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ANNEX

**to the Commission Implementing Decision  
addressed to the Republic of North Macedonia  
amending the Commission Implementing  
Decision C (2018)5068 of 03.08.2018**

<b>Beneficiary</b>	North Macedonia
<b>CRIS/ABAC Commitment references / Budget lines</b>	2018/040-860 / 22.02.01.01
<b>Total cost</b>	Total cost: EUR 41,127,348
<b>EU Contribution</b>	EU Contribution: EUR 32,089,675
<b>Management Mode/ Entrusted entities</b>	<ul style="list-style-type: none"><li>• Direct management by the European Commission</li><li>• Indirect management by international organisation for Action 3: EU support for PFM, a part of which will be implemented by the World Bank</li><li>• Indirect management with beneficiary country for: Action 1: Participation in Union Programmes (UP), where implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.</li></ul>
<b>Final date for concluding Financing Agreements with the IPA II beneficiary</b>	At the latest by 31 December 2019
<b>Final date for concluding delegation agreements under indirect management</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
<b>Final date for concluding procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
<b>Final date for operational implementation</b>	6 years following the date of conclusion of the Financing Agreement.
<b>Final date for implementing the Financing Agreement</b> (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement.
<b>Programming Unit</b>	DG NEAR, D3
<b>Implementing EU Delegation</b>	EU Delegation to North Macedonia

# 1 DESCRIPTION OF THE ACTION PROGRAMME

## 1.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

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

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

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

- Overview of past and ongoing EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:

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

- Since EU funds are allocated in support of the reform process, the effectiveness and impact of the IPA assistance require constant engagement from the national authorities. Therefore, strong commitment from the authorities, particularly to horizontal reforms such as the reform in PFM, as well as an inclusive high-level sector dialogue, are important for the successful implementation of the reforms and purposeful use of the EU funds.
- The national authorities need to demonstrate strengthened commitment to achieving the expected results independently of the implementation modality. While the EU Delegation may act as contracting authority, achieving the outcomes and impact of the actions remains primarily a responsibility of the national authorities. Hence, ownership

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

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

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

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

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

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

***Sector Democracy and Governance***

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS (DIRECT MANAGEMENT)	
Action 1: Support to participation in the Union Programmes (UP)	EUR 6,101,614		
		Action 2: EU Integration Facility (EUIF)	7,388,061
		Action 3: EU Support to Public Finance Management	18,600,000
<b>TOTAL</b>	<b>EUR 6,101,614</b>		<b>EUR 25,988,061</b>

## 1.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

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

<b>SECTOR</b>	<b>DEMOCRACY AND GOVERNANCE</b>	<b>EUR</b>
		<b>32,089,675</b>
<i>Action 1</i>	<i>Support to participation in Union Programmes (UP)</i>	<i>Indirect management by beneficiary country</i>
		<i>EUR</i>
		<i>6,101,614</i>

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

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

The following results are foreseen:

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

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

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

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

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

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

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

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

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

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

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

Indirect management with the beneficiary country

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

National Fund, Ministry of Finance

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

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

<b><i>Action 2</i></b>	<b><i>EU Integration Facility (EUIF)</i></b>	<b><i>Direct management by the EU Delegation</i></b>	<b><i>EUR 7,388,061</i></b>
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***(1) Description of the Action, objective, expected results and key performance indicators***

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

The specific objectives of the EUIF are:

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

The key performance indicators for the EUIF include:

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

The direct results of the action are:

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

The achievement of these direct results will be measured through:

- Number of project proposals submitted under the EUIF / Number of proposals approved for funding and typology by institution, policy area and type of support;
- Number of institutions involved in project implementation;
- Ease of mobilising resources under the EUIF:
  - Average length of project launch (duration from submission of project proposal until contract signature)
  - EUIF Funds implementation rate (EUIF Contracting and disbursement rate)
- Percentage of projects completed successfully/ results delivered - documents adopted, people trained, IT tools put in use;
- Number of people benefiting from the funded projects (data segregated by gender, ethnicity, vulnerability – where possible).

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

The following assumptions relate to the implementation of this action:

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

The implementation of the action is conditional on:

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

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

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

Direct management by the EU Delegation.

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

##### **Procurement:**

- a) global budgetary envelope reserved for procurement: EUR 6,088,061
- b) indicative number and type of contracts: 10-15 service/supply, works in exceptional cases
- c) indicative time frame for launching the procurement procedure: 12-33 months after the conclusion of the Financing Agreement.

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

- a) Objectives and foreseen results:

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

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

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

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

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

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

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

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

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

The action is expected to deliver the following results:

- Improved budget system based on implementation of a new organic budget law;



- Improved operational efficiency and transparency through new Integrated Financial Management Information System (IFMIS) in line with the new organic Budget Law, which needs to be adopted by Parliament;
- Improved stability, efficiency and quality of revenue collection system (tax system and policy and customs system);
- Improved legal compliance, efficiency and transparency of the public procurement system;
- Strengthened internal control in line with the new Public Internal Financial Control (PIFC) Policy Paper;
- Improved external audit efficiency and impact.

The achievements of the expected results will be measured through:

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

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

The following assumptions relate to the implementation of this Action:

- Stable political and economic development (positive trend);
- Strong political commitment to apply "Good Governance" standards;
- Significantly improved sector coordination;
- Commitment and good and continuous interaction of the PFM actors, including budgetary users and various stakeholders (Parliament, courts, business operators);
- Political commitment to the PFM reforms indicated by ensuring the sufficient financial, human and administrative resources for the implementation of the PFM Reform Programme;
- Policy dialogue on PFM continues with the involvement of all stakeholders to ensure transparency of the reforms and monitoring of the achievements in the PFM sector;

- Interest on behalf of the business entities to use the new IT tools in the area of taxation and public procurement;
- Infrastructure needs addressed (National Disaster Recovery Centre built, accommodation for the new equipment ensured).

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

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

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

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

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

#### ***(3)(a) Indirect management with international organisation***

A part of this action may be implemented in indirect management with the World Bank. This implementation entails the activities linked to result 2 of this action: Improved operational efficiency and transparency through the new Integrated Financial Management Information System (IFMIS) in line with the new organic Budget Law, which needs to be adopted by Parliament. The envisaged entity has been selected due to its professional capacity, namely (1) technical competence and high degree of specialization on PFM issues, and (2) efforts in supporting the country to advance the PFM reform.

If negotiations with the above-mentioned entrusted/pillar assessed entity fail, this part of the action may be implemented in indirect management with an alternative entity using the same selection criteria.

If negotiations with the above-mentioned entrusted/pillar assessed entity fail as well, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section (3)(b).

#### ***(3)(b) Direct Management - Essential elements of the action (for direct management)***

##### **Procurement:**

- a) the global budgetary envelope reserved for procurement: EUR 4,400,000
- b) the indicative number and type of contracts: 4-6 service and supply contracts

- c) indicative time frame for launching the procurement procedure: 3 to 32 months after the conclusion of the Financing agreement

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

- a) Objectives and foreseen results:

This call for proposals for a twinning contract will aim at improving the budget planning, execution and internal control functions in the Ministry of Finance and across the public administration of North Macedonia. More specifically, the project will pursue the following results:

- 1) Improved budget system based on the new organic budget law, which needs to be adopted, completion of the Medium-term Budgetary and Expenditure Frameworks, improved budget forecasting tools and upgrading of the budget planning capacities of the employees in Ministry of Finance and budget users, 2) Improved legal compliance, efficiency and transparency of the public procurement system, through methodological and capacity building support for the implementation of the new Law on Public Procurement harmonised with the 2014 EU Public Procurement Package, and strengthening the institutional and human capacities of the Public Procurement Bureau, the State Appeals Commission and procurement officers in the country to implement the new legal provisions, and
  - 3) Strengthened internal control in line with the new PIFC Policy Paper through promotion and introduction of decentralised system for managing public funds in a number of budget users.
- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
  - c) The essential selection criterion is the operational capacity of the applicant.
  - d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.
  - e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.
  - f) Indicative amount of Twinning contract: EUR 3,700,000
  - g) Indicative date for launching the selection procedure: Quarter 1 of 2019

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

- a) Objectives and foreseen results:

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

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

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

- a) Objectives and foreseen results:  
 This call for proposals for a twinning contract will aim at improving the improving the efficiency and impact of the external audit in North Macedonia. More specifically, the project will pursue the following results: 1) Strengthening the capacities of the State Audit office to perform financial and performance audits and increase the audit coverage of the total public expenditure and 2) Enhancing the interaction between the State audit office and the Parliament.
- b) The essential eligibility criteria: applicants must be EU Member State administrations or mandated bodies.
- c) The essential selection criterion is the operational capacity of the applicant.
- d) The essential award criteria are technical expertise of the applicant, and the relevance, methodology and sustainability of the proposed action.
- e) The maximum possible rate of EU financing may be up to 100% of the total cost of the action in accordance with Article 192 of Financial Regulation if full funding is essential for the action to be carried out. The necessity for full EU funding will be justified by the responsible authorising officer in the award decision, in respect of the principles of equal treatment and sound financial management.
- f) Indicative amount of Twinning contract: EUR 1,500,000
- g) Indicative date for launching the selection procedure: Quarter 3 2019

## 2 BUDGET

### 2.1 INDICATIVE BUDGET TABLE - ANNUAL ACTION PROGRAMME FOR NORTH MACEDONIA FOR YEAR 2018

	Indirect Management with the IPA II beneficiary			Other implementation arrangements			MM <sup>5</sup>	Total EU contribution for 2018		
	EU Contribution	IPA II beneficiary Cofinancing	Total expenditure	EU Contribution	IPA II beneficiary Cofinancing	Total expenditure				
<b>1 – Democracy &amp; Governance</b>	<b>6,101,614</b>	<b>4,184,732</b>	<b>10,286,346</b>		<b>25,988,061</b>	<b>4,852,941</b>	<b>30,841,002</b>		<b>32,089,675</b>	
Objective 1 (CRIS : 2018/040-860)	Action 1: Support to participation in Union Programmes	6,101,614	4,184,732	10,286,346				IM BC	6,101,614	
					Action 2: EU Integration Facility	7,388,061	0	7,388,061	DM	7,388,061
					Action 3: EU Support for PFM	18,600,000	4,852,941	23,452,941	DM IMEE	18,600,000
<b>TOTALS</b>	<b>6,101,614</b>	<b>4,184,732</b>	<b>10,286,346</b>		<b>25,988,061</b>	<b>4,852,941</b>	<b>30,841,002</b>		<b>32,089,675</b>	

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

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

#### **DIRECT MANAGEMENT:**

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

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

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

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

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

#### **Twinning:**

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

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

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

#### **INDIRECT MANAGEMENT:**

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

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

A part of action 3 may be implemented in indirect management with an entrusted/pillar assessed entity.

### **4 PERFORMANCE MONITORING ARRANGEMENTS**

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports

referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

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

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

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

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