ensure procedures and capacities for impact assessment and for providing adequate fiscal information to the government;
- A good structure has been set up for the management and co-ordination of European integration activities, but more attention should be given to developing capacities in ministries for co-ordination and implementation of commitments.

### Next Steps

Overall, there are two important issues. The first is to ensure sustained commitment and leadership from senior administrative officials, particularly at the level of the Secretary General and state secretaries, in order to ensure that the achievements to date are maintained in the future, even if the leadership changes. The second is to continue to implement and deepen the reforms that have been successfully launched to ensure that they will become a widely accepted routine. In particular, the focus should be on:

- Further development of capacities in the General Secretariat, especially in the Sector for Strategy, Planning and Monitoring and in the Sector for Policy Analysis and Co-ordination. These sectors should continue to improve their ability to provide substantive support to committees and to the government and to proactively and creatively impel ministries to improve the quality of their policy proposals; and
- Further development of the co-operation between the General Secretariat and the Ministry of Finance to ensure stronger links between policy priorities, the budget and ministry-level strategic plans.

The Government of Macedonia should take steps to improve the capacity of ministries to develop well-analysed and elaborated strategic plans and to develop, assess and cost policy proposals. Ministries should improve internal procedures and increase their capacity for:

- Strategic planning to ensure close links between national strategic priorities, the ministry's programmes and its budget; and
- Policy development to ensure that policies are well prepared, supported by appropriate assessment of impacts and costs, and subject to consultation both within the ministry and with other stakeholders, including NGOs and other civil society organisations.