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## **Project fiche 1.3 Capacity Building for the Management of EU funds**

### **1. Basic information**

**1.1 CRIS Number:** 2007/19297

**1.2 Title:** Capacity Building for the Management of EU funds and IPA

**1.3 ELARG Statistical code:** Axe 01 - 72

**1.4 Location:** Skopje

### **Implementing arrangements:**

#### **1.5 Contracting Authority (EC)**

European Commission, EC Delegation, on behalf of the beneficiary

#### **1.6 Implementing Agency**

European Commission, EC Delegation, on behalf of the beneficiary

#### **1.7 Beneficiary (including details of project manager):**

The beneficiaries are the structures and authorities designated to manage the funds received under IPA to be implemented through Decentralised Implementation System (DIS) as well as the IPA training facility.

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**1.8 Overall costs (VAT excluded)<sup>1</sup>:** EUR 2 million

**1.9 EU contribution:** EUR 2 million

#### **1.10 Final date for contracting**

Two years from the date of the conclusion of the Financing Agreement

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<sup>1</sup> The total costs of the project should be net of VAT and/or other taxes. Should this not be the case, the amount of VAT and the reasons why it should be considered eligible should be clearly indicated.

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**1.11 Final date for execution of contracts:**

Two years from the final date for contracting.

**1.12 Final date for disbursements**

One year from the final date for execution of contracts.

**2. Overall Objective and Project Purpose**

**2.1 Overall Objective**

The overall objective is to strengthen the administrative capacity of the country to cope with the requirements for management of EU funds under the IPA regulation.

**2.2 Project purpose**

The project purpose is to help the government institutions to manage EU funds according to the IPA regulation through the Decentralised Implementation System (DIS) and to provide support to build up an IPA training facility

**2.3 Link with AP/NPAA / EP/ SAA**

The project addresses the objectives of the SAA for “the development of civic society and democratisation, institution building and public administration reform” and for “the adoption of a common accounting system compatible with European standards.”

Both the NPAA and the European Partnership stress the importance of the establishment of transparent and accountable administrations, internal controls and audits in the management of decentralised funds, as well as complete preparation for enforcement and practical application of the management mechanisms of the Common Agricultural Policy, giving particular attention to the Implementation and Paying Agency for Agriculture and Rural Development (IPARD).

**2.4 Link with MIPD**

The MIPD stresses that Pre-accession assistance for the period 2007-2009 is among others concentrated on preparation for decentralised management of EU funds and that across the various components, pre-accession assistance shall prepare the country for decentralised management of EU funds. The national administration must be endowed with the necessary structures as well as the management expertise and capacity to assume full responsibility for the decentralised management of IPA funds. It says that assistance will focus on, inter alia, ‘capacity building of national administrations to assume full responsibility for the decentralised management of EU funds’ and ‘developing accountable administrations and institutions (e.g. agencies), with appropriate capacity, for the decentralised management of EU funds’.

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## **2.5 Reference to National Development Plan**

The NDP indicates that there should be efficient management, monitoring, control and audit systems established in order to properly implement the IPA programmes in the environment of their decentralized implementation. Capacity building of the relevant institutions will also be performed.

## **2.6 Reference to national / sectoral investment plans**

The project directly links to the following key strategies and action plans in the sector (see annex 3 for a more complete list):

- Action Plan for introducing DIS with ex ante controls in the former Yugoslav Republic of Macedonia;
- Strategy for Approximation of the Agriculture and Food Sector with the Common Agricultural Policy of the EU, 2004;
- National Strategy for European Integration,
- Pre-Accession Economic Programme (2007-2009), 2006;

## **3. Description of project**

### **3.1 Background and justification:**

The former Yugoslav Republic of Macedonia was granted candidate status at the European Council of 15/16 December 2005 and as such has access to all five IPA components, provided the country has fulfilled the requirements related to the management of the instrument. The European Commission will confer the management of the EU pre-accession funds on the national authorities when the relevant structures and systems are in place and all the conditions are met. The objective of decentralising management in the context of the pre-accession strategy is to improve ownership and to enable candidate countries and potential candidate countries to implement EU funds themselves and to demonstrate their ability to assume the responsibilities of membership in this respect.

The Government adopted an Action Plan for IPA implementation and is well advanced with the adoption of the various legal instruments to appropriately allow these institutions to function. Staff has been recruited and offices are allocated. The government has appointed the National IPA Co-ordinator (NIPAC), Sectoral Co-ordinator for the regional development component and the human resources development component (SC), Competent Accrediting Officer (CAO), National Authorising Officer (NAO), National Fund (NF), Central Finance and Contracting Unit (CFCU), and Audit Authority (AA). Also the SPOs in Line Ministries have been appointed, as contact points for programming and operational matters with the CFCU.

Support to these initiatives has been provided through various projects financed under CARDS (see paragraph 3.6).

However, at this stage the institutions (IPARD Agency, CFCU, NIPAC, National Fund, SPO, AA and others) are still in their infant stage and certainly will require support through the first years of their operations. It is foreseen that substantial support would need to be envisaged under IPA to ensure maturity of the various structures, to assist the finalisation of the

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accreditation and assist the units when starting to implement their responsibilities in accordance with the IPA regulation.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact (where applicable)**

Strengthening the capacity of the institutions responsible for the management of EU funds, with particular reference to refinement of the internal procedures and training of the relevant staff is expected to strengthen the administrative capacity to fully undertake the programming, tendering and contracting of the projects foreseen under IPA by the end of 2008. The 2007 Programmes are expected to be initially managed through centralised management (where applicable), as soon as the conferral of management has taken place; the Programmes are expected to be managed through decentralised management with ex-ante control. The roadmap with indicative benchmarks and agreed time limits to achieve decentralization without ex ante controls by the Commission as referred to in Articles 14 and 18 of IPA Implementing regulation should be used as a base for planning the project activities.

As regards catalytic effects, developing the DIS structure and the IPA training facility will not only provide for management of EU funds, it also will increase the government capacity at large to manage external assistance in general, which may lead to increased efficiency and effectiveness in the overall use of external assistance.

Strong coordination with other supporting agencies ensures additionality and synergy of the activities. Where most other agencies provide relatively small and ad-hoc support, the IPA support provides for longer term and systemic assistance

### **3.3 Results and measurable indicators:**

The project consists of two components:

- 1) Direct support to the DIS institutions
- 2) Establishment of the IPA training facility

**Component 1 – direct support to DIS institutions** – is expected to obtain the following results:

- the staff in the institutions is competent to implement the assigned responsibilities;
- the internal procedures are providing an appropriate level of transparency and allow adequate control on the work process implementation;
- the relations with other stakeholders in the process are well established, explicitly described and allow for appropriate control of the complete workflows.

The measurable indicators are:

- The number of staff trained (to be further detailed in the terms of references)
- Internal procedures, cooperation modalities and control systems are approved and operational by 2009
- Updated accounting system by 2009

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**Component 2 – the IPA training facility** - is expected to obtain the following results:

- The training facility is established as an operational unit;
- Trained government staff has full understanding of the principles and basic regulations of the European Union;
- IPA Programmes are fully developed by government staff from 2009 onwards;
- Project tender documents are prepared by or under supervision of relevant line Ministries staff/ units;
- Project implementation is in conformity with EU regulations demonstrated by low rejection rate of documents submitted for approval to the Commission during the lifetime of the projects;
- A group of (local) trainers will be trained to deliver the training developed on a sustainable basis.

The measurable indicators are:

- The number of staff trained (to be further detailed in the terms of references)
- IPA training facility is operational by 2010; all organisational, legal, regulatory and other management issues are arranged by then
- Curricula are developed by 2009
- A group of (local) trainers has been trained and is ready to operate by end 2009

### **3.4 Activities:**

The project consists of two – interrelated – components:

- 1) Direct support to the DIS institutions
- 2) Establishment of the IPA training facility

#### **Component 1: Direct Support to the DIS institutions**

During 2006 and 2007, significant work on the subjects indicated above has been done. The present support activity will be based on the current steps accomplished and provide support to refine the processes and to further build capacities.

It is envisaged that a decentralized system for management of EU funds will become operational during 2008 (with conferral of management), and that the relevant institutions would be fully introduced, accredited and functional, in order to appropriately manage EU funds. The establishment of the CFCU and National Fund – as well as the appointment of the relevant officers took place during 2005. Further support is required in the following fields:

- Fine-tuning of the internal procedures (programming, project selection, tender dossier development, tender evaluations, contracting and project implementation supervision, payments and other necessary procedures);
- upgrading an accounting system in compliance with generally accepted international accounting standards;
- development of quality control and internal control;

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- further training of the relevant staff in the following structures:
  - o National IPA Co-ordinator
  - o Sectoral Co-ordinator Component 3 and 4
  - o Competent Accrediting Officer
  - o National Authorising Officer
  - o National Fund
  - o Operating Structures including Central Financing and Contracting Unit and SPOs
  - o Audit Authority

### **Project Management and Administration**

Advisory services will be provided to a number of government institutions. Next to a team leader being responsible for the overall activity implementation, additional expertise will be engaged to build capacities in – inter alia - the following areas:

- Internal procedures (programming, project selection, tender dossier development, tender evaluations, contracting and project implementation supervision, payments, and other necessary procedures) providing clear guidelines for Operational Management of the different institutions– work processes, operational manuals, approval sequences;
- Legal and contractual matters;
- Financial Management and ensuring the functional operation of the Audit Authority;
- Management Information System, including Quality Control, Monitoring and Evaluation;
- Address cross-cutting issues.

A team leader will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting. The co-ordination of activity development with the different institutions – as well as relevant ministries - is important. The team leader is responsible for an appropriate management of resources. The core project team will be placed within the Ministry of Finance. Specific experts will be placed within the respective institutions. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of a Steering Committee in which each co-operating national institutions will be represented to ensure appropriate inclusion. The different Government bodies that will benefit from expert services are:

- o Secretariat for European Affaires (National IPA Co-ordinator)
- o Ministry of Finance (Competent Accrediting Officer, National Authorising Officer, National Fund, Central Financing and Contracting Unit)
- o Line Ministries (Operating Structure)
- o State Audit Office ( Audit Authority)

It is believed that by providing a consolidate support to the different institutions synergies and co-operation between the institutions can be appropriately stimulated.

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**The contracting arrangements are as follows:**

a) One Service contract will be concluded after an international restricted tender procedure. The duration of the contract will be for a period from 18 to 24 months, depending on the budget. The successful tenderer will start implementation one month after contract signatory, provisionally foreseen for October 2008. The contract value will be approx. EUR 0.8 mn.

b) 1 Twinning Light Arrangement will be developed with an appropriate EU MS institution. The duration of the twinning will be for a period of approx. 6 months. The successful EU MS institution will start deployment one month after contract signatory; the expected deployment date is March 2009. The contract value will be approx. EUR 0.2 mn.

**Component 2: IPA training Facility.**

An IPA training facility will be established to ensure that all relevant staff in the various ministries and other public bodies directly working with IPA have sufficient knowledge to develop, to prepare, to implement, to supervise and monitor projects and to ensure appropriate analysis and reporting on the projects. Operating structures for the relevant IPA components will thus be supported in order to ensure that the programmes are managed and implemented in conformity with the principle of sound financial management and effective control.

IPA Training Facility is to be established by the Government, under an adequate legislative framework, with an overall control on management (e.g. by appointing members of Management Board).

This component will have three main activities:

1. Establishment of the IPA Training Facility – organisational establishment, internal rules and regulations, staffing, budgeting and other organisational management roles.
2. Curriculum development for the IPA Training Facility. These will include:
  - i. Curriculum 1: Principles and basic regulations of the European Union, including Explanation of the IPA regulation, IPA Implementing Guidelines, IPA applications and other relevant documents; General Information on Instrument for Pre-accession (IPA); General Information on Preparation for Structural and Cohesion Funds
  - ii. Curriculum 2: Preparation of the Multi annual programmes, of CBC Programmes, of the Strategic Coherence Framework and the Operational Programmes.
  - iii. Curriculum 3: Project preparation under IPA application, drafting of Project Fiches under IPA, contracting, management, implementation, monitoring and evaluation in the field of ESC.
3. Training of IPA Facility trainers (TOT)

In order to ensure sustainability of the project, a core team of local experts (full-time employed in the Facility) shall be trained to deliver trainings to targeted groups of civil servants (on central and municipal level) as well as to directly support the IPA process.

In due time, the IPA Training facility will deliver presentations and trainings to other potential IPA beneficiaries (business sector, NGOs and citizens – individual agricultural producers).

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## **Project Management and Administration**

A team leader will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting. The co-ordination of activity development in the different components of the activity is important. The team leader is responsible for an appropriate management of resources. The core project team will be placed within the newly established IPA Training Facility. Next to the team leader, who will be responsible for the overall support with a main focus on the establishment of the facility, additional expertise will be engaged, to build capacities in – inter alia – the areas of curriculum development (1, 2 and 3) providing clear guidelines for Operational Management of the different institutions, Training Of Trainers, Legal and contractual matters; Financial Management; Management Information System, including Quality Control, Monitoring and Evaluation; general EU policies and procedures, as well as cross-cutting issues.

The different Government bodies that will benefit from the project are expected to be:

- The individual ministries/other related public institutions grouped into specific areas.
- Other Government bodies that may receive IPA support

In due time also:

- Units of Local Self – Government
- Business, civil society organisations and potentially individual beneficiaries

**The contracting arrangements** are as follows:

One Service contract will be concluded following an open international tender procedure. The duration of the contract will be for a period of 18 to 24 months, depending on the budget. The successful tenderer will start deployment one month after contract signatory provisionally foreseen for October 2008. The contract value will be approx. EUR 1 mn.

### **3.5 Conditionality and sequencing:**

The project implementation is subject to the following conditions:

- 1) Endorsement by all key stakeholders of the Terms of Reference and /or Technical Specifications for the individual contracts to be engaged;
- 2) Appointment of counterpart in the beneficiary before launching the tender procedure;
- 3) Allocation of working space and facilities by the beneficiary for technical assistance before launching the tender procedure;
- 4) Arrangement by the beneficiary of all legal procedures to allow construction (e.g. construction permits, urban plan amendments), refurbishment activities before launching the tender procedure;
- 5) Participation by the beneficiary in the tender procedure as per EU regulations;
- 6) Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiary as per work plan of the project;
- 7) Appointment of the relevant staff by the beneficiaries to participate in training activities as per work plan.



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In the event that these conditions are not met, suspension or cancellation of tendering projects will be considered.

### **3.6 Linked activities**

In the process of establishment of the DIS structures, Technical Assistance has been provided to the former Yugoslav Republic of Macedonia.

A first component of technical assistance has been provided for the implementation of the DIS Phase 1 (October 2005 to January 2006), which performed a gap assessment of the targeted national institutions and Implementing Agencies (IAs), and the procedures insofar operational, to determine to which extent the conditions of the DIS were being met. This gap assessment and gap plugging was based on the requirements under the Phare programme. However, in compliance with the Implementing Rules for the Instrument for Pre-Accession assistance, new structures, functions and requirements were introduced. Therefore, in order to assess the current situation in the establishment of DIS and to point out the issues which need improvement, a gap assessment review project has been contracted (March-June, 2007). Under the same project, a technical assistance was provided to the State audit Office (Audit Authority), in order to identify potential gaps and to strengthen its administrative capacity.

Two framework projects in charge of phase 2 (gap plugging) of DIS under PHARE were implemented from July to December 2006 under DIS phase 2. They covered two components:

- a. support for the CFCU, NF, SEA and the line ministries in drafting their internal procedures;
- b. trainings and IT support for the CFCU, NF, SEA and the line ministries.

Trainings were organized for the staff of the IPARD Agency through a Technical Assistance Project also financed by the European Commission.

A Long Term technical assistance project will start in June, 2007 and shall run over 18 months. This TA project aims to “plug the gaps” (DIS phase 2) identified by the DIS Phase 1 assessment. The experts will provide technical assistance to the targeted institutions – the CFCU, NF and Line Ministries – in the further preparation for DIS. They will advise and assist the institutions to make the necessary changes and improvements. This project will take over the IPARD support after the completion of the current Technical support provided until December 2008.

Several donor agencies (including Member States) provide training support to the Government, also in the context of preparation for IPA. Under the leadership of the Secretariat for European Affairs, Continuous exchange of information and consultation is ongoing. The establishment of the training facility will stimulate a coordinated approach of the training currently given and the one to be provided. The relevant agencies will be included in the preparatory work to be done.

### **3.7 Lessons learned**

CARDS implementation, as documented in progress reviews, monitoring and evaluations reports, highlighted a number of common difficulties in project implementation, including insufficient availability of national (counterpart) staff, insufficient budget, late approval of

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relevant legislation etc. These lessons learned have been translated into conditionalities (see par. 3.5).

An important lesson learned during the CARDS period is that appropriate mainstreaming of cross-cutting issues would significantly be stimulated through the allocation of a designated budget. In a similar vein as above, a maximum of 10% of the total budget will be reserved to targeted support to the mainstreaming of cross-cutting issues (see also further below).

Many CARDS programmes have supported training activities. It has proved to be a challenge for many Government agencies to ensure appropriate participation in the training activities of their staff. During project implementation specific attention will be paid to both having the appropriate staff in training session and follow-up with the trainees concerning the implementation of the training lessons.

#### 4. Indicative Budget (amounts in EUR mn)

Activities	TOTAL COST (Million Euro)	SOURCES OF FUNDING										
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE	
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *
Activity 1 Support for DIS institutions	1.0	1.0	100	1.0								
contract 1.1 TA for DIS	0.8	0.8	100	0.8								
Contract 1.2 Twinning Light for DIS	0.2	0.2	100	0.2								
Activity 2 Support for IPA Training Facility	1.0	1.0	100	1.0								
contract 2.1 TA for IPA training Facility	1.0	1.0	100	1.0								
<b>TOTAL</b>	<b>2.0</b>	<b>2.0</b>	<b>100</b>	<b>2.0</b>								

\* expressed in % of the Total Cost

Amounts net of VAT

#### 5. Indicative Implementation Schedule

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1: TA for DIS	1-3-2008	1-10-2008	1-6-2010
Contract 1.2: Twinning Light for DIS	1-3-2008	1-3-2009	1-9-2009
Contract 2.1: TA for IPA training Facility	1-3-2008	1-10-2008	1-10-2010

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## **6. Cross cutting issues (where applicable)**

The cross-cutting issues will be addressed throughout the project. Up to 10% of the budget of the individual service contracts for capacity building – through short term expertise - may be allocated to assist the different beneficiaries to comply with European standards and best practices, implement relevant existing Government strategies and develop internal measures to ensure each cross-cutting issue is appropriately mainstreamed.

The mainstreaming of the cross cutting issues is regarded on two different levels:

- 1) Ensuring that the internal policies, structure or operating procedures of the beneficiary agency will conform to and promote the relevant principles outlined per section below.
- 2) Ensuring that the products, outputs produced by the beneficiaries (e.g. laws, regulations, policies, and strategies) will conform to and promote the relevant principles outlined per section below.

Throughout the project cycle, in particular when developing project ToR, state actors specifically addressing (one of) the cross cutting issues shall be consulted. Specific attention will be paid to transfer knowledge to trainees on mainstreaming the cross cutting issues into future IPA plans.

- **Equal opportunities and non-discrimination;**

The training activities to the DIS institutions will include a specific component to train ministerial staff in the implementation of the Government Gender Strategy, while reference will be made to the EC Programme of Action for the mainstreaming of gender equality in community development cooperation (2001-06). An output of this training component will be to assist the beneficiary to implement an ‘internal gender assessment’ to identify areas where it could improve its internal performance vis-à-vis gender.

The IPA training activities will include a specific component to train beneficiary staff in the different aspects of mainstreaming gender in programme and project development as well as monitoring the implementation.

- **Support to minority and vulnerable groups;**

Where the main reference is the Ohrid Framework Agreement, in an EU context, reference is made to the “Race directive” of 2000 (2000/43/EC of 29 June), which has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the acquis.

The DIS institutions will be assisted to implement an ‘internal minority and vulnerable group assessment’ to identify areas where it could improve its internal performance vis-à-vis minorities or other vulnerable groups.

The IPA training activities will include a specific component to train beneficiary staff in the different aspects of mainstreaming minority and vulnerable groups in programme and project development as well as monitoring the implementation.

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- **Environmental protection;**

The European Community has a longstanding commitment to address environmental concerns in its assistance programmes (as part as a wider commitment to sustainable development). Key references include art. 6 of the Treaty and also the Cardiff process which foresees the systematic consideration of environmental aspects into EC development cooperation AND in other policies (hence very important for the *acquis*).

The support to the DIS institutions will include a specific component to assist the beneficiary to implement an 'internal environment assessment' to identify areas where it could improve its internal performance vis-à-vis environmental aspects.

The IPA training activities will include a specific component to train beneficiary staff in the different aspects of mainstreaming environment in programme and project development as well as monitoring the implementation.

- **Good governance, with particular attention to fight against corruption.**

The training activities to the DIS institutions will include a specific component to address a) the basic principles of a professional Human Resource Development strategy, b) sound budget planning and execution c) developing and implementing an communication strategy to allow for an appropriate level of transparency, and d) developing and implementing an internal risk assessment concerning corruption and design an appropriate strategy to fight corruption.

The IPA training activities will include specific elements to train beneficiary staff in the different aspects of good governance and the fight against corruption, with specific reference to a) sound budget planning and execution b) developing and implementing a communication strategy to allow for an appropriate level of transparency, and c) risk assessment concerning corruption in projects.

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## **ANNEXES**

- 1- Log frame in Standard Format
- 2- Amounts contracted and Disbursed per Quarter over the full duration of Programme
- 3 - Reference to laws, regulations and strategic documents:
  - a) Reference list of relevant laws and regulations
  - b) Reference to AP /NPAA / EP / SAA
  - c) Reference to MIPD
  - d) Reference to National Development Plan
  - e) Reference to national / sectoral investment plans
- 4- Details per EU funded contract (\*) where applicable.

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**ANNEX I: Logical framework matrix in standard format**

LOGFRAME PLANNING MATRIX FOR Capacity Building for the Management of EU funds Project Fiche	Programme name and number: Capacity Building for the Management of EU funds and IPA			
	Contracting period expires two years from the date of the conclusion of the Financing Agreement	Execution period expires two years from the final date for contracting	Disbursement period expires one year from the final date for execution of contracts.	
		Total budget: EUR 2 million	IPA budget: EUR 2 million	
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>		
The overall objective is to strengthen the administrative capacity of the country to cope with the requirements for management of EU funds under the IPA regulation.	<ul style="list-style-type: none"> <li>- Timely contacting of support project</li> <li>- Availability of beneficiary agencies and staff</li> <li>- All legal procedures have been completed prior to the start of the project</li> </ul>	<ul style="list-style-type: none"> <li>- Contracting records commission</li> <li>- Commitment letters DIS agencies</li> <li>- Establishment records of Training Facility</li> <li>- Accreditation dossiers</li> </ul>		
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>	
The project purpose is to help the government institutions to manage EU funds according to the IPA regulation through the Decentralised Implementation System (DIS) and to provide support to build up an IPA training facility	<ul style="list-style-type: none"> <li>- Timely delivery of the programming document by the Government to the Commission</li> <li>- Timely implementation of the project tender processes</li> <li>- Approved accounts</li> </ul>	<ul style="list-style-type: none"> <li>- MIPD updates</li> <li>- Delivery dates of Operational Programmes</li> <li>- Contract records</li> <li>- Audit reports</li> </ul>	DIS accreditation will be implemented during 2008. Staff turnover in DIS structures will remain limited.	
<b>Results</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	<b>Assumptions</b>	
<p><b>Component 1</b> – direct support to DIS institutions – is expected to realise the following results:</p> <ul style="list-style-type: none"> <li>- the staff in the institutions is competent to implement the assigned responsibilities;</li> <li>- the internal procedures are providing an appropriate level of transparency and allow correct control on the workprocess implementation;</li> <li>- the relations with other stakeholders in the process are well established, explicitly described and allow for appropriate control of the complete workprocess.</li> </ul> <p><b>Component 2</b> – the IPA training facility is expected to realise the following results:</p> <ul style="list-style-type: none"> <li>- The facility is established as an operational entity.</li> <li>- Trained government staff has full understanding of the principles and of relevant key regulations of the European Union;</li> <li>- IPA Operational Plans are fully developed by</li> </ul>	<p>The measurable indicators are:</p> <ul style="list-style-type: none"> <li>- The number of staff trained (to be further detailed in the terms of references)</li> <li>- Internal procedures, cooperation modalities and control systems are approved and operational by 2009</li> <li>- Updated accounting system by 2009</li> </ul> <p>The measurable indicators are:</p> <ul style="list-style-type: none"> <li>- The number of staff trained (to be further detailed in the terms of references)</li> <li>- IPA training facility is operational by 2010; all organisational, legal, regulatory and other management issues are arranged by then</li> <li>- Curricula are developed by 2009</li> </ul>	<p>Project reports</p> <p>Government reports</p> <p>Progress Reports (Commission)</p> <p>Project reports</p>	<ul style="list-style-type: none"> <li>- Availability of staff for training</li> <li>- DIS structure operations starting during 2008, allowing for learning and subsequent adaptation of regulations</li>   <li>- Training facility legally established prior to contract commencement</li> <li>- Staff recruited prior to contract commencement</li> <li>- IPA programming processes sufficiently integrated into</li> </ul>	

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<ul style="list-style-type: none"> <li>- government staff from 2009 onwards;</li> <li>- Project tender documents are prepared by or under supervision of relevant government staff/ units;</li> <li>- Project implementation is according to EU regulations as demonstrated by approval rate of documents submitted for approval to the Commission during the lifetime of the projects.</li> <li>- A group of (local) trainers will be trained to deliver the training developed on a sustainable basis.</li> </ul>	<ul style="list-style-type: none"> <li>- A group of (local) trainers has been trained and is ready to operate by end 2009</li> </ul>		<p>government bodies to allow training to be fruitfully used.</p>
<b>Activities</b>	<b>Means</b>	<b>Costs</b>	<b>Assumptions</b>
<p>Component 1:</p> <ol style="list-style-type: none"> <li>1. refinement of the internal procedures (programming, project selection, tender dossier development, tender evaluations, contracting and project implementation supervision, payments and other necessary procedures);</li> <li>2. upgrading an accounting system in compliance with generally accepted international accounting standards;</li> <li>3. further development of quality control and internal control;</li> <li>4. further training of the relevant staff in the DIS structures.</li> </ol>	<p>Technical Assistance</p>	<p>1 Million Euro</p>	<ul style="list-style-type: none"> <li>- Appropriate expertise is available (in view of limited experience with IPA)</li> <li>- Beneficiary institutions can make (qualified) staff available.</li> </ul>
<p>Component 2:</p> <ol style="list-style-type: none"> <li>1 Establishment of the IPA Training Facility – organisational establishment, internal rules and regulations, staffing, budgeting and other organisational management roles.</li> <li>2) Curriculum development for the IPA Training Facility.</li> <li>3) Training of IPA Facility trainers (TOT)</li> </ol>	<p>Technical Assistance</p>	<p>1 Million Euro</p>	<ul style="list-style-type: none"> <li>- Appropriate expertise is available (in view of limited experience with IPA)</li> <li>- Beneficiary institutions can make (qualified) staff available.</li> <li>- Trainers to receive TOT training recruited.</li> </ul>

**Pre conditions**

- 1) Endorsement by all key stakeholders of the Terms of Reference and /or Technical Specifications for the individual contracts to be engaged
- 2) Appointment of counterpart in the beneficiary before launching the tender procedure;
- 3) Allocation of working space and facilities by the beneficiary for technical assistance before launching the tender procedure;

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- 4) Arrangement by the beneficiary of all legal procedures to allow construction (e.g. construction permits, urban plan amendments), refurbishment activities before launching the tender procedure;
- 5) Participation by the beneficiary in the tender procedure as per EU regulations;
- 6) Organisation, selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiary as per work plan of the project;
- 7) Appointment of the relevant staff by the beneficiaries to participate in training activities as per work plan;

In the event that these conditions are not met, suspension or cancellation of tendering projects will be considered.



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**ANNEX II: Indicative planning of the amounts (in EUR million) Contracted and disbursed by quarter for the project**

<b>Contracted</b>	<b>Q1 2008</b>	<b>Q2 2008</b>	<b>Q3 2008</b>	<b>Q4 2008</b>	<b>Q1 2009</b>	<b>Q2 2009</b>	<b>Q3 2009</b>	<b>Q4 2009</b>	<b>Q1 2010</b>	<b>Q2 2010</b>
Contract 1.1: TA for DIS			0.8							
Contract 1.2: Twinning Light for DIS					0.2					
Contract 2.1: TA for IPA training Facility			1.0							
<b>Cumulated</b>			<b>1.8</b>		<b>2.0</b>					
<b>Disbursed</b>										
Contract 1.1: TA for DIS			0.2	0.1	0.1	0.1	0.1	0.1	0.1	
Contract 1.2: Twinning Light for DIS					0.1		0.1			
Contract 2.1: TA for IPA training Facility			0.2	0.1	0.1	0.1	0.1	0.1	0.3	
<b>Cumulated</b>			<b>0.4</b>	<b>0.6</b>	<b>0.9</b>	<b>1.1</b>	<b>1.4</b>	<b>1.6</b>	<b>2.0</b>	

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**ANNEX III. Reference to laws, regulations and strategic documents:**

**3.a) Reference list of relevant laws and regulations**

Key laws and regulations on Management of EU funds:

- Constitution of the former Yugoslav Republic of Macedonia, 1991;
- Law on Internal Audit in the Public Sector, 2004;
- Law on PIFC, 2006;
- Law on State Audit, 2004;
- Law on Public Procurement, 2004;
- Law on Budgets, 2004;
- Law on Accounting for Budget and Budget Users, 2002;
- Rulebook on Accounting for Budget and Budget Users, 2003;
- Rulebook on the Manner of Performing Internal Audit Operations, 2003;
- Manual on the Manner of Acting of the Budget Users and the Spending Units during the Treasury Operations, 2004;
- Manual on the Keeping Records of the Assumed Liabilities by the Budget Users and the Spending Units, 2003;
- Manual on Internal Audit, 2004;
- Manual on the Manner of Opening and Closing the Accounts of the Budget Users and the Spending Units in the Treasury Ledger, 2001;
- Manual on Revenue Classification, 2004;
- Manual on Expenditure Classification, 1997;
- Law on Calculation and Collection of Public Revenues, 2004;
- Law on Payment Operations, 2003;
- Law on Expropriation, 2003;
- Law on Rights, Obligations and Responsibilities of the State Administration Bodies, 2002;
- Law on Execution of the Budget of the former Yugoslav Republic of Macedonia for the respective year.
- Rules of Procedure for Operation of the Government, 2006;
- The Methodology on Strategic Planning and Preparation of the Annual Work Programme of the Government, 2003;
- The Methodology on Policy Analysis and Co-ordination, 2006;
- Law on Government, 2003;
- Law on Organisation and Operation of the State Administrative Bodies, 2002;
- Law on Civil Servants, 2004;
- The Code of Ethics for Civil Servants, 2004;
- Law on Administrative Inspection, 2004;
- Law on Prevention of Corruption, 2004;

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- Law on Free Access to Public Information, 2006;
- Law on State Administrative Bodies Organization and Performance, 2002;

**3.b) Reference to AP/NPAA / EP / SAA**

Reference to the SAA: The programme addresses the objectives of the SAA for “the development of civic society and democratisation, institution building and public administration reform”. The programme also addresses the requirements of the SAA Article 83 for “the adoption of a common accounting system compatible with European standards.”

Reference to the European Partnership: Among the main short and medium term priority areas of the European Partnership for future integration with the European Union, particular attention should be paid to the establishment of transparent and accountable administrations, internal controls and audits in the management of decentralised funds, as well as complete preparation for enforcement and practical application of the management mechanisms of the Common Agricultural Policy, giving particular attention to the Implementation and Paying Agency for Agriculture and Rural Development (IPARD). The projects address EP priorities to ‘Further develop the capacity of the administration to implement the Stabilisation and Association Agreement’; ‘Establish transparent and accountable local administrations and develop internal controls and audits in the management of decentralised funds’; ‘Improve transparency in public decisions and in the management of state assets (including state owned land, concessions and public procurement’; ‘Increase the public sector's awareness of and compliance with public procurement rules’; ‘Adopt and implement consistent legislation for the entire field of internal control, covering all relevant aspects of managerial accountability, independent internal audit, central harmonisation as well as fraud prevention’; ‘Strengthen the coordinating role of the Ministry of Finance. Ensure adequate staff, training and equipment’; ‘Establish a harmonisation unit for financial management and control at the Ministry of Finance’; ‘Develop efficient management, monitoring, control and audit systems necessary for the implementation of programmes under the EU pre-accession instruments under decentralised implementation conditions’; ‘Develop and implement the principles of decentralised managerial accountability and functionally independent internal audit in accordance with the internationally accepted standards and EU best practice, following the EU's Public Internal Financial Control model, through coherent legislation and adequate institutional capacity. Ensure that the process towards achieving this is led by the Ministry of Finance in a coordinating and harmonising role’; ‘Further strengthen the operational capacity and functional as well as financial independence of the State Audit Office’; ‘Develop procedures and administrative capacity to ensure effective protection of the EC's financial interests.’

Reference to the EC Opinion and to the Analytical Report for the Opinion: The projects have reference to the Opinion, which states that ‘As regards management and control of EU funds, efficient systems for managing, monitoring, controlling and auditing EU funds will need to be developed in order to implement programmes under the new Instrument for Pre-Accession (IPA) under decentralised implementation conditions’; The country is also at an early stage of legislative and administrative preparations with regard to the protection of the EC’s financial interests. Its legislation has been partly aligned with the 1995 Convention on the Protection of the Communities’ Financial Interests and its protocols. Many institutions are working on the detection and resolution of cases of fraud and other irregularities affecting national or international funds, but co-ordination is not sufficiently ensured. Most of the relevant procedures are based on the Criminal Code. Even though the Law on Organisation and Operation of State Administrative Bodies requires these bodies to co-operate with each other, no service currently exists that could ensure such coordination in order to guarantee proper protection of the EC’s financial interests. For this purpose, it would be useful to create an anti-fraud co-ordination structure, which could also ensure co-operation with OLAF’; ‘In the area of management and control of EU funds, efficient systems for managing, monitoring, controlling and auditing will need to be developed to implement programmes under the new

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Instrument for Pre-Accession (IPA) under decentralised implementation conditions. In addition, the country's administrative capacity to provide effective protection for the EC's financial interests will need to be ensured';

Reference to the Progress Report: The progress reports states following: 'Limited progress can be reported in the area of financial management and control systems. The institution responsible for managing EU funds is the Ministry of Finance, which has established a unit for managing EU funds (the National Fund) and a central financing and contracting unit. Preparations in this area are moderately advanced'.

#### NPAA action plan

NPAA calls for 'Further capacity building to implement the Decentralised Implementation System (DIS)' and 'to strengthen the internal controls and audit in the management of decentralised funds'. NPAA highlights that 'the activities for introducing a decentralised system for the implementation of EU assistance are operational i.e. the introduction of the Unit for central financing and contracting within the Ministry of Finance and the formation of a Payment Agency within the framework of the Ministry of Agriculture, Forestry and Water Economy'. It also evaluates that 'the capacities for technical project preparation, financial management, the capacities for implementation of the tender and contracting procedures, as well as monitoring and evaluation capacities are not sufficiently developed. Thus the necessity for establishing a system for coordination of EU assistance through process of strengthening public administration capacities, especially in the analysis of EU policies, medium-term planning as well as strengthening of inter-ministerial coordination and project/programme management'; 'The remaining aspects of the Decentralized Implementation System shall be determined following the initial period of training the necessary staff at the line ministries and institutions where projects are to be implemented through the Decentralized Implementation System'. It calls for 'strengthening of the capacities of the National Fund and the corresponding Payment Agency and organisational structures for implementation, as well as Central Financing and Contracting Unit at the Ministry of Finance shall follow' and 'to continue and intensify the training for the Decentralized Implementation System (DIS)'. It also underlines that "training is one of the most important components of the human resources development. It is evident that the increase of the number of training courses leads to an enhanced efficiency and effectiveness of civil servants. The strengthening of their knowledge and skills enhances the functioning of the bodies employing them and the services provided to the citizens, which is the ultimate goal of the public administration"; "The expertise and quality of civil servants are key factors for the progress in the implementation of the strategic objectives of the Government of the former Yugoslav Republic of Macedonia and for the success of the public administration reforms. Therefore, it would require a functional human resource management system, which is based on a legal framework, organisational structure, and operational procedures that cover all aspects of human resources governance and management".

#### **3.c) Reference to MIPD**

MIPD stresses that Pre-accession assistance for the period 2007-2009 is among others concentrated on preparation 'for decentralised management of EU funds'; 'across the various components, pre-accession assistance shall prepare the country for decentralised management of EU funds'. It highlights that 'As EU assistance will be implemented under the decentralised implementation system once the Commission has conferred its management to the national authorities, the country has started to install the relevant institutions and structures. Yet, this process is only beginning, and the national administration is not yet endowed with the necessary capacity to assume full responsibility for the decentralised management of EU funds'; 'The national administration must be endowed with the necessary structures as well as the management expertise and capacity to assume full responsibility for the decentralised management of IPA funds'. It says that assistance will focus on, inter alia, 'capacity building of national administrations to assume full responsibility for the decentralised

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management of EU funds' and 'developing accountable administrations and institutions (e.g. agencies), with appropriate capacity, for the decentralised management of EU funds'.

### **3.d) Reference to National Development Plan**

'There should be efficient management, monitoring, control and audit systems established in order to properly implement the IPA programmes in the environment of their decentralized implementation. Capacity building of the relevant institutions will also be performed'; "Low level of administrative capacity to effectively design and implement policies; Lack of qualified, motivated and committed public administration". Among its six main objectives, is also reform of the public administration: "To strengthen the capacity of human resources in the public administration (to be capable for effective market regulation and supervision as well as for design and implementation of complex reforms)".

### **3.e) Reference to national / sectoral investment plans**

The project directly links to the following key strategies and action plans in the sector:

- Strategy for Approximation of the Agriculture and Food Sector with the Common Agricultural Policy of the EU, 2004;
- PIFC policy paper, 2006;
- Information for development of the internal audit and strengthening the financial control within the budget users and funds, 2004;
- National Strategy for European Integration,
- Strategy of Reforms of Public Administration, 1999.
- Information on the Human Resources in the public administration on status, management, development and challenges,
- Action Plan for Implementation of Conclusions and Recommendations contained in the Information on the Human Resources,
- National System of Coordination of Training of Civil Servants,
- Pre-Accession Economic Programme (2007-2009), 2006;
- Public Investment Programme (2006-2008), 2006;

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**ANNEX IV: Details per EU funded contract (\*) where applicable:**

**Component 1:**

Advisory services will be provided to a number of government institutions. Next to a team leader being responsible for the overall activity implementation, additional expertise will be engaged to build capacities in – inter alia - the following areas:

- Internal procedures (programming, project selection, tender dossier development, tender evaluations, contracting and project implementation supervision, payments, and other necessary procedures) providing clear guidelines for Operational Management of the different institutions– work processes, operational manuals, approval sequences;
- Legal and contractual matters;
- Financial Management and ensuring the functional operation of the Audit Authority;
- Management Information System, including Quality Control, Monitoring and Evaluation;
- Address cross-cutting issues.

A team leader will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting. The co-ordination of activity development with the different institutions – as well as relevant ministries - is important. The team leader is responsible for an appropriate management of resources. The core project team will be placed within the Ministry of Finance. Specific experts will be placed within the respective institutions. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of a Steering Committee in which each co-operating national institutions will be represented to ensure appropriate inclusion. The different Government bodies that will benefit from expert services are:

- o Secretariat for European Affaires (National IPA Co-ordinator)
- o Ministry of Finance (Competent Accrediting Officer, National Authorising Officer, National Fund, Central Financing and Contracting Unit)
- o Line Ministries (Operating Structure)
- o State Audit Office ( Audit Authority)

It is believed that by providing a consolidate support to the different institutions synergies and co-operation between the institutions can be appropriately stimulated.

The contracting arrangements are as follows:

- a) One Service contract will be concluded after an international restricted tender procedure. The duration of the contract will be for a period from 18 to 24 months, depending on the budget. The successful tenderer will start deployment one month after contract signatory, provisionally fixed on 1-10-2008. The contract value will be approx. 0.8 Million Euro
- b) 1 Twinning Light Arrangement will be developed with an appropriate EU MS institution. The duration of the twinning will be for a period of approx. 6 months. The successful EU MS institution will start deployment one month after contract signatory, the expected deployment date is: March 2009. The contract value will be approx. 0.2 Million Euro.

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**Component 2:**

A team leader will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting. The co-ordination of activity development in the different components of the activity is important. The team leader is responsible for an appropriate management of resources. The core project team will be placed within the newly established IPA Training Facility. Next to the team leader, who will be responsible for the overall support with a main focus on the establishment of the facility, additional expertise will be engaged, to build capacities in – inter alia – the areas of curriculum development (1, 2 and 3) providing clear guidelines for Operational Management of the different institutions, Training Of Trainers, Legal and contractual matters; Financial Management; Management Information System, including Quality Control, Monitoring and Evaluation; general EU policies and procedures, as well as cross-cutting issues.

The different Government bodies that will benefit from the project are:

Initially:

- The individual ministries/other related public institutions grouped into specific areas.
- Other Government bodies that may receive IPA support

In due time also:

- Units of Local Self – Government
- Business, civil society organisations and potentially individual beneficiaries

**The contracting arrangements** are as follows:

It is expected that:

- 1 Service contract will be concluded following an open international tender process.
- The duration of the contract will be for a period of 18 to 24 months, depending on the budget
- The successful tenderer will start deployment one month after contract signatory, the expected deployment date is: 1-10-2008
- The contract value will be approx. 1 Million Euro