

**IPA II Sectoral Monitoring Committee on Democracy and Governance**

**(Focus on PAR and PFM in 2022)**

**Fourth Meeting**

**(26.05.2022, Thursday, 10:30 hrs, via Webex)**

**Minutes**

The fourth online meeting of the IPA II Sectoral Monitoring Committee on Democracy and Governance focusing on Public Administration Reform (PAR) and Public Finance Management (PFM) in 2022 was co-chaired by representative of the NIPAC Office, Secretariat for European Affairs (SEA) and the representative of the EU Delegation of the European Union (EUD).In attendance were representatives of EUD, Embassies of EU Member States, Line Ministries, IPA coordinators in the two sectors, other national institutions that are using funds available under the governance and democracy framework, and NIPAC Office – SEA.

The representative of the NIPAC Office underlined that the SMC meeting will focus on the achievements, the pace of implementation of the Programmes, ways to improve it and mitigation measures that could speed up the implementation in the field of PAF and PFM. The wide range of areas covered by IPA projects in this sector include the state reorganisation, digitalisation of government services, modernization of budget processes, collection of taxes, customs, public internal financial control, state audit, statistics, fight against corruption and public private partnership.

The representative of EUDexpressed EUD’s pleasure that the EU Members States have been invited and are attending for the first time the SMC meeting in this sector, which is very much in the spirit of the Team Europe approach of working together. The sector is very important for the proper functioning of the state and the public services. It affects the quality of implementation of policies in all other sectors and cares for transparent and efficient use of public funds in times of crisis, but also during ordinary times. It is implemented mainly under direct management. However, the active participation of all stakeholders in the projects’ implementation is very important for making the projects successful and sustainable.

Delays in adoption of the Organic Budget Law (OBL) and Public Internal Financial Control Law (PIFCL) are really problematic and risk to undermine the impact of the ongoing IPA twinning project “Strengthening Budget Planning, Execution and Internal Control Functions”.

She added that the adoption of the Organic Budget Law is a precondition to start implementation of the Integrated Financial Management Information System (IFMIS). The laws are currently in Parliament, having been there for some time and this is an issue which cannot be influenced much. Moreover, it is very important that each actor push for the laws to be adopted as soon as possible, in order to move forward the implementation of both projects, the twinning one and the IFMIS project.

The National Authorising Officerprovided the following update on issues of implementation in the PFM sub-sector:

* She noted that the OBL and PIFCL are still in parliamentary procedure. The Minister of Finance has had several discussions with the President of Parliament to raise the importance of this issue not only for MoF but for the implementation of the entire PFM Agenda. MoF hopes that both laws will be adopted in the coming weeks.
* WB and EU Delegation Services are agreeing upon the text of the administrative agreement on the IFMIS project to be signed by the deadline of 19 July. EUD and WB decided to proceed with the signing of this agreement even though the OBL has not been enacted yet, as it will be implemented with a suspension clause. MoF hopes that the agreement between EUD and the WB will be signed in the coming weeks.
* In the second half of June a WB mission will come to Skopje to discuss in more details the project components that will be part of the IFMIS project. Hopefully upon adoption of OBL they can proceed with the formal Board approval by WB. This would allow MoF to proceed with the preparation of all necessary legal documents to be adopted by the Government, Parliament and to be eventually signed between the Government of North Macedonia and WB that will administer the EU funds. The actual implementation of the project will hopefully start sometime in September 2022 when the first tendering procedure should begin. The technical specification for the new IFMIS has been already developed by the WB and MoF staff.

The representative of EUDraised the following points/issues regarding implementation of IPA II in the PAR sub-sector and added the following:

* In the PAR sub-sector all planned 6 contracts were concluded worth EUR 11.2 million, of which EUR 5 million were paid.
* EUD took note that the Government on its session held on 8 March 2022 adopted the Synthesis Report on Reorganisation of State Administrative Bodies. Three pilot sectors were identified and started, with leading role of the Ministry of Information Society and Administration (MISA), the Ministry of Economy (MoE), and the Ministry of Agriculture, Forestry and Water Economy (MAFWE). This decision was important for the IPA 2017 project on state reorganisation, which has been extended to cover the piloting phase. This is also linked to the sector budget support programme planned under the IPA 2022 action on good governance, which has a number of indicators linked to the process of state reorganisation. It is important to move forward with the Law on Organisation of State Administrative Bodies, which will be the basis of the reorganisation process.

The representative ofMISAbriefed the SMC on the developments regarding PAR issues as follows:

* There was a period without any significant progress as regards the Law on Organisation of State Administrative Bodies. The Working Group (WG) could not continue drafting the law as the Synthesis Report (SR) was not adopted by the Government.
* Following the adoption of the SR, the WG held three meetings in April. An improved and advanced version of the law is expected to be prepared in June. Then it will be published on ENER and discussed with all stakeholders. Once the WG has incorporated all useful comments, the law will enter the Governmental procedure. It was expected to be adopted by the Government in June. However, in order to ensure transparency of the process and provide sufficient time for discussion, comments and additional analysis, the expected date for its adoption by the Government will be postponed.

The representative of the Ministry of Economy (MoE)briefed the SMC on state of play regarding the implementation of the Project on e-Government in MoE as follows:

* There are several ongoing activities within the Energy Department, Tourism Department and Trade and Cooperation Department regarding the services and registers.
* In terms of IT experts, the Head of IT Department and Head of Unit of the IT Department have been nominated to deal with the issues of IT supplies within this project.
* MoE would like to be informed of the nominated IPA Coordinator within MISA regarding MoE’s project for internal market as they will need some further coordination on the single point of contact.

The representative of EUDrequested clarifications on the following points:

* EUD is content that the MoE is moving forward on the e-Government. Recently, the EUD Head of Cooperation has had a meeting with the Deputy Prime Minister in charge of Good Governance Policies who would like to get acquainted with the project in more details, as it supports inter-operability and improvement of the government functioning and efficiency . EUD scheduled a presentation for her on 2 June, 14:00 hrs, to which MISA is being invited.

The representative of MISA clarified that MISA received prompt comments from the institutions. The Synthesis Report is not obligatory but there will be further analysis once the reorganization of the ministerial systems has started. MISA replied to various institutions that had sent comments that they would have an opportunity to change things once the Working Group (WG) and Steering Committee (SC) for each ministerial system will be established. Currently three WGs and three SCs have been established for the three separate ministerial systems. Only institutions that will be part of these ministerial systems, have the opportunity to work within the established WG and SC in order to change anything in the Synthesis Report. MISA will also provide a rationale as to why these three institutions should be included in the supply contract. MISA Cabinet will participate at the scheduled presentation for the Deputy Prime Minister in charge of Good Governance Policies, and they would welcome any support from any institutions with horizontal competencies.

The representative of the NIPAC Office informed the SMC participants on how MAFWE are taking on board the recommendations of the Synthesis Report. They have already carried out a functional review through a project implemented in cooperation with the World Bank. Having in mind that the WB functional review and the Synthesis Report recommendations are not very much aligned, it will be a double challenge for them to envision the institutional set up of the Ministry. She added that there is a WG established and the outcome of its work is yet to be seen.

**Conclusions and Recommendations:**

1. The European Commission stresses on the importance that the Organic Budget Law and PIFC Law are adopted by the end of June 2022. (From the previous SMC and MC)
2. Public Private Partnership law to be adopted by the Government by end-July 2022.
3. Concessions law to be adopted by the Government by end-September 2022. (From the previous SMC)
4. PFM Academy will be operational for trainings from the beginning of 2023. (From the previous SMC)
5. The Ministry of Finance will start the implementation of the IFMIS project in the second half of 2022, subject to an agreement signing between the European Commission and World Bank. (From the previous SMC)
6. The Ministry of Information Society and Administration to send the law on Organisation of State Administrative Bodies for public consultations by the end-June 2022, aiming adoption by the government in end-September 2022. (From the previous SMC and MC)
7. Ensure full cooperation of all institutions in the service project on e-government. Ensure better inter-institutional cooperation between different institutions. (From the previous SMC)
8. Government to develop an action plan for embedding of the recommendations for the improvement of legal framework on discretionary powers into the national legislation, following translation of the report on discretionary powers in Macedonian language, not later than August 2022.  (From the previous SMC)