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# MONITORING REPORT **EXECUTIVE SUMMARY**

## The **Principles** of **Public** **Administration**

**REPUBLIC OF NORTH MACEDONIA**

**November  
2021**

# **Monitoring Report**

# **Executive Summary**

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## **The Principles of Public Administration**

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**November 2021**

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# Introduction

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## *The Principles of Public Administration and the EU integration path – measuring the fundamentals*

The *Principles of Public Administration*<sup>1</sup> set out what good public governance entails in practice and outline the main requirements to be followed by countries during the European Union (EU) integration process. Good public governance is key for achieving economic growth, competitiveness and better quality of life. Democratic governance and the rule of law require capable, accountable and effective public administrations. In its 2014 and 2018 Enlargement Strategies, the European Commission (EC) highlighted public administration reform (PAR) as one of three “fundamentals first” areas of the EU enlargement process: “Addressing reforms in the area of rule of law, fundamental rights and good governance remains the most pressing issue for the Western Balkans. It is also the key benchmark against which the prospects of these countries will be judged by the EU”<sup>2</sup>.

## *A regional series, with a long-term perspective*

This monitoring report assesses the state of play and progress in improving the quality of national public administrations. Given the geostrategic importance of the Western Balkans to the EU, and the ongoing accession negotiations, SIGMA (Support for Improvement in Governance and Management) conducts regular monitoring of the region. In 2017, SIGMA established a baseline in all areas of public administration. In 2019, monitoring was conducted against selected Principles. The full scope is covered again in this 2021 report, which compares performance against the 2017 baseline and regional averages. By analysing the long-term perspective, significant changes are identified.

The assessment period is from July 2017 to July 2021. The data collection period was February-May 2021. The COVID-19 pandemic was at its highest, so in-person meetings were replaced by virtual ones. National experts provided invaluable support during this period in securing the necessary data.

## *Structured to provide key insights and recommendations to decision makers and detailed performance data to practitioners*

The structure of the report mirrors that of the Principles of Public Administration. Each Principle has a dedicated section for its associated indicator(s). A country executive summary and summaries for each of the six thematic areas have been introduced to the 2021 report. The analytical findings and the short- to medium-term recommendations are developed to guide reform efforts and inform the policy dialogue and discussions between the EC and the Government.

SIGMA wishes to thank the Government for its collaboration in providing the necessary administrative data and documentation, as well as for its active engagement during the two rounds of validation to improve the factual accuracy of all the information used. The collaboration with the Regional Cooperation Council on the Balkan Barometer has been excellent. We also thank the experts from EU member countries who contributed to the report. Finally, the support of the EC is, as always, appreciated.

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<sup>1</sup> OECD (2017), *The Principles of Public Administration*, OECD, Paris, <http://www.sigmaweb.org/publications/Principles-of-Public-Administration-2017-edition-ENG.pdf>.

<sup>2</sup> European Commission (2018), *A credible enlargement perspective for and enhanced EU engagement with the Western Balkans*, p. 4, [communication-credible-enlargement-perspective-western-balkans\\_en.pdf](https://ec.europa.eu/euromon/en/publications/communication-credible-enlargement-perspective-western-balkans_en.pdf) (europa.eu)

# Methodology

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## ***Overall approach – focus on implementation and outcomes, analysing a variety of primary data sources against precise criteria and benchmarks for an objective assessment***

The *Methodological Framework for the Principles of Public Administration*<sup>3</sup> contains a set of standard indicators that SIGMA applies consistently to measure the preconditions and enablers of successful reforms (good laws, policies and procedures, institutional structures, human resources) and the actual implementation of reforms and subsequent outcomes (how the administration performs in practice).

The overall approach recognises that no single measurement method can fully capture the complex issues related to organisational and behavioural change. SIGMA uses information from administrative data, surveys, statistics, interviews, etc., which is cross-checked and triangulated to arrive at a balanced assessment.

## ***Data sources and validation***

The main quantitative and qualitative methods applied in the framework are:

- Desk reviews of legislation, regulations, reports (most recent are analysed if adopted before July 2021)
- Interviews (conducted virtually in 2021 from March to May with over 100 interviewees per administration, including civil society)
- Review of cases and samples of government documentation (most recent are analysed)
- Observations of practice and on-site verification (conducted virtually in 2021 from March to May with national expert support)
- Analysis of various administrative data from public registries and national statistics (most recent when possible, but generally from 2020)
- Surveys of the population and businesses through the Balkan Barometer (conducted February-March 2021)<sup>4</sup>
- Surveys of contracting authorities (conducted February-April 2021).

Data was collected through SIGMA's tool for data collection, analysis and validation (PAR.IS). More than 10 000 documents were received regionally for analysis. In 2021, hundreds of government officials were provided direct access to SIGMA's detailed working sheets for calculation of numerical sub-indicator values and justifications for fulfilment of each of the criteria, in addition to fact-checking the draft monitoring reports. The monitoring reports only show the overall indicator values, but the detailed criteria-level analysis will be accessible in 2022 through a public portal.

## ***Indicator values reflect the level of maturity and preparedness of administrations – from 0 to 5***

The indicator values provide an indication of the administrative capacity and overall performance of national public administrations. This provides an indication of the capability to effectively implement the EU *acquis* and participate in the policy-making processes of the EU. The point allocation is constructed so that a country can only receive an overall value of 2 on the basis of the quality of its legislative and regulatory framework; a value of 3 cannot be achieved without showing that implementation of key processes is happening in practice; and in order to obtain a value of 4, the country needs to show a consistent achievement of relevant outcomes. The value of 5 is reserved for outstanding performance and full compliance with the Principles and the standards for good public governance.

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<sup>3</sup> OECD (2019), *The Methodological Framework of the Principles of Public Administration*, OECD, Paris, <http://www.sigmaxweb.org/publications/Methodological-Framework-for-the-Principles-of-Public-Administration-May-2019.pdf>.

<sup>4</sup> Regional Cooperation Council, <https://www.rcc.int/balkanbarometer/home>.

In 2021, averages of the indicator values have also been calculated for each of the six thematic areas of the Principles of Public Administration. This enables comparison of overall trends across the whole administration, over time, and across the region, as shown in the indicator comparison charts:

1. Strategic framework of public administration reform
2. Policy development and co-ordination
3. Public service and human resource management
4. Accountability
5. Service delivery
6. Public financial management.

### *Understanding how the indicator values are calculated*

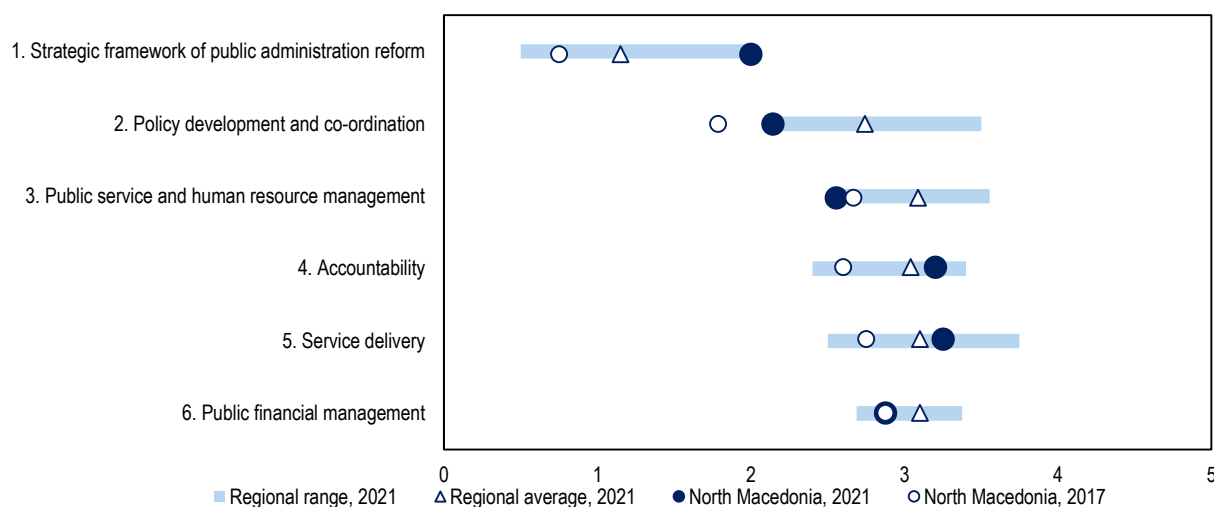
Across the six thematic areas, the framework is composed of 48 Principles. Each Principle has one or two indicators. There are 52 indicators in total, with 340 sub-indicators and 1 000 individual criteria. Indicator values are presented at the top of the overview tables, on a scale from 0 (lowest) to 5 (highest). The indicator value is based on the total number of points received for the sub-indicators. The point conversion tables are accessible in the Methodological Framework. A three-digit reference number precedes the titles of the indicators: the first number refers to the area, the second to the Principle and the third shows whether this is the first or second indicator belonging to that Principle.

If the required information to assess a sub-indicator is not available or is not provided by the administration, 0 points are awarded. All data requested is needed for a well-functioning public administration and SIGMA does not estimate performance in the absence of credible evidence.

# Executive summary

The Republic of North Macedonia (hereafter 'North Macedonia') has made some progress in public administration reform (PAR) in recent years. Indicator values improved in four areas, while two areas show a slight decline compared to 2017. The strategic framework of PAR has the highest average indicator value in the Western Balkan region. However, the area averages of policy development and co-ordination and public service and human resource management (HRM) are the lowest in the region.

**North Macedonia has progressed since 2017 in several areas, but performs poorly in half of the areas compared to its neighbours**



Although solid legal and policy frameworks are in place in the areas of strategic framework of PAR, policy development and co-ordination, accountability, service delivery, and public procurement, they are not properly implemented. In public service and HRM, budget management, internal control and organisation of government, the Government has acknowledged the policy issues and has drafted comprehensive legislative packages to modernise these areas in close co-operation with international donors. Nevertheless, the adoption of these packages has been very slow. This shows the Government has ample and untapped potential with a more focused and dedicated approach on PAR.

## Improved strategic planning for PAR, but slow implementation

Since 2017, strong progress has been made in establishing a strategic framework for PAR. The PAR Strategy and the PFM Reform Programme, as the two main strategic documents, have helped the administration steer reforms covering all key areas of public administration, including public financial management (PFM). At the same time, the implementation of actual reform measures and the quality of engagement of stakeholders have been weak. While tangible progress was made in initiating many reform activities, the overall implementation of the planned reforms, as measured by the level of annually completed activities, has been relatively limited: less than half of the annually planned measures were implemented. Involvement and engagement of non-governmental organisations in the formal structures of PAR co-ordination is weak.

## Delays in implementation of key reforms in policy planning

Key tools for public consultation and *ex-ante* analysis of new policy proposals through regulatory impact assessments have been successfully institutionalised. Their impact and use in the final policy design and decision making process are limited, however, and plans should be made to increase their scope and improve the quality of analysis, including through earlier planning and stronger central oversight. Essential regulations and methodologies for the effective functioning of the centre-of-government institutions and policy development are established, but gaps exist and implementation is inconsistent. While the average

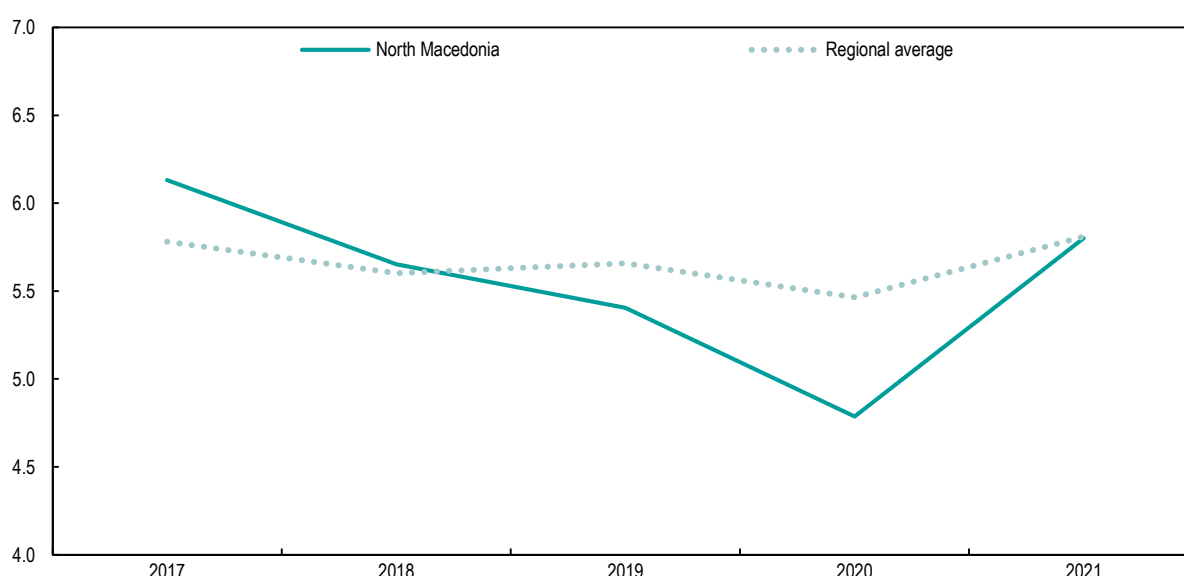


indicator value for the policy development and co-ordination area has increased compared to 2017, the 2021 value is among the lowest in the region. No progress has been made in critical areas, such as sectoral planning, monitoring and reporting. The quality of government planning and monitoring, including for EU integration, has gaps in implementation, and some of the key co-ordination structures are not fully established and functional.

### *Human resources are still poorly managed and lack a professional top civil service system*

The performance of North Macedonia remains amongst the weakest in the region, with an average indicator value of 2.6. A solid legal framework is in place, although some public administration bodies are out of its scope or manage to exclude themselves in some practical aspects. The appointments of top managerial positions in the public sector are based on political discretion, without a merit-based procedure, creating a lack of continuity and professionalism in ministries and public bodies. After some years of deterioration, the perception of meritocracy has improved, equalling now the regional average.

### *The perceived level of meritocracy in the public sector has improved significantly in the last year*



Note: Respondents were asked to what extent they agree with the following statement on a scale from 1 to 10: 'In the public sector most people can succeed if they are willing to work hard'.

Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>).

Recruitment processes are insufficiently competitive, numerous dismissal and disciplinary decisions are not confirmed by the courts, and salary supplements provided for some institutions distort the formal remuneration system. The Ministry of Information Society and Administration (MISA) lacks human and financial resources to deliver professional development activities, therefore, the training provision is very limited and non-systematic. Nobody is co-ordinating the prevention of corruption in the civil service at the strategic or practical level.

### *Good progress in the accountability area*

North Macedonia has progressed in most areas under accountability and is now a top performer in the region, although some important weaknesses remain. There is no clarity in the typology of public bodies, subordinated agencies are not properly accountable to their parent ministries and numerous bodies with executive functions are reporting to the Assembly. North Macedonia has a good system of access to information, but proactive disclosure of information and datasets on official websites remains very low. The productivity of administrative justice has improved, as the time people have to wait for a conclusion of an administrative case has diminished. Nonetheless, the trust in and perceived independence of the judicial system, the SAO, and the Ombudsman remain very weak.



### ***Delivery of public services is slowly improving.***

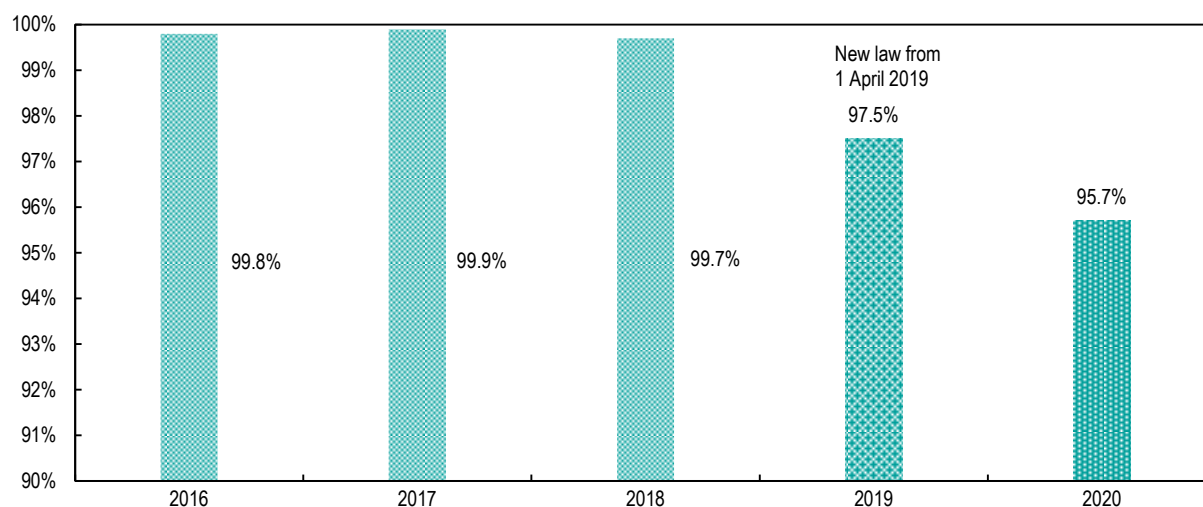
The average indicator value of 3.3 in the service delivery area has improved slightly, and is close to the regional average of 3.1. A sound policy and legal framework is in place, but the modernisation of services is fragmented and the ownership of some aspects remains unclear. The infrastructure for interoperability of basic registries is operational for the key ones, yet some registries are still not accessible via the common data infrastructure. The digital signature is available, though for a fee. This results in a very low number of digital services at a higher level of maturity. The MISA has drafted several guidelines to support the modernisation of services together with service standards, but they have not been adopted yet. The accessibility of services has deteriorated as the practical implementation of the policies related to the accessibility for people with special needs is poor.

### ***Management of public finances is deteriorating pending the adoption of the key laws, public procurement laws need effective implementation.***

The overall trajectory in PFM moved slightly downwards and is now below the regional average. However, the drafts of the organic budget law and the public internal financial control (PIFC) law, together with the draft Law on State Administration Bodies, have the potential to address several weaknesses. Not all budget organisations follow legal obligations for establishing internal procedures, nor do they consistently apply the related manuals. Effective decision-making on budget allocations is hampered, as budgeting is still mostly an annual process and not policy-driven. Fiscal discipline has improved the budget credibility, and deviations are reasonably limited. This reflects increased maturity in fiscal forecasting and discipline in budget execution. The level of public debt has risen gradually over the past seven years but it is still low in the European context. The legal framework for establishing internal audit (IA) is in place, but its effectiveness suffers from the fragmentation across many small-scale IA units. The State Audit Office has invested heavily in its institutional capacity, but the impact of the external audit function is low, as reflected by the implementation rate of its recommendations and the lack of support by the Assembly. A new Law on Public Procurement correctly transposes the EU Directives, although the practice still shows a very high use of the lowest-price award criterion and e-auctions, with minimal improvements in competition. The Public Procurement Bureau (PPB) needs to strengthen the administrative capacity, in order to ensure the performance of all of its obligations.

A draft new law on public-private partnerships (PPPs) has been prepared and a new law is planned for concessions for goods of a general interest, although PPP projects have been limited in number and the PPP Council is still not active.

### **Lowest price criterion remains the dominant criterion for awarding public contracts**

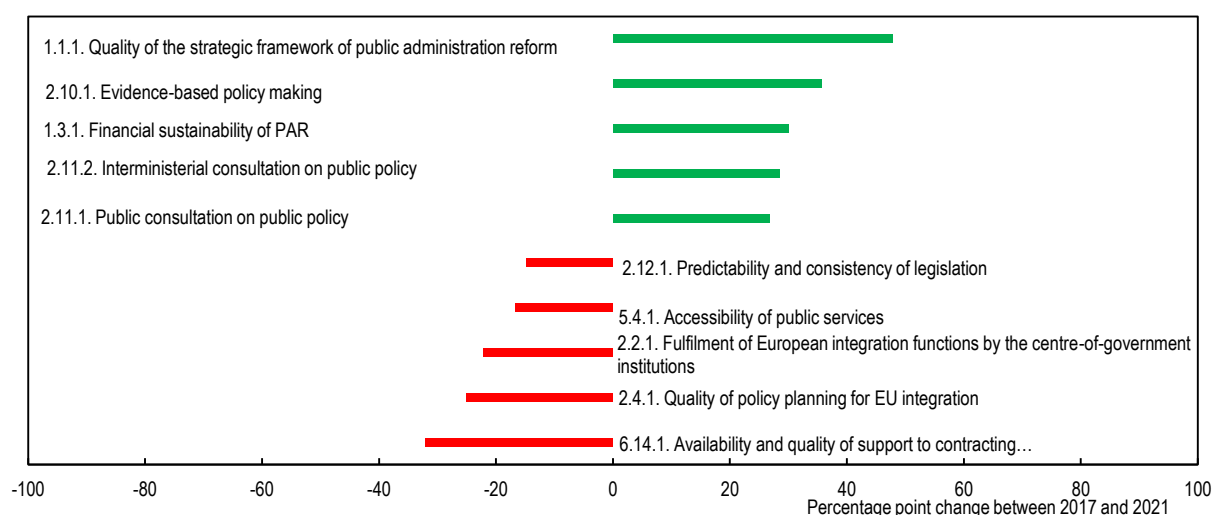


Source: Data provided by PPB, May 2021.

### *The way forward for PAR:*

- The top management should be professionalised by adopting and implementing the Top Management Service Law.
- The key laws in the PFM area (organic budget law and PIFC law) should be adopted and effectively implemented.
- The Government should set a clear typology of central-government bodies and reduce the number of agencies reporting to the Assembly.
- The Government should ensure that the new legal packages are actually implemented by investing in administrative capacity of the responsible institutions and regular monitoring and evaluation.
- In developing the PAR and PFM reform agendas for the next period, the Government should ensure more purposeful implementation and monitoring through central planning and co-ordination, while involving the external stakeholders more systematically.

**The quality, including financial sustainability, of strategies for PAR has improved from 2017 to 2021, as have evidence-based policy making and consultations on public policy. However support for contracting authorities in public procurement operations, then quality of policy planning for EU integration, accessibility of public services and scrutiny by external oversight bodies have all deteriorated during this period**



# **Strategic Framework of Public Administration Reform**

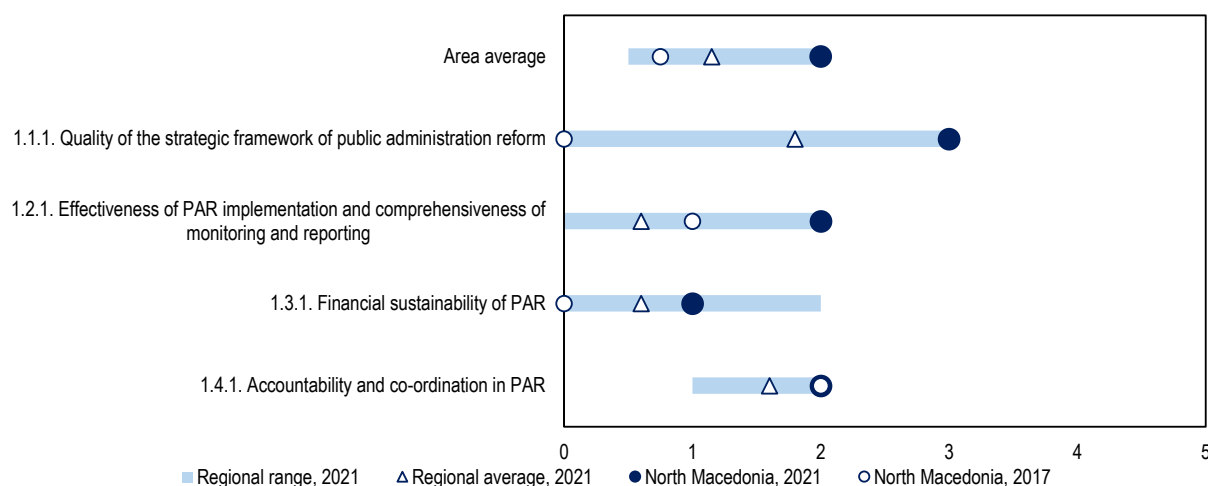
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## Strategic Framework of Public Administration Reform

### Summary and recommendations

Compared to 2017, North Macedonia has made solid progress in the area of strategic framework of public administration reform (PAR), but some gaps and weaknesses still exist in the monitoring framework, co-ordination and the implementation of reforms. The average value of the four strategic framework of PAR indicators for North Macedonia is 2, which is higher than the value given in 2017 (0.8). It is also the highest in the region as of the end June 2021. Albania and North Macedonia are the only countries in the region that had valid and complete strategic frameworks covering all key areas of public administration as of the end of the assessment period in June 2021. North Macedonia has made solid progress in three out of four components of the strategic framework of PAR, but significant challenges exist, particularly with regard to effective monitoring and implementation of the planned measures.

**Visible progress has been made in three out of four main strategic framework of public administration reform indicators compared to 2017. Accountability and co-ordination in PAR remain the same value, but still above the regional average.**

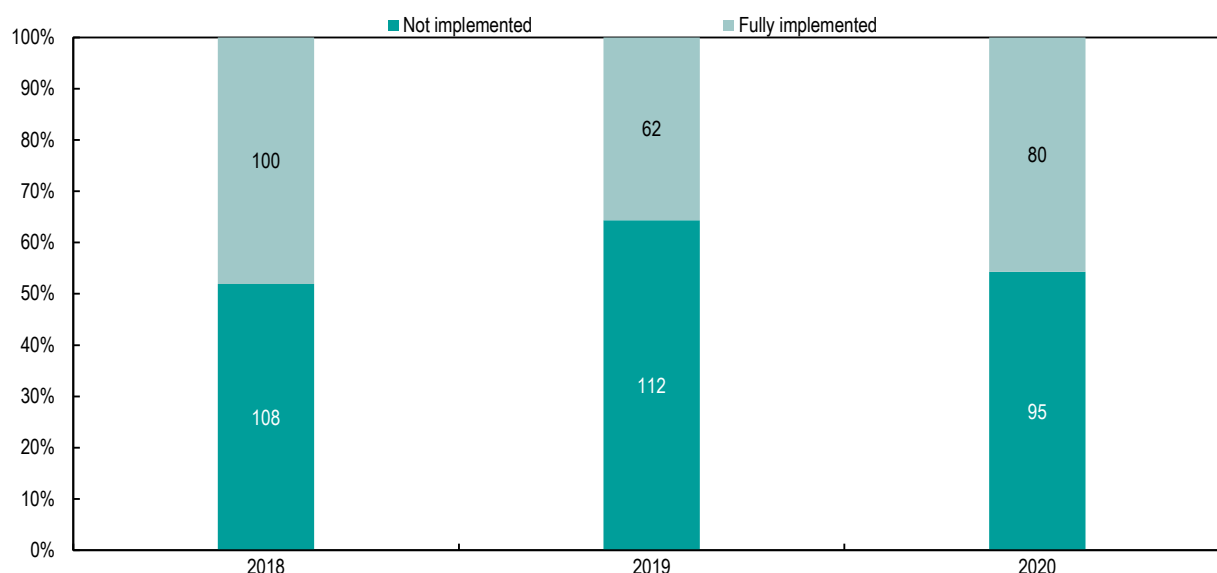


**The overall quality of the strategic framework of PAR has improved since 2017, following the adoption of two strategic planning documents in 2018 and the establishment of key co-ordination structures for PAR.** The current strategic framework covers all key areas of public administration and public financial management (PFM). Nevertheless, gaps and weaknesses still exist, particularly in the area of the prioritisation of PAR and alignment of PAR strategic documents with other key government planning documents, such as the Government Annual Work Programme (GAWP) and Economic Reform Programme. Both strategies are due to expire in 2021-2022, which necessitates active work on developing new strategic planning documents to ensure the continuity of reforms.

**The actual effectiveness of reform implementation, as measured by the rate of full implementation of the annually planned activities, has been weak.** Less than half of the annually planned PAR measures were fully implemented in 2018-2020. This highlights underlying weaknesses in the PAR planning, as well as potential gaps in resource allocation for reforms in public administration, which hinders full implementation of all planned measures. Key processes and structures for effective monitoring and reporting are established for both strategies. Annual progress reports are prepared and published regularly for both planning documents, but the process is often delayed and concluded very long after the end of the reporting period. This reduces the overall impact and relevance of monitoring and does not help address potential implementation issues on time. Assessing the progress of reforms towards the ultimate policy objectives is not possible, as the relevant outcome-level indicator framework is incomplete.

**The financial sustainability of reforms is weak.** Cost estimates are provided in the relevant planning documents, but confirming the source of funding for all planned measures requiring additional resources for implementation is not possible due to methodological issues. In general, financial monitoring of reforms is not conducted through annual progress reports and meetings to highlight potential gaps and weaknesses. Potential gaps in funding the reforms could be one reason for the overall low implementation of PAR activities.

**Relatively slow implementation of planned reform activities in the PAR and PFM areas (annually planned and fully implemented activities), 2018-2020**



Source: Annual monitoring reports of the PAR Strategy and PFM Reform Programme.

**Organisational and management structures for PAR co-ordination, at both the political and administrative levels, are established, but they do not meet regularly or frequently enough to monitor PAR implementation effectively.** Consultation and engagement with non-governmental organisations (NGOs) is not systematically done, particularly for the Public Administration Reform Strategy 2018-2022 (PARS). External stakeholders are primarily engaged during written consultation on draft planning documents or monitoring reports, but are less engaged through the formal monitoring structures.

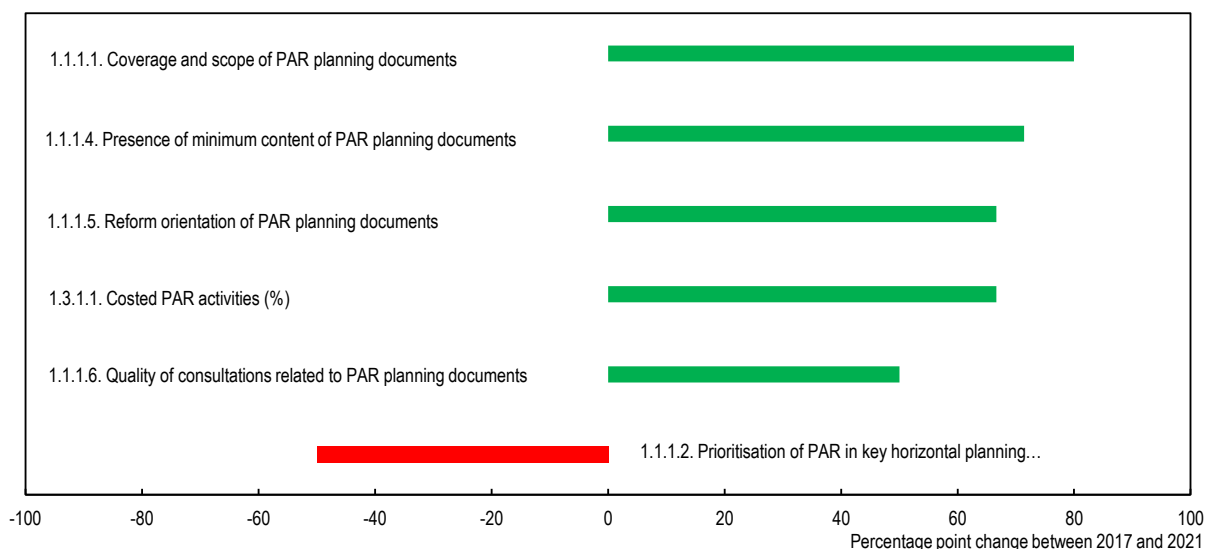
### Short-term recommendations (1-2 years)

- 1) The Ministry of Information Society and Administration (MISA) and the Ministry of Finance (MoF), as the two key ministries responsible for PAR and PFM reforms, should monitor the implementation of planned reforms more closely to address potential issues and bottlenecks, including gaps in resource allocation and funding.
- 2) The MISA, through the relevant co-ordination structures, should strengthen its internal capacities for overall co-ordination and monitoring of the whole PAR agenda and ensure closer, more regular discussion of implementation issues with other key institutions, such as the General Secretariat (GS) and the MoF.
- 3) The MISA and the MoF should prepare and publish annual monitoring reports early in the reporting year and aim to complete the process, ideally by the end of the first quarter after the end of the reporting year. Findings of the monitoring report should be discussed thoroughly, with the involvement of external stakeholders, and corrective measures should be taken to address implementation issues.
- 4) The MISA and the MoF should develop and approve a new comprehensive PAR and PFM strategies beyond 2021-2022. The elaboration of new strategies should be based on a robust evidence and performance measurement methodology and ensure the active participation of all internal and external stakeholders.
- 5) The relevant co-ordination bodies for PAR and PFM reforms should engage and consult more actively with key external stakeholders and non-state actors throughout the monitoring process, including involving them in consultative meetings.

### Medium-term recommendations (3-5 years)

- 6) The MoF, the MISA, the GS and other relevant institutions should develop and introduce a new methodology of costing strategic documents, to be used for financial planning, costing and monitoring of the strategic documents. The administration should ensure adequate funding of all reforms and conduct more regular financial monitoring of strategies to ensure financial sustainability of reforms.
- 7) The MISA and the MoF should initiate evaluation of the co-ordination and monitoring structures of the PAR and PFM strategies, particularly the functioning of the political- and administrative-level bodies based on the past experience, to ensure more effective functioning and better co-ordination across the two main reform areas.

**The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Many sub-indicators recorded progress compared to 2017. However, the prioritisation of PAR in key government planning documents was found to have weakened**





## **Policy Development and Co-ordination**

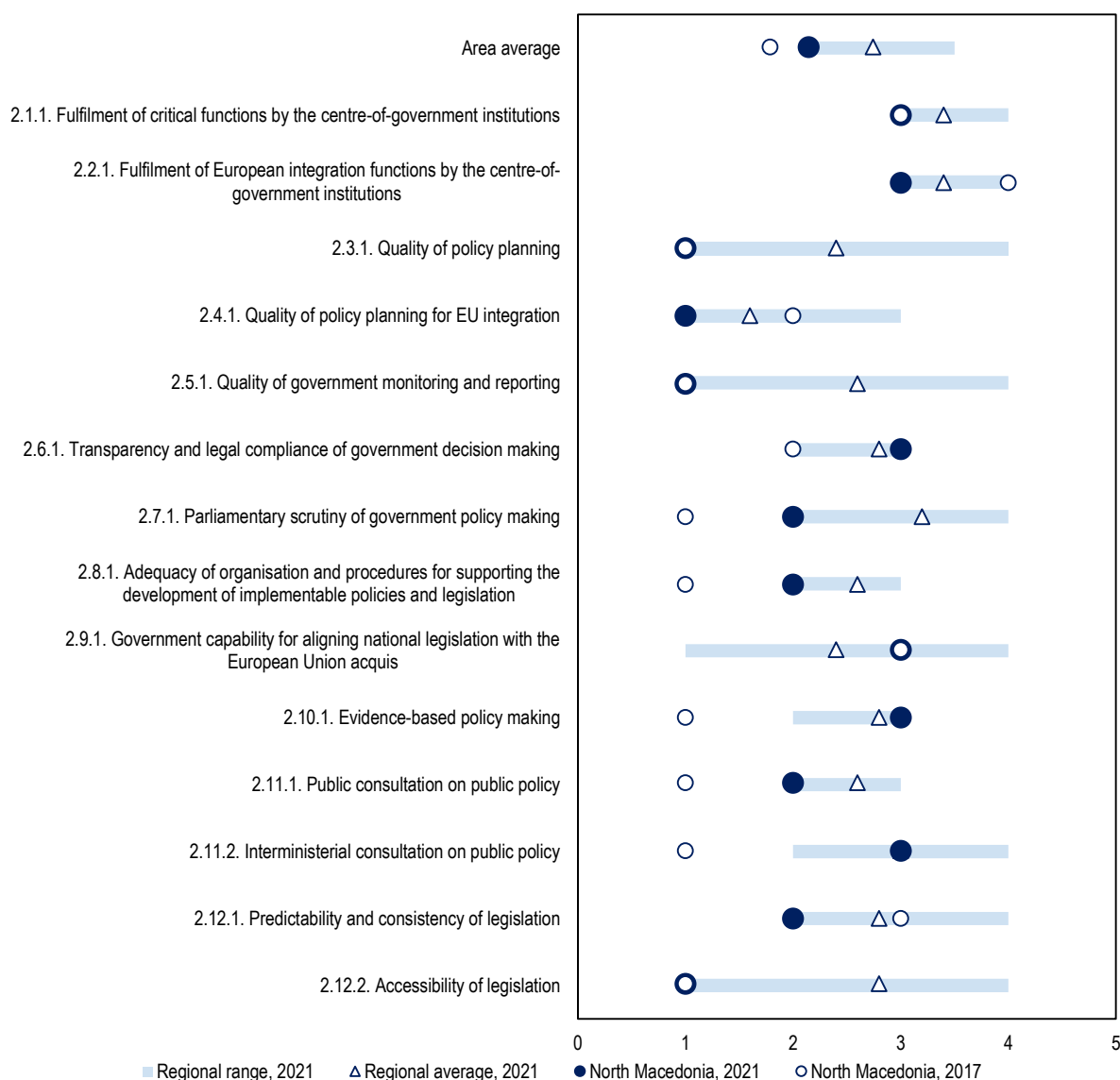


## Policy Development and Co-ordination

### Summary and recommendations

Overall, compared to 2017, North Macedonia has made some progress in the policy development and co-ordination area. The average value of the policy development and co-ordination indicators rose during the assessment period, from 1.8 in 2017 to 2.1 in 2021. However, it is still lower than the regional average of all Western Balkans countries (2.7). The improvement in the indicator value compared to 2017 is primarily due to a more consistent application of the critical tools for evidence-based and participatory policy making and to some improvement in the transparency of government decision making. However, major weaknesses and gaps still exist in both the regulatory and the methodological frameworks for government policy development and policy planning and monitoring, including European Union (EU) integration planning, as well as in the implementation and enforcement of key procedures and functions required for the effective functioning of the centre of government (CoG).

**While some improvement is observed compared to 2017, North Macedonia results are below the regional average of Western Balkans countries**



**Most CoG functions are formally established, but weaknesses and gaps exist in regulations and guidance, as well as in implementation and policy co-ordination by the CoG institutions.**

Co-ordination and co-operation among CoG institutions during the preparation of key planning documents, such as the Government Annual Work Programme (GAWP), are not fully ensured. Final checks on policy proposals and supporting materials by the CoG, including checks on the quality of policy coherence, are not systematically carried out. In 2020, several new structures were created within the Office of the Prime Minister (OPM) to reinforce the implementation of the strategic planning, monitoring and policy co-ordination functions. However, these changes risk creating overlaps and confusion among other key CoG institutions, such as the General Secretariat (GS), regarding the ultimate ownership and responsibility for performing those essential functions.

**The institutional and regulatory framework for European integration (EI) co-ordination was revised and upgraded in 2019 to be better prepared for the EU accession negotiations phase.**

However, the new co-ordination mechanisms are not yet fully functional. The Secretariat for European Affairs (SEA) is the key CoG institution tasked to lead and co-ordinate the EI activities. The SEA has a strong organisational structure and leadership under the Deputy Prime Minister of the Government in charge of European Affairs, but EI planning and monitoring have gaps and weaknesses in both the regulatory and the methodological frameworks, as well as in the actual implementation. The new national plan for the EU *acquis* alignment (National Programme for Adoption of the Acquis [NPAA]) for 2021-2025 was approved by the Government in June 2021, about 18 months after the expiry of the previous plan, creating a gap in government planning for EI. Implementation of procedures and tools for effective EU law transposition, such as tables of concordance (ToCs) and interministerial consultations, are well institutionalised, organised and implemented in practice. However, the organisation of translations of the *acquis* is not planned and ensured adequately and in a timely manner.

**A medium-term government planning system is established, but it has gaps, particularly in the area of sector strategy development and monitoring, and the quality of the planning documents is still weak.**

Despite the recent efforts of the GS, the preparatory process of the new regulatory basis for sector strategy development is slow, and the whole area remains unregulated. Alignment and coherence between government plans is not ensured, and a high number of GAWP measures are carried forward from one year to another (58% from 2020 to 2021). Central oversight, monitoring and quality control on sector strategy development is not institutionalised. Sectoral strategies of ministries are prepared using differing methodological approaches and standards and often lack action plans to help plan and monitor implementation to achieve the ultimate policy goals. There is no practice of preparing and publishing regular monitoring reports on the implementation of key government planning documents, with the exception of the report on the state budget.

**Some progress is observed in the area of the transparency and legal compliance of government decision making, largely because the agenda and minutes of the government sessions are now publicly available through a central website.**

This may have contributed to the improvement in businesses' perception of the clarity and stability of government policy making, as measured by the Balkan Barometer survey.

**North Macedonia has one of the highest rates of processing and adopting laws in shortened or urgent proceedings, which remains a major concern (60% in 2020).**

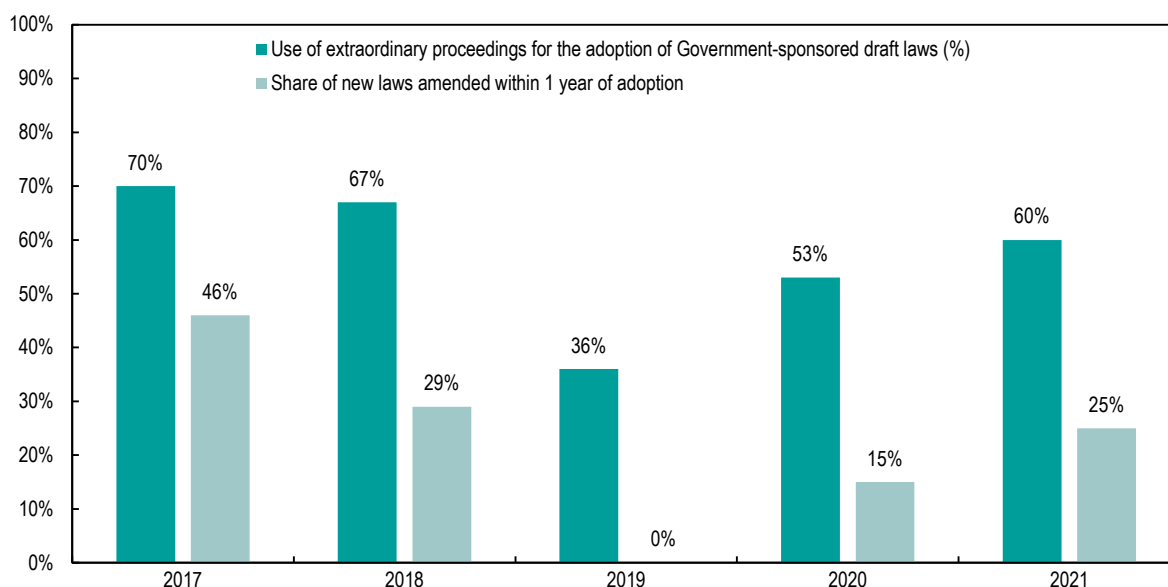
Overall, the level of implementation of the government legislative plan is low; only 15% of all approved government-sponsored laws in 2020 were originally planned in the GAWP, which shows the shortcomings in government legislative planning. Formal rules and procedures for the Parliament's scrutiny of policy making and co-ordination of legislative activities are established, but the Parliament does not initiate evaluation of major policies and laws.

**Some improvements are observed in the area of evidence-based and consultative policy making compared to 2017, largely due to a more consistent application of the Regulatory Impact Assessment (RIA) and public consultation rules.**

However, the quality of RIA reports and their impact on final policy design and decision making by the Government remain very limited. The process of RIA is initiated late. The capacity and mandate of the Ministry of Information Society and Administration (MISA), as the oversight body, in scrutinising the content of RIA reports and overseeing the overall management

of the system is not adequate to the demands and workload. There is a comprehensive online register of regulations (Single National Electronic Register of Regulations [SNERR]), which is utilised effectively to provide key guidance documents and facilitate public consultation. Other tools and methods for engagement with stakeholders during policy development are not systematically used. The function of oversight over the public consultation process is not institutionalised, and no reporting on public consultation exists. Interministerial consultations are carried out more consistently compared to 2017.

**The share of laws adopted through shortened or urgent proceedings and the share of laws amended within a year of adoption are worryingly high for North Macedonia, suggesting serious problems in legislative planning and the quality and stability of laws**



Source: SIGMA analysis, based on publicly available data on the legislative activities of the preceding year, and the SIGMA assessment methodology. Information from an unofficial report of the Parliament was used to estimate the share of Laws approved through extraordinary proceedings in 2020 because the full annual report was not available.

**No major changes are recorded in the area of the predictability, consistency and accessibility of legislation since 2017.** The share of new legislation amended one year after adoption decreased from 46% in 2017 to 25% in 2021. The mandatory bylaws are not prepared and approved in time to ensure a complete and clear regulatory framework for policy implementation. The accessibility of primary and secondary legislation to the public remains limited, as online access to the full database of Laws is not free. Legislation and regulations are accessible through several alternative sources, ensuring easy access by businesses and citizens to major Laws. This may have contributed to a slight improvement in businesses' perception of the accessibility of legislation, as the share of positive responses to the survey increased from 60% in 2017 to 65.5% in 2021. Consolidated official versions of legislation are still not available.

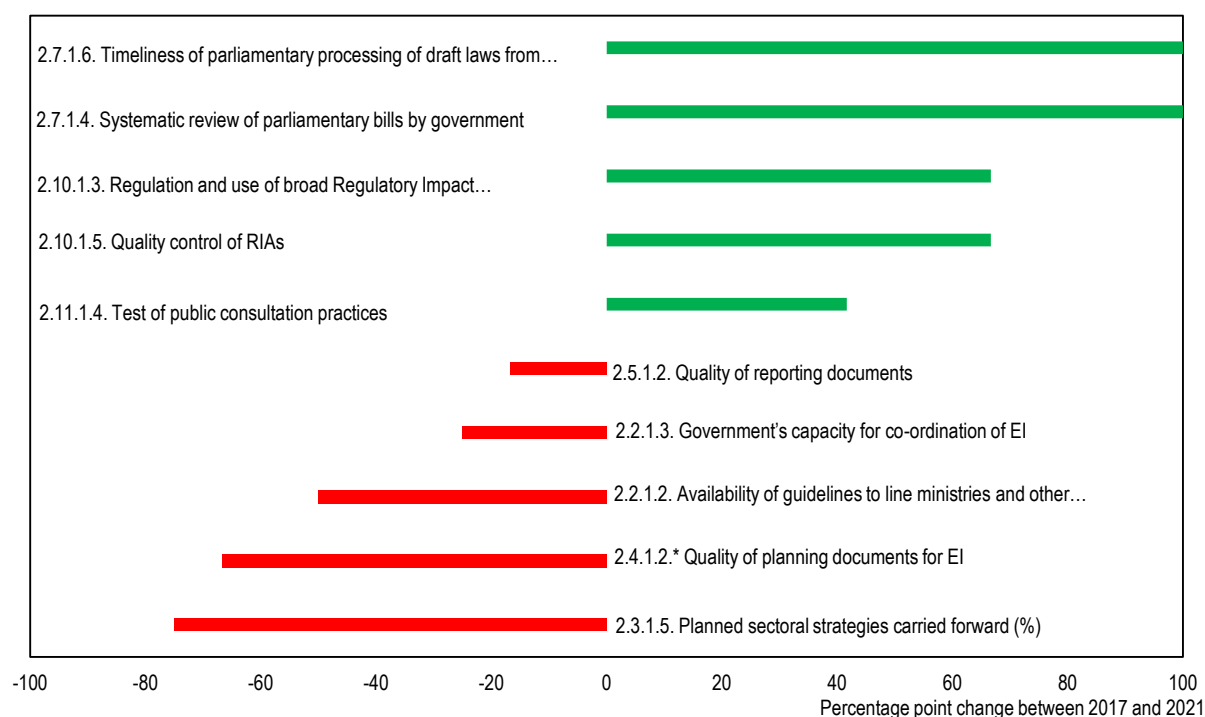
### Short-term recommendations (1-2 years)

- 1) The GS should ensure consistent and full implementation of all assigned CoG functions, including final checks on the content of proposals, to ensure policy coherence and checks on compliance with the RIA and public consultation requirements. The role of the OPM secretariats in policy planning, monitoring and co-ordination needs to be clarified to avoid confusion and unnecessary duplication with core functions performed by other CoG institutions, such as the GS.
- 2) The Government, in consultation with the Parliament, should review the existing regulations, criteria and practice for approving laws through urgent proceedings with the objective of reducing the number of laws processed through non-standard procedures to a minimum.
- 3) The GS, in collaboration with the Ministry of Finance (MoF) and other key institutions, should develop and approve a new regulatory and methodological framework for sector strategy development and monitoring, including costing of strategies. It should result in the adequate funding of strategies through better costing and financial planning in the state budget.
- 4) The Government should strengthen the regulations for regular monitoring and reporting on government performance, including reporting on the GAWP and the NPAA, and ensure their consistent and full implementation.
- 5) The GS should make sure that the draft agendas of the government sessions are published before the meetings.
- 6) The SEA should strengthen the regulatory and methodological framework enabling NPAA development, monitoring and reporting. The SEA should prepare annual updates to the multi-year NPAA to ensure that the EI plan is relevant, up to date and aligned with other planning documents, such as the GAWP.
- 7) The SEA and the MoF should ensure the adequate planning, funding and preparation of translations of the *acquis* to help achieve evidence-based transposition of EU law.
- 8) The Government should strengthen the mandate and capacity of the MISA, as the RIA oversight body, to ensure more effective and consistent quality control of RIAs, including checks on the content and analysis, and ensure regular trainings for ministries to improve the quality of RIAs and the initiation of RIA early in the process.
- 9) The Government should strengthen central oversight and reporting on public consultation by assigning the function to a CoG institution. More consistent checks should be carried out.
- 10) The Government should ensure that all secondary legislation and guidelines required for the effective implementation of primary laws are developed and adopted before the relevant provisions are set to come into effect.

### Medium-term recommendations (3-5 years)

- 11) The SEA, in collaboration with other key government institutions, should assess the effectiveness of the EI co-ordination mechanisms and the planning system to make sure that they are adequate to the needs and requirement of the next stage of EI and accession negotiations when they commence.
- 12) The Government, in consultation with the Parliament, should develop and implement a programme for preparing official consolidated versions of all primary and secondary legislation. All legislation should be made available free of charge to the public through the Official Gazette website.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Some of the biggest changes in sub-indicator values since 2017 demonstrate the improvements in evidence-based policy making, but also highlight the gaps and weaknesses in government planning



Note: The \* marks where points have been deducted because data was not available or of poor quality.



# **Public Service and Human Resource Management**

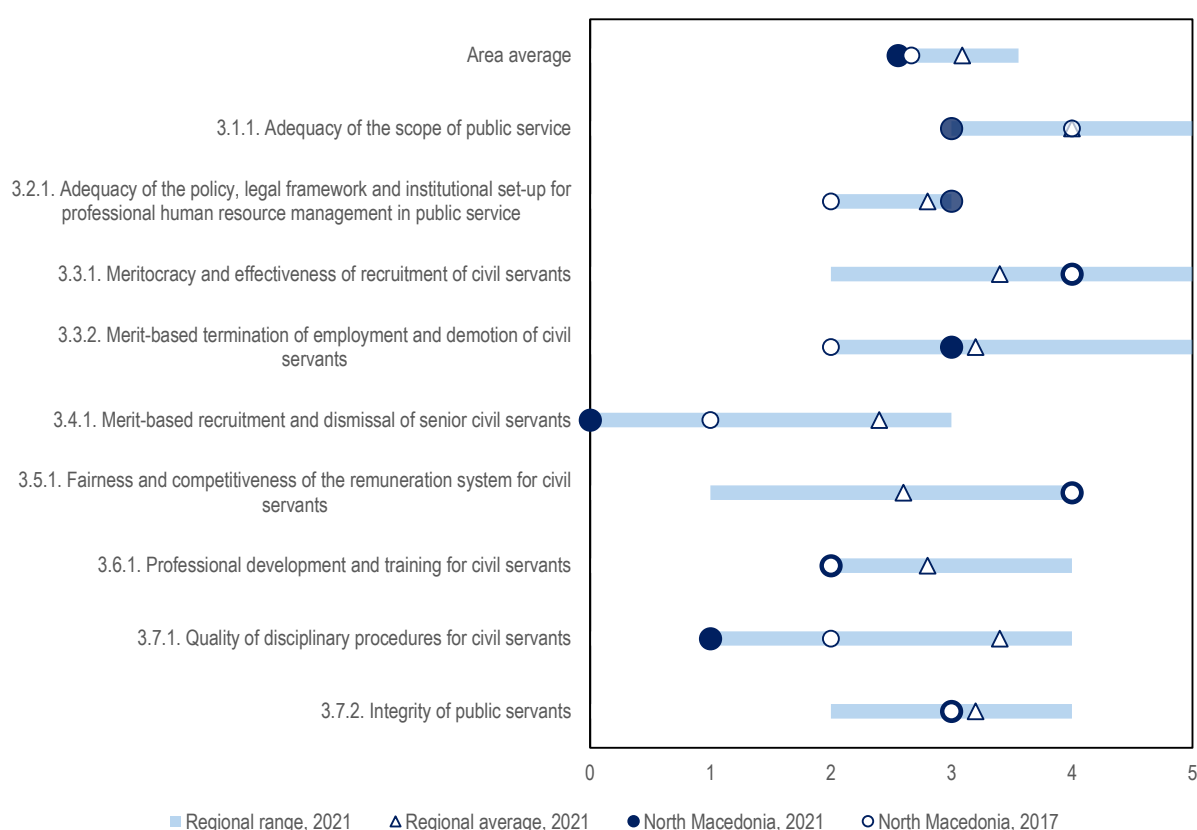
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## Public Service and Human Resource Management

### Summary and recommendations

In the area of public service and human resource management, the performance of North Macedonia remains amongst the weakest in the region, with an average indicator value of 2.6. This is due to several persistent deficiencies related especially to senior civil service, training, and disciplinary procedures. Compared to 2017, the country only shows progress in two indicators: human resources (HR) policy, and termination and demotion.

**Compared to 2017, North Macedonia only shows progress in two indicator values and remains one of the weakest performers regionally**



**The scope of the civil service, regulated through the Law on Public Sector Employees (LPSE) and the Law on Administrative Servants (LAS), has gaps.** Some institutions, such as the Ministry of Interior and the Customs administration, have their own extensive regulations, outside of the regular civil service, allowing for privileged salaries and creating gaps in the merit principle. The top managerial positions in ministries and other bodies are included in the scope of the civil service but appointed, without a competitive procedure assessing experience and competencies.

**There has been clear improvement in the quality of the policy documents and in the monitoring of their implementation.** Support to the HR units is still weak, even though the Ministry of Information Society and Administration (MISA) has reinforced some activities. The use of a Human Resource Management Information System (HRMIS) shows that data is collected, but there is no data-driven approach to building the HR strategy, either at the central level or in the public bodies themselves.



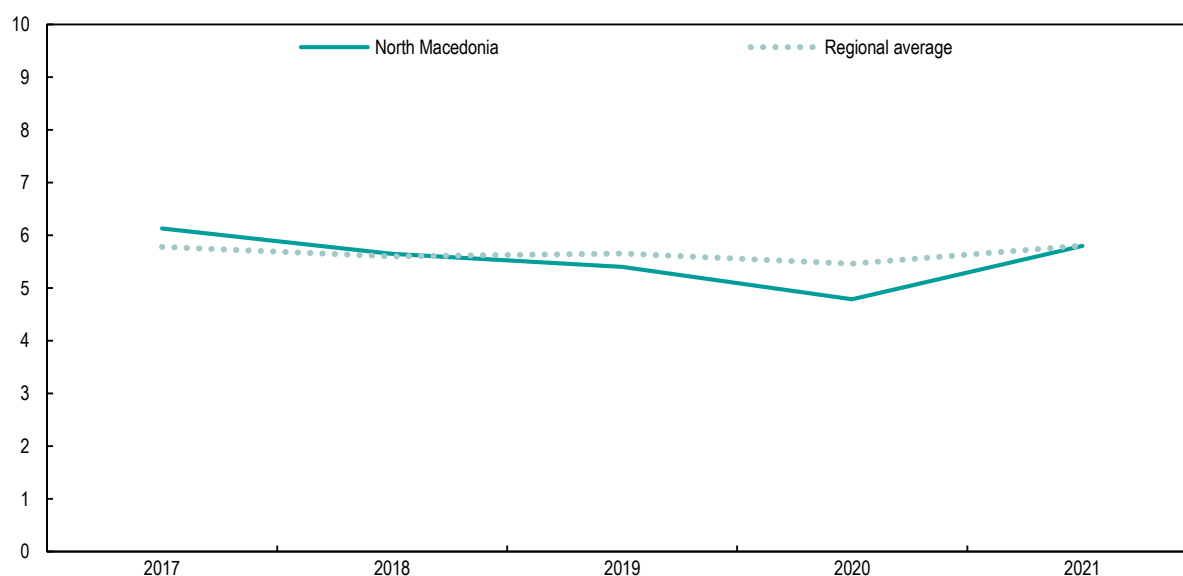
**Merit-based recruitment, demotion and dismissal of civil servants are adequately regulated. However, the recruitment processes are not sufficiently competitive**, even though the number of eligible candidates increased to an average of five per vacancy in 2020, compared to an average of one in 2016. In the last year, **half of the dismissal decisions were not confirmed by the courts**, which shows procedural weaknesses or the risk of unfair dismissals.

**The discretionary appointment and dismissal of senior managers remains the weakest area.** Based on the LAS or on the sector legislation, even if there are formal public calls for some agencies, the whole system of senior managerial positions is not competitive and merit based. The Government is preparing a Law on Top Management Service (LTMS) to overhaul the system.

**The remuneration system is rational, based on job classification**, with reasonable seniority progression and limited performance-related bonuses. However, the very basic job classification system does not properly differentiate the levels of responsibility, creating opportunities for unfair remuneration differences. Additionally, several salary supplements linked to unclear criteria have been created to benefit certain public bodies and groups of staff. Salaries are not sufficiently transparent.

**The professional development of civil servants is very weak**, both in terms of training activities and strategy. The MISA has no real instrument to deliver training as the so-called “Academy” is not functional, and lacks human and financial resources to do so. The performance appraisal system is still not systematically used. **After three years of decline, the civil servants' perceived level of meritocracy in the public sector has improved.**

**After three years of decline, civil servants' perception of meritocracy in the public sector has improved, although it is still lower than in 2017**



Note: Respondents were asked to what extent they agree with the following statement on a scale from 1 to 10: 'In the public sector most people can succeed if they are willing to work hard'.

Source: Regional Cooperation Council, Balkan Barometer Public Opinion database (<https://www.rcc.int/balkanbarometer/>).

**The disciplinary system presents some weaknesses that could allow unfair use by the public bodies on one side and a sense of impunity among potential offenders on the other.** The percentage of disciplinary sanctions confirmed by the courts is low, which could indicate procedural weaknesses or unfair disciplinary sanctions.

The State Commission for the Prevention of Corruption (SCPC) is a strong integrity body but focuses on the political authorities. **There is no integrity policy for the civil service**, and the MISA is not involved in this area. According to the Balkan Barometer survey, bribery in the public sector remains widespread compared to other countries in the region.

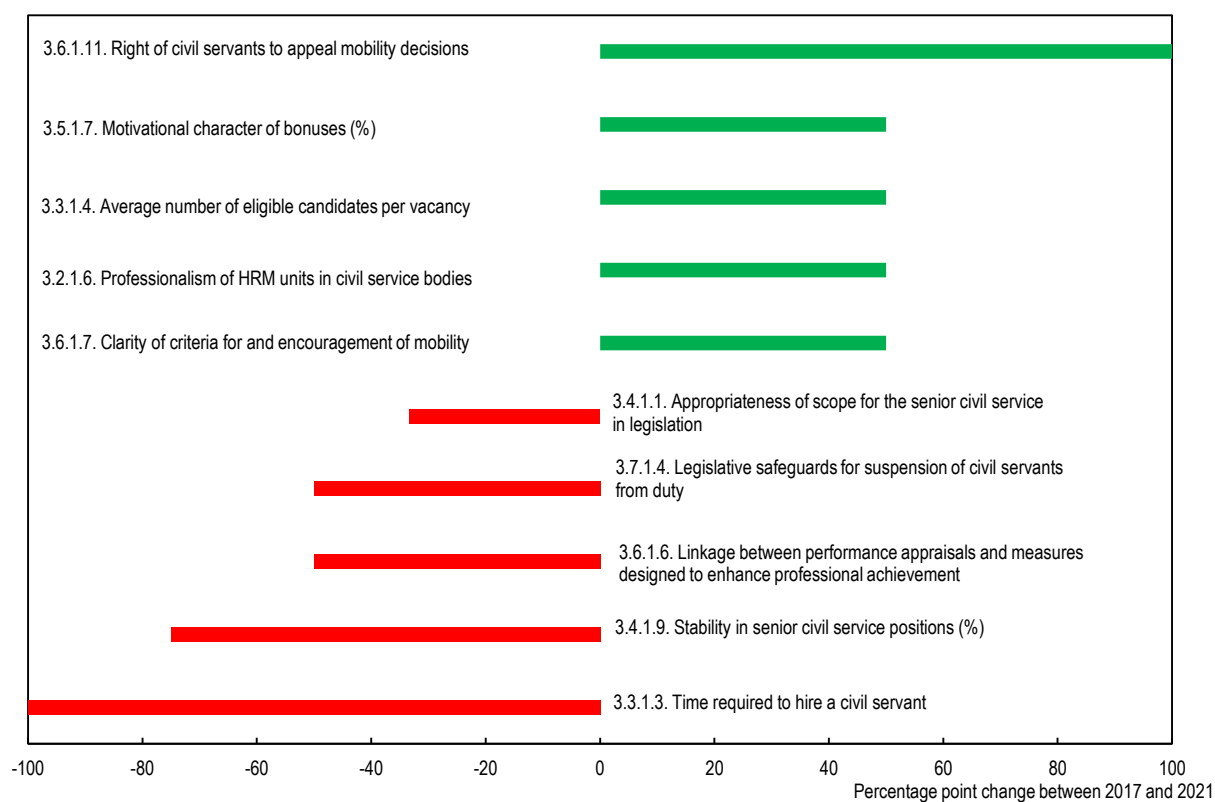
### **Short-term recommendations (1-2 years)**

- 1) The Government and the Parliament should ensure the creation of a new system to recruit and manage the top public managers, based on merit and open competition.
- 2) The MISA, Office of the Prime Minister (OPM), Agency of Administration (AA) and all public bodies should co-ordinate to reinforce trust in the fairness of the recruitment system and launch an employer branding strategy, with effective outreach, to attract enough skilled candidates to ensure competitive recruitment processes.
- 3) The AA should be placed under the authority of the MISA, to ensure the services provided are according to the policies set by the ministry. This should be done respecting the professional autonomy required for conducting the selection processes and the revision of the appeals.
- 4) The MISA should build up capacities to deliver horizontal trainings to the whole of the civil service, and seek co-ordination and synergies across the sector training initiatives of line ministries and agencies.
- 5) The MISA, in co-operation with the relevant bodies, should ensure the transparency of public-sector salaries and the individual remuneration of senior officials.

### **Medium-term recommendations (3-5 years)**

- 6) The MISA, the SCPC and the deputy prime minister in charge of anti-corruption should jointly launch specific integrity policies for civil servants and public employees.
- 7) The MISA, in co-operation with the Ministry of Finance (MoF) and the Ministry of Labour, should design a new salary system for the public sector to address the deficiencies of the job categorisation and unsystematic provision of salary supplements.
- 8) The MISA, in co-operation with other relevant bodies, should analyse a sample of dismissal and disciplinary decisions not confirmed by the courts and conduct improvement actions accordingly.
- 9) The Register (HRMIS) should be developed as a tool for strategic HRM, allowing the MISA and the HR units to analyse HR data, produce analytical reports, plan measures in consequence and monitor their impacts.

The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Improvements on mobility, bonuses, professionalism of HRM units and the average number of eligible candidates per vacancy, but regression on the time required to hire a civil servant, stability in senior positions, performance appraisals, legal safeguards for suspension and scope of senior civil service



# Accountability

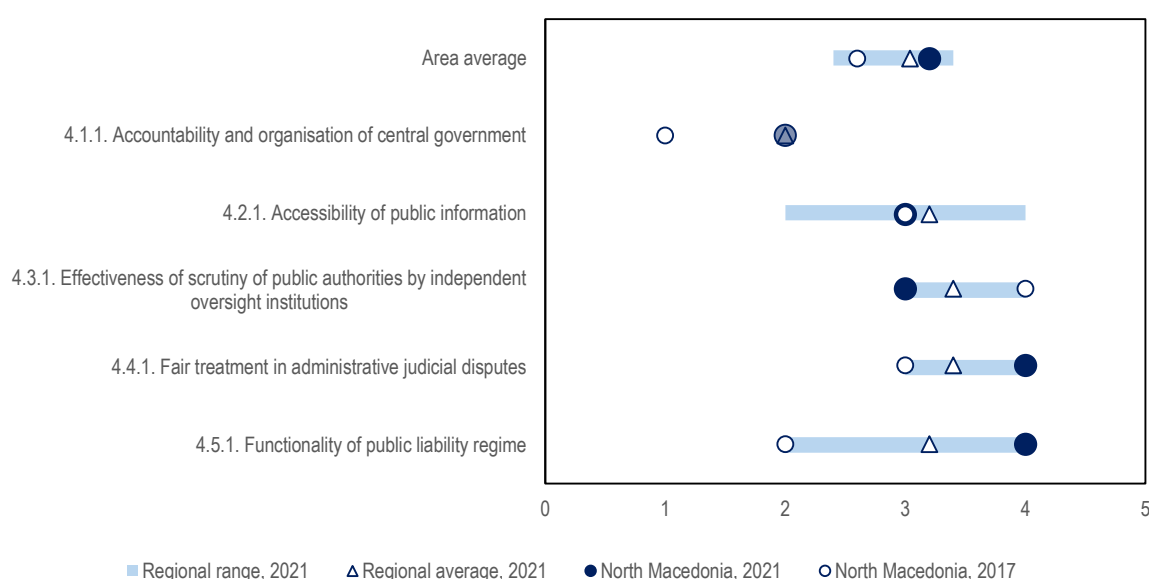
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## Accountability

### Summary and recommendations

Overall, North Macedonia shows progress since 2017 in the area of accountability and is with an average indicator value of 3.2 not far from the regional top performer (3.4). Effectiveness of scrutiny by oversight institutions is the only indicator with a lower value than in 2017, and the access to information remains at the same level. Nevertheless, some major reforms are still needed regarding certain elements in the accountability area.

**Close to the regional top performer, North Macedonia shows progress in the area of accountability since 2017, except for scrutiny by oversight institutions**



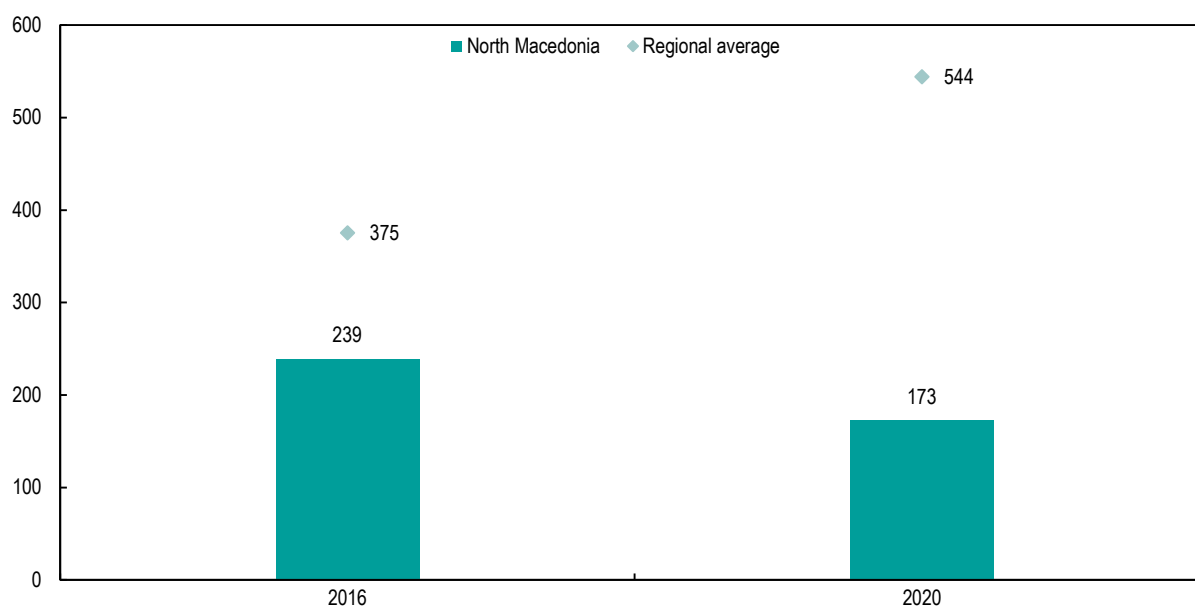
**The overall organisation of the central government bodies is not rational and does not ensure adequate accountability.** There is a significant lack of clarity regarding the typology of the central government bodies. Accountability mechanisms between subordinated bodies and their parent ministries are ineffective when it comes to strategic planning, priority setting, reporting and evaluation. There is no systematic approach or clear criteria for independent bodies, resulting in **many bodies reporting to the Parliament** instead of to their portfolio ministries.

The legal framework for access to public information system has improved since 2017 through the adoption of a new Law on Free Access to Public Information (LFAPI) in 2019. However, **proactive disclosure of information and datasets on official websites remains very low**, which indicates significant gaps in the implementation of the new LFAPI. The Agency for Protection of the Right to Free Access to Public Information does not have legal jurisdiction to conduct regular *ex officio* inspections of the compliance with the legislation on access to information.

The effectiveness of the scrutiny of public authorities by independent oversight institutions has deteriorated since 2017. **The legal framework for the Ombudsman, the Supreme Audit Institution (SAI) and the judiciary mostly follows the basic international standards but lacks some key elements.** The State Audit Office (SAO) is not mentioned in the Constitution, and the law on the Ombudsman does not include the promotion of human rights among its competences, although it is done in practice. Data on the implementation rates of Ombudsman's recommendations are not available. **The perceived independence of oversight institutions by the population, as well as trust in them, remains very weak.**

The fairness in handling administrative judicial disputes is based on a sound legal framework, which provide a strong formal base for the overall system of administrative justice. The workload of individual administrative judges is not systematically monitored. **The average disposition time of first-instance administrative cases amounts to 173 days**, which is a significant improvement from 2016 (280 days) and is now better than the Western Balkans (544 days) and European Union (EU) (241 days) averages<sup>4</sup>. On the other hand, **only 21% of the population considers the judicial system independent of political influence.**

**The average disposition time of first-instance court administrative cases has decreased further since 2016 and is now better than the Western Balkan**



Source: Data provided for the assessment by the Ministry of Justice and similar institutions in the region.

**There is a good legal framework for public liability and data availability has improved. Nevertheless, there is still no reliable data on the court rulings and payments.**

<sup>4</sup> Council of Europe member states, the average time needed to resolve administrative case is 241 days. Source: Council of Europe (2020), European judicial systems: CEPEJ Evaluation Report 2020, Evaluation cycle (2018 data), Strasbourg, p. 108.

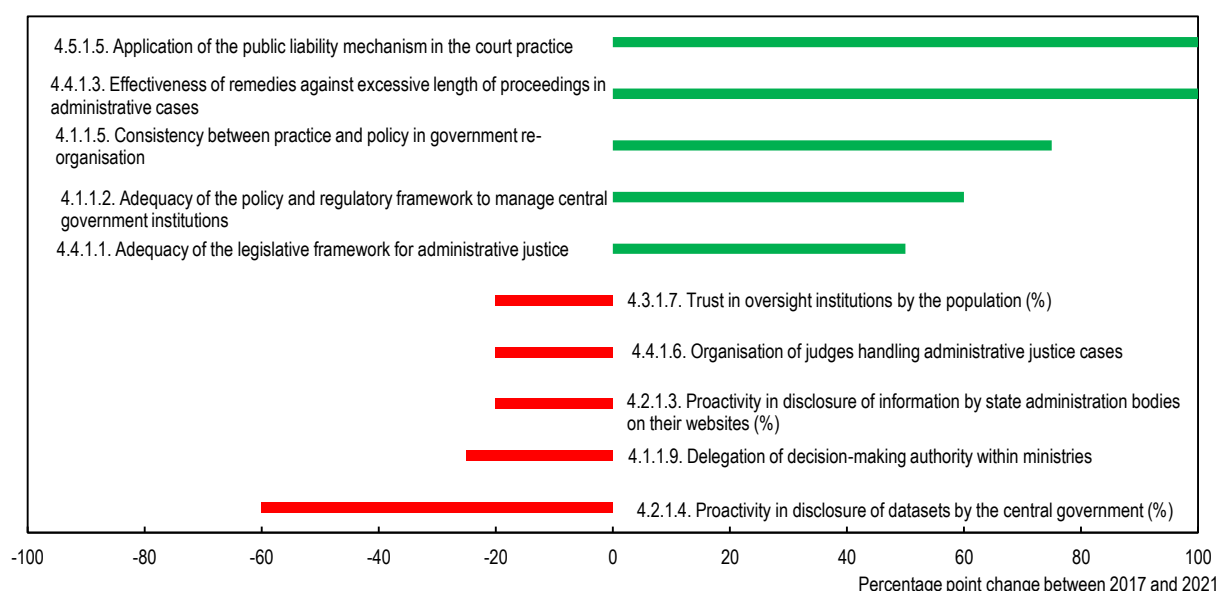
### Short-term recommendations (1-2 years)

- 1) The Government and the Parliament should ensure that the new Law on Organisation and Operation of State Administrative Bodies (LOOSAB) sets a clear typology of central government bodies.
- 2) The Government should implement the reorganisation proposals derived from the IPA project “Support to State Reorganisation”.
- 3) The Government and the Parliament should identify the state bodies that do not require independence from the Government and are currently accountable to the Assembly and transfer their accountability lines to the relevant portfolio ministry.
- 4) The MISA, in co-operation with the MoF, should create effective objective-setting and accountability mechanisms between ministries and their subordinated bodies.
- 5) The Government, in co-operation with the Agency for Protection of the Right to Free Access to Public Information, should extend the proactive disclosure of information and datasets on official websites.

### Medium-term recommendations (3-5 years)

- 6) The Agency for Protection of the Right to Free Access to Public Information should be given legal competence to conduct *ex officio* inspections of the compliance with the LFAPI.
- 7) The Ministry of Justice and the Judicial Council should develop the existing court management information systems to provide data on the workload, performance and quality of individual courts and judges.
- 8) In the event of a constitutional reform, the relevant institutions should use the opportunity to include the SAO as a constitutional body.
- 9) In the event of a legislative reform, the mandate of the Law on the Ombudsman should include the promotion of human rights.

**Five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. Indicators measuring public liability mechanisms in court and remedies against excessive length of administrative court cases have improved significantly, while proactive disclosure of information and delegation of decision-making are the indicators with the most deterioration.**





## **Service Delivery**

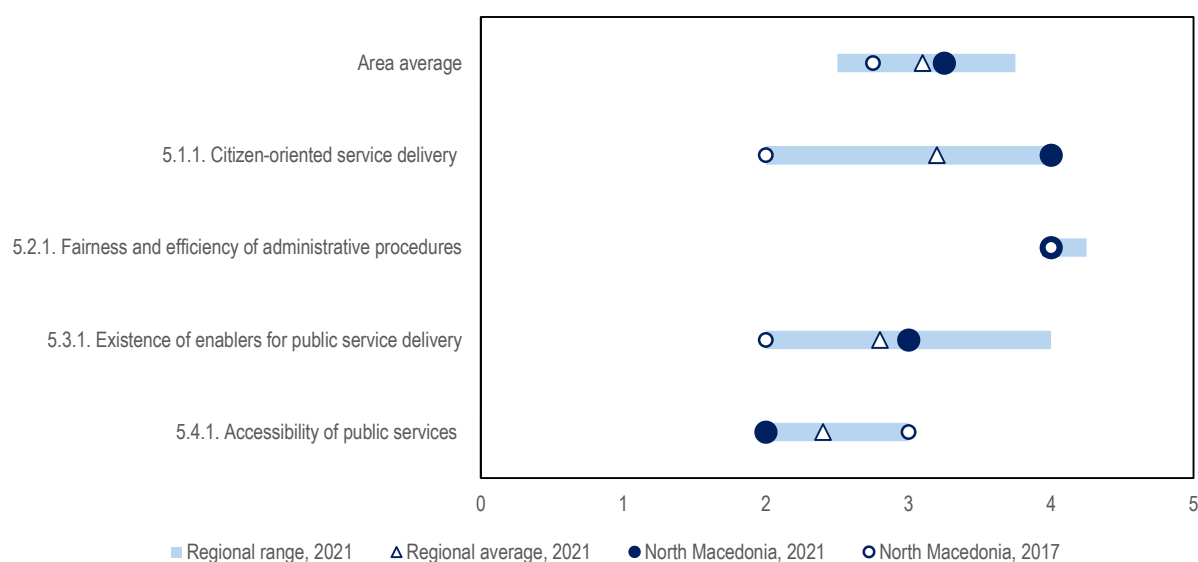
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## Service Delivery

### Summary and recommendations

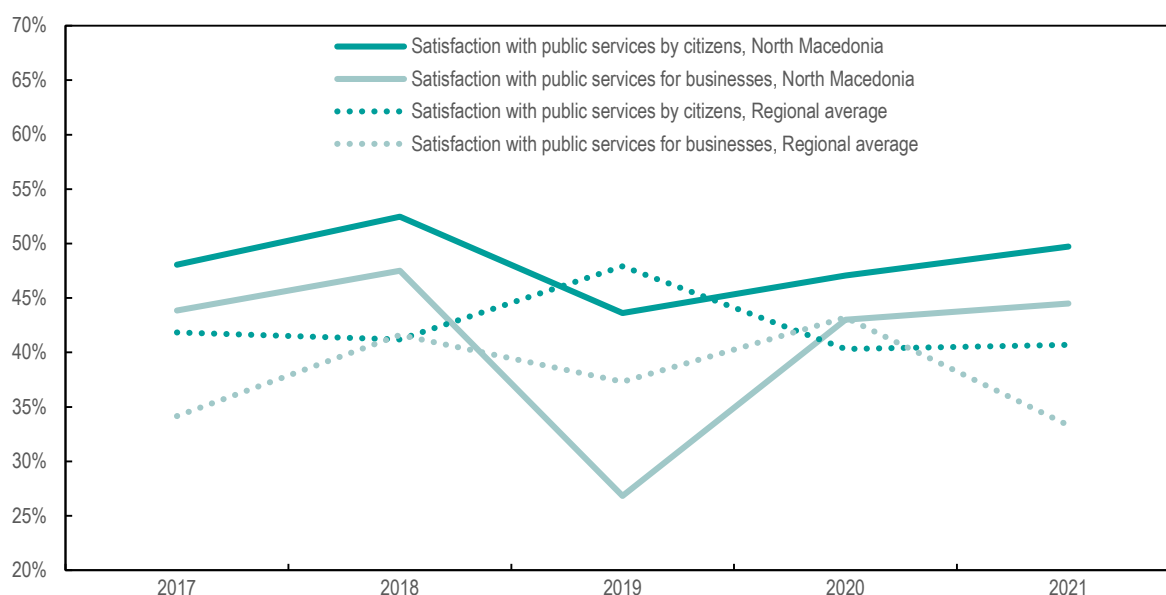
The average indicator value for the service delivery area has improved slightly to 3.3, compared to 2.8 in 2017, which places North Macedonia slightly above the regional average. The value of the indicators related to citizen-oriented service delivery and its enablers have improved. Despite these positive developments, the number of digital services is still low and the simplification process is slow. The indicator value related to the accessibility of services has decreased and there is no change for the fairness and efficiency of administrative procedures.

**Indicators values have improved since 2017 on average and are now above the regional average. Only regression was for accessibility of public services**



The policy framework has improved and provides clear direction for the service delivery area through the PAR Strategy 2018-2022. Three key laws (on central registry of population, on electronic management of services and on electronic documents and trust services) were adopted to facilitate e-services. Although the Ministry of Information Society and Administration (MISA) has a mandate to co-ordinate the entire service delivery area, **the modernisation of public services is still fragmented, and the ownership of some of its aspects remains unclear**. Despite the improvements in digitalisation, many services are still only provided in a traditional form. **The potential provided by digital enablers is often underutilised and could be leveraged to improve citizen orientation**. Some business-related procedures have worsened, as has the satisfaction of businesses with digital services. The Government has acknowledged these problems and established two working groups that should co-ordinate the review of over 150 laws to improve the level of digitalisation in the public administration and to ensure technological readiness for that. The satisfaction of citizens and businesses with the public services has slightly increased in the past years, although remains at the same level compared to 2017, and is above the regional average.

### The satisfaction with public services is above the regional average



Note: The respondents were asked "Could you please tell how satisfied you are with each of the following in your place of living? The percentage shows the share of citizens and businesses who "strongly agree" or "tend to agree" in relation to the following statements: "Administrative services from central government (such as passports and personal identification [ID])" and "Public services for businesses". Only those respondents who have been in contact with central government services in the past year are included.

Source: Regional Cooperation Council, Balkan Barometer Public and Business Opinion databases (<https://www.rcc.int/balkanbarometer>).

**Although the general legal framework is robust and well aligned with the principles of good administration, the harmonisation of special laws with the provisions of the Law on General Administrative Procedures (LGAP), adopted in 2015, is not complete.** The once-only principle is not fully applied, as public authorities still request documents from citizens that they already possess, despite the explicit prohibition in the LGAP. The MISA supports the harmonisation process proactively with the creation of a unit that acts as a help desk for other ministries. Nevertheless, the guidance and support on how to integrate various perspectives (legal, technological and user-centric service design) into a coherent approach to improve administrative procedures is missing. The perceived efficiency of administrative procedures in public institutions by citizens has stagnated, according to Balkan Barometer survey data.

**The use of quality management techniques has declined**, despite a special law being in place since 2013. The recently launched Methodology for Assessing the Quality of Institutions has the potential to revitalise this area. **There are no service standards set and, apart from e-services, no performance data on service delivery collected centrally.** The infrastructure for interoperability of basic registries has been put in place and is operational for the key registries; however, some registries are still not accessible via the common data exchange infrastructure. The National e-Services Portal is fully operational and provides a Catalogue of Public Services, a key enabler of service simplification and improvement. Still, **the uptake of e-services is low.** The digital signature framework is aligned with the European Union (EU) electronic identification, authentication and trust services (eIDAS), but obtaining certificates is expensive, and using the signature is complex, which inhibits the wider digitalisation of services.

**The situation with the accessibility of services has deteriorated.** Accessibility for people with special needs is recognised in legal documents and set as a PAR Strategy objective, but there is no evidence of the practical implementation of these requirements. Despite the legal recognition of sign language and the recent improvements in removing physical barriers to access public buildings, **the implementation of accessibility policies is poor in practice.** There is no formal obligation for public administration websites to comply with the Web Content Accessibility Guidelines (WCAG), and compliance with the standards has decreased.

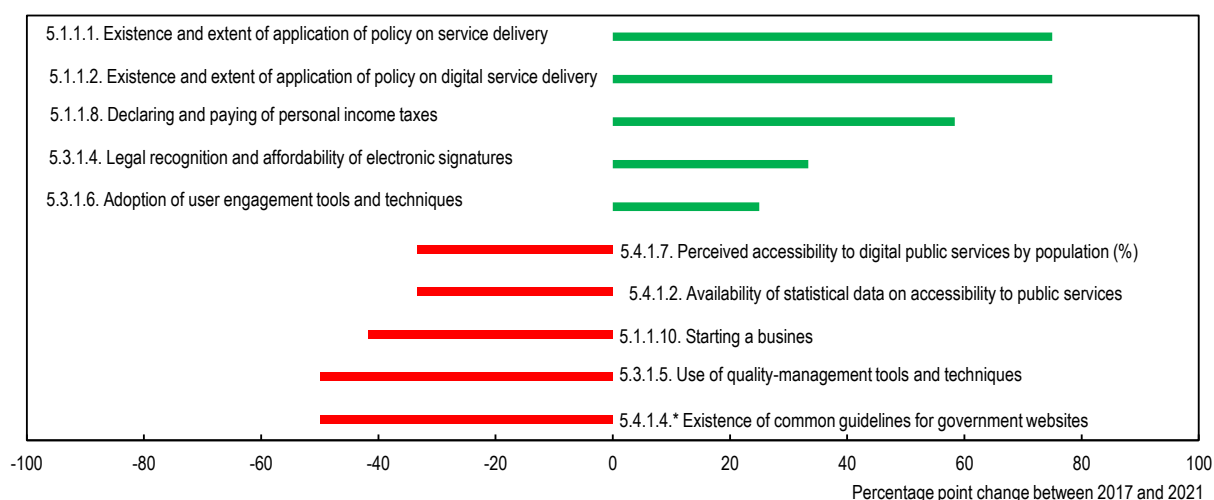
### Short-term recommendations (1-2 years)

- 1) The Government should adopt a Digital Service Roadmap aligned with the National ICT Strategy, based on the analysis of the working groups established for the improvement of digitalisation of administrative procedures.
- 2) The MISA should take clear ownership and leadership of the co-ordination of overall public service delivery (in addition to e-services) to guarantee a uniform approach across different sectors and develop relevant competences.
- 3) The Government should adopt the guidelines prepared by the MISA: “Standards for Service Delivery”, “Guidelines for Optimization of Services” and “Methodology for Inclusion of the End-Users in the Process of Improvement of Public Services. The MISA should guide other institutions on implementation and regularly monitor public service delivery in accordance with these standards.
- 4) The MISA should reanimate its role as a leader in promoting quality management practices, prepare a new National Quality Management Plan in the public sector and conduct annual studies based on the Methodology for Assessing the Quality of Institutions.
- 5) The MISA should analyse the main hindrances to increased uptake of digital services and design a roadmap to overcome them in co-operation with the main service provision institutions.
- 6) The MISA, in co-operation with other key service-provision institutions and private-sector service providers, should design a roadmap for increasing the use of digital authentication tools by the general population and integrating them into administrative processes.
- 7) The MISA should monitor the harmonisation of legal acts with the LGAP. The MISA should also use the harmonisation process to promote the simplification and re-engineering of administrative procedures.

### Medium-term recommendations (3-5 years)

- 8) The Government should draft a comprehensive strategy for enhancing public service accessibility and set a monitoring framework for assessing progress.
- 9) The Government should start piloting proactive and predictive service delivery for some life events.
- 10) The MISA should design a roadmap for improving the digital capacities and skills of both the civil servants and the general public to promote the modernisation of public services and their wider use.

**The five highest percentage point increases and decreases for all sub-indicators in the area compared to 2017. The policy framework for service delivery has improved, whereas deteriorations have happened in the quality of government websites, the use of quality-management tools, and the perceived accessibility of digital public services**





# **Public Financial Management**

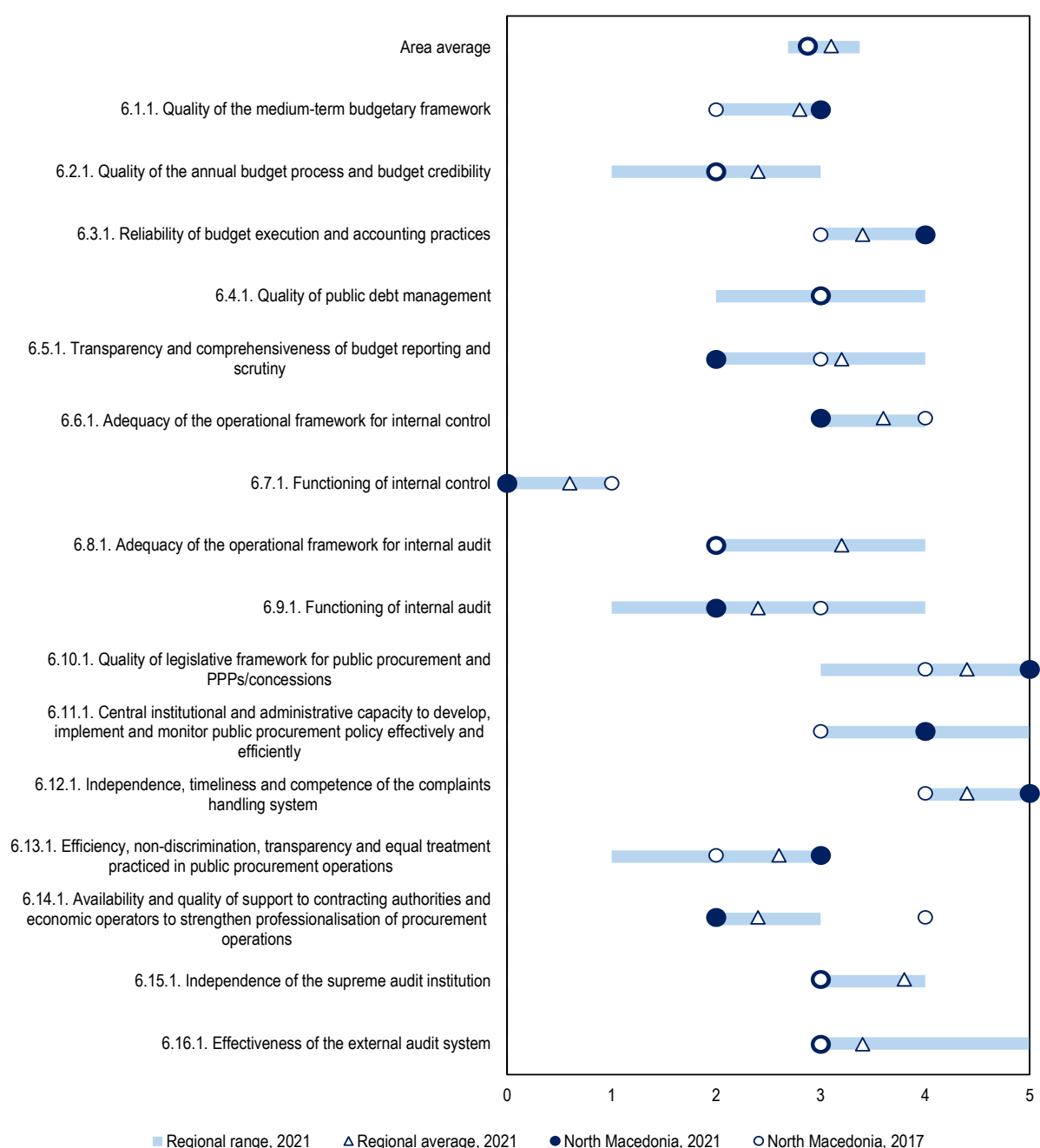
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## Public Financial Management

### Summary and recommendations

The overall trajectory for North Macedonia in public finance management (PFM) moved slightly downwards, from 2.9 in 2017 to 2.8 in 2021, and is below the regional average of 3.1. The performance relative to other countries in the region is weaker for most indicators in the PFM area. All indicator values in the public procurement area increased, except regarding support to contracting authorities. In the rest of the PFM area, only the medium-term budgetary framework (MTBF) and reliability of budget execution performs stronger due to adequate budget discipline and active monitoring of payment arrears.

**The average indicator value remains below the regional average, but some gains were made in the areas of public procurement, MTBF and reliability of budget execution**

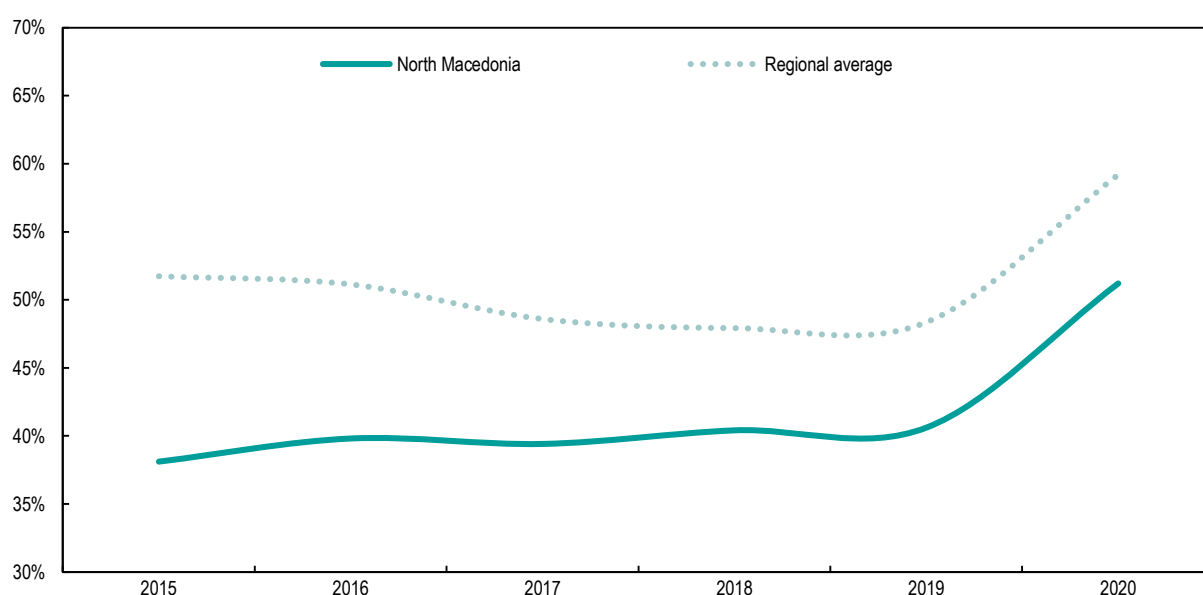


The stagnation in performance must be put into context. There is **strong potential to improve the PFM function in the coming years, as far-reaching legislative reforms are currently in deliberation by the Parliament**. The new draft organic Budget Law (OBL) and a new draft Law on Public Internal Financial Control (PIFC) in line with the new systemic Law on Organisation and Operation of State Administration Bodies have the potential to address the weaknesses observed in this monitoring report. Proposals to restructure state administration bodies and introduce the concept of “parent” budget users, which will be hierarchically superior to and accountable for subordinate users, could provide a new paradigm for a more decentralised PFM function.

**Budgeting has improved in terms of the credibility of both the medium-term projections and the annual estimates.** Deviations between estimates and outturns are reasonably limited. This reflects increased maturity in fiscal forecasting and discipline in budget execution. The importance that the Government attaches to budget discipline is reflected in the adoption of the Law on Reporting and Recording of Liabilities in 2018, which aims to prevent payment arrears via systematic registration. Although the registration may not yet be complete, the Law is a good step in the government’s ambition to control payment arrears.

**Improvement is also reflected in debt management** with the upgrading of the Public Debt Management Strategy (PDMS) to an independent document, separate from the Fiscal Strategy (FS). In addition, reporting on budget execution in greater detail allows the public to monitor execution by budget entity and not only in aggregates. The level of government debt has been gradually rising over the last seven years, but it is still low in the European context.

#### General Government debt increased due to the COVID-19 pandemic, but it is still low in the European context



Source: IMF (2021), World Economic Outlook Database.

However, **budgeting is still mostly an annual process and not policy driven by policy strategy**. The FS, which reflects the medium-term perspective, does not include disaggregated medium-term budget sectoral or ministerial ceilings. In their absence, sectoral policy priorities and fiscal strategy remain weakly linked. The high number of first-level budget organisations, of which there are currently 100, impedes the Ministry of Finance (MoF) approaching the budget preparation process in a more strategic manner.

The high number of first-level budget organisations also causes shortcomings in the annual budget preparation process and limits the opportunity to make effective use of performance information in the budgeting process. It also reduces reporting on budget execution to a quantitative exercise rather than an analytical process and limits the accountability of sectoral ministries for the allocation of funds in their sector, as the budget decisions are taken by the MoF. The implementation of the various PIFC concepts is also primarily driven by the Central Harmonisation Unit (CHU) of the MoF without any co-ordination role for sectoral ministries. As a result, the CHU currently oversees a total of 1 380 public entities. Although



the legal framework is established and the CHU provide provide a broad range of guidelines, **implementation of the PIFC concept is lagging**. Not all budget organisations follow the legal obligations for putting in place internal procedures for the delegation of tasks, risk management and the definition and monitoring of performance indicators. The PIFC-related manuals are not applied consistently by budget organisations, and the requirements are perceived as an administrative burden rather than as useful management tools.

Comparable problems are observed in the domain of internal audit (IA). **Although the legal framework for establishing IA is in place and implemented, the effectiveness of IA suffers from the fragmentation of budget organisations** and the consequently small IA units, often staffed by only one person. This negatively affects staff competences, planning and quality control procedures.

**The new Public Procurement Law (PPL), adopted by the Parliament on 28 January 2019, entered into force on 1 April 2019. The PPL transposes the current European Union public procurement directives.** Procurement contracts in the fields of defence and security are subject to a separate new Law on Public Procurement in the Field of Defence and Security (Defence and Security Procurement Law), adopted on 27 August 2019.

The Defence and Security Procurement Law transposes Directive 2009/81/EC (EU Defence and Security Directive). The by-laws supporting the Defence and Security Procurement Law were prepared and published between November 2019 and October 2020. The Law on Concessions and Public-Private Partnerships 2012 (Concessions and PPP Law) is not fully harmonised with the EU Directive 2014/23/EU on Concessions<sup>5</sup> (EU Concessions Directive), but it respects the general EU principles. The Strategy for public procurement is included within the wider Public Financial Management Reform Programme 2018-2021, which also includes high-level objectives and activities for public procurement and concessions and PPPs.

**The new PPL ensures a high level of compliance with the 2014 EU Procurement Directives.** The PPL also incorporates the relevant provisions of the EU challenges and remedies regimes. Only a few issues are problematic from the EU perspective, such as the lack of equivalent provisions related to negative references, the “self-cleaning” mechanism and automatic exclusion in certain cases. The process of drafting the PPL in 2018 was very inclusive: all stakeholders had an opportunity to submit comments and suggestions during public consultations. The relevant by-laws/rulebooks were prepared and published in the first half of 2019, following the adoption of the PPL. The Public Procurement Bureau (PPB) also delivered trainings on the new PPL for stakeholders, with a focus on the legal provisions rather than on the practical application of the Law.

The PPB continues to assist contracting authorities and economic operators through advisory and training activities. The need to strengthen its administrative capacity is greater now, in order to ensure the performance of all of its obligations in a proper and timely manner.

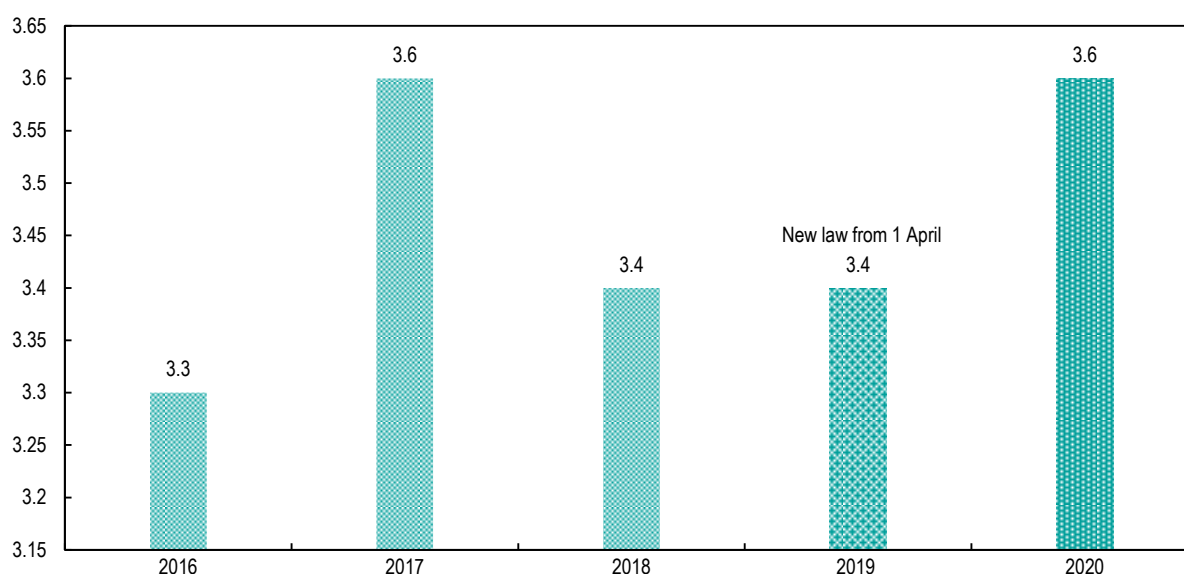
In the field of concessions and PPPs, a draft law on PPPs has been prepared, and a new law is planned for concessions for goods of a general interest. However, during the assessment period, PPP projects have been limited in number, and the Public-Private Partnerships Council (PPP Council) is still not active.

**The system benefits from an advanced Electronic System for Public Procurement (ESPP), which is highly appreciated by users. E-auctions are no longer mandatory, and the lowest price is not the only criterion for awarding contracts, but in practice, e-auctions and the lowest price remain the predominant approach.** Contracting authorities have an obligation to publish on the ESPP not only the notices and tender documents but also the public procurement annual plans and data about the fulfilment of the contracts.

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<sup>5</sup> Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concession contracts.

### Average number of tenders submitted, 2016-2020



Source: Data provided by PPB, May 2021.

**Despite the introduction of new flexibilities in the PPL, there is little evidence of a change in day-to-day procurement activities, with continued very high use of the lowest-price award criterion and e-auctions and minimal improvements in the levels of competition.** Training and guidance for procurement professionals and other stakeholders is focussed on legal compliance rather than on addressing practical issues at all stages in the procurement cycle.

**The e-Appeals function of the ESPP became fully operational on 1 April 2019, which is a significant and widely welcomed achievement.**

Training for and certification of procurement professionals continued to be delivered during 2020, despite the constraints of the COVID-19 pandemic. New guidelines have been published, and some standard procurement documents have been prepared in line with the new PPL, although there are some notable gaps.

**The legal framework includes sufficient provisions for the independence and mandate of the State Audit Office (SAO), but an anchor in the Constitution is still missing.** Although no interference by the Government has been experienced in practice and the SAO has invested considerable efforts in improving its external communication, the majority of the population perceives the SAO as not fully independent.

During recent years, the SAO further improved the institutional framework to produce ISSAI-compliant audit reports. It has adopted new manuals for regularity and performance audit that are compliant with the ISSAIs. The audit procedures increasingly emphasise quality control and assurance. Most audit recommendations are accepted by the auditee and their implementation is in progress. **However, with the exception of the SAO's annual report, the audit reports are not used by the Parliament, which limits the impact of the SAO.**

### Short-term recommendations (1-2 years)

- 1) The Parliament should adopt the new OBL and new Law on PIFC. The MoF should prepare an action plan for their implementation.
- 2) The MoF should, in line with the new draft OBL, transform the FS into a medium-term framework for government expenditures. This requires that it includes disaggregated ceilings on a medium-term basis that reflect the Government's spending priorities among the main sectors, integrating policy information within the fiscal framework.
- 3) The MoF should, in line with the new draft OBL, establish a Fiscal Council with a proper mandate and sufficient resources to monitor compliance with the fiscal rules and provide advice on fiscal policy.

- 4) The Government should ensure that audited financial statements of state-owned enterprises (SOEs) are submitted within six months of year end, prepare a consolidated analysis of the fiscal risks and submit the analysis to the Parliament as part of the budget documentation.
- 5) The MoF should continue its efforts to reduce the risk profile of the debt portfolio by gradually reducing the share of floating-rate debt and increasing the average maturity of domestic public debt.
- 6) The Government should conduct a review of the financial departments of the new “parent” ministries to identify their gaps in capacity and resources, considering their new tasks and responsibilities in the new legal framework.
- 7) The CHU of the MoF should establish a basic quality assurance programme that helps IA units give due attention to systemic weaknesses in their set-up and working practices.
- 8) The PPB should actively engage with contracting authorities, the private sector and non-governmental organisation (NGO) stakeholders prior to and during the preparation of new guidelines and training on the operation of the public procurement system, to ensure that they address in a practical and useful way the real-life issues identified by stakeholders.
- 9) The PPB should prepare and publish a full suite of standard documents and templates in line with the PPL, including practical examples to cover, in particular, the use of qualitative criteria, weightings and related methodologies, and incorporation of sustainability factors into the entire public procurement cycle.
- 10) The Government/Parliament should finalise and adopt the PPP Law aligned with the 2014 EU Concessions Directive. The Ministry of Economy (MoE) should establish a centre of excellence, including the appointment of appropriately qualified staff, to support the roll-out of the new PPP Law and PPPs in practice, prepare and deliver practically focussed training and support and ensure co-operation among key institutions.
- 11) The MoE, in co-operation with contracting authorities, the private sector and NGOs, should publish all necessary by-laws, guidelines, brochures and standard documents in support of the new PPP Law prior to or when it comes fully into force.

#### **Medium-term recommendations (3-5 years)**

- 12) The Government should continue the establishment of a governmental “academy” for public finance as a tool to build the capacity of parent ministries to fulfil their responsibilities under the new draft legislative framework in a sustainable manner.
- 13) The MoF should, in line with the legislative framework, organise IA at the sectoral level by parent ministries. This would ensure that the internal auditors have the knowledge of the sectors in which they work while allowing the building of sufficient mass in the IA units for more specialist tasks.
- 14) The MoF and the MoE should facilitate co-operation among key institutions on the roll-out and ongoing delivery of PPP. They should establish processes for review and feedback to play into ongoing learning and the improvement of the PPP framework and operation.
- 15) The State Appeals Commission (SAC), in conjunction with the PPB as necessary, should review and fully update the SAC website to create a free text search facility for searching all SAC decisions, current and archived, and ensure that it is consistent with the relevant functions of the ESPP, in particular the e-Appeals system.
- 16) The MoF, PPB, SAC and SAO should re-establish a formal or informal mechanism to co-ordinate on a regular basis the interpretation of procurement legislation by key institutions, while acknowledging the need for institutional independence.
- 17) The SAO should continue to co-operate with the Assembly to increase the impact of its audit work, especially by raising the interest and understanding of Members of Parliament concerning its audit results and recommendations.
- 18) The Government should establish an audit framework that covers local government on an annual basis by an external auditor.

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