



**To: H.E. Mr Samuel Zbogar
Head of the Delegation of the European Union
to the Republic of Macedonia**

No. 11-27/2018
Skopje, 02.10. October 2018

Government of the Republic of
Macedonia

Secretariat for European Affairs

Subject: Signing of the Annual Action Programme for the Republic of Macedonia for
the year 2017

Quay Dimitar Vlahov N.4, 1000 Skopje,
Republic of Macedonia
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Dear Mr. Zbogar,

Please find enclosed the Exchange Letter for Signing the Financial Agreement between the European Commission, on behalf of the European Union and the Government of the Republic of Macedonia on behalf of the Republic of Macedonia for the Annual Action Programme for the Republic of Macedonia for the year 2017 IPA/2017/040-200, Objective 1 and IPA/2017/040-202, Objective 2, to be submitted to the European Commission at your earliest convenience.

Thank you for your cooperation,

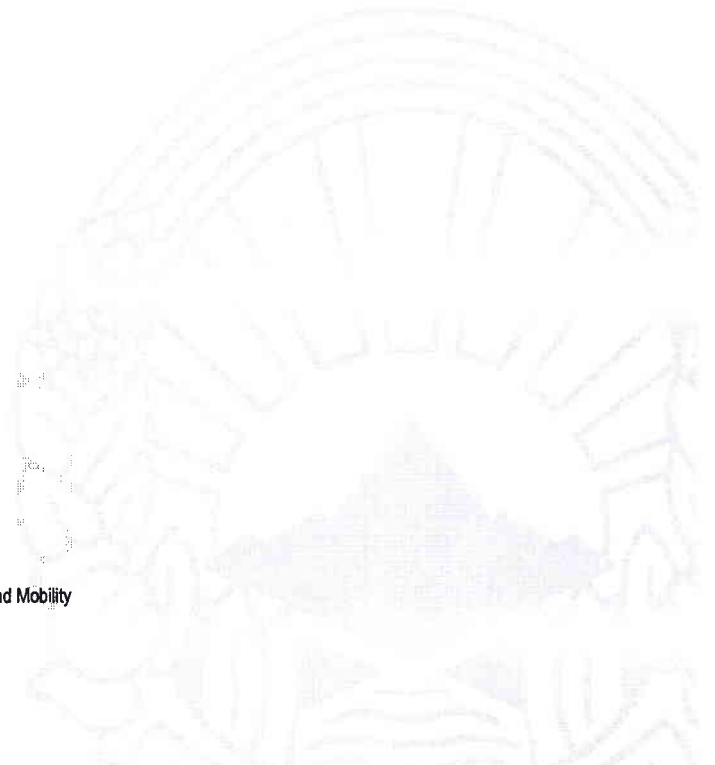
Sincerely,


Dr. Bujar Osmani
Deputy Prime Minister for European Affairs

Prepared: Gjerasimova Ljubica
Controlled: Evgenija Serafimovska Kirkovski, Arlinda Beqiri
Agreed: Dragan Tilev
Approved: Kalinka Gaber

Copy sent to:

- Ministry of Finance
- Ministry of Economy
- Ministry of Labor and Social Policy
- Ministry of Education and Science
- Ministry of Culture
- Customs Administration of the Republic of Macedonia
- Public Revenue Office
- National Agency for European Educational Programmes and Mobility
- IPA Audit Authority





FINANCING AGREEMENT

SPECIAL CONDITIONS

The European Commission, hereinafter referred to as "**the Commission**", acting on behalf of the European Union, hereinafter referred to as "**the Union**",

of the one part, and

the former Yugoslav Republic of Macedonia, hereinafter referred to as "**IPA II beneficiary**", represented by the Secretariat for European Affairs,

of the other part,

have agreed as follows:

Article 1 - The Programme

(1) The Union agrees to finance and the IPA II beneficiary agrees to accept the financing of the following Programme:

Annual Action Programme for the former Yugoslav Republic of Macedonia for the year 2017 IPA/2017/040-200, Objective 1 and IPA/2017/040-202, Objective 2

This Programme is financed from the Union Budget under the following basic act: Instrument for Pre-Accession Assistance, IPA II.¹

(2) The total estimated cost of this Programme is EUR 51,610,065 and the maximum Union contribution to this Programme is set at EUR 44,643,780

This Programme requires financial contributions from both the IPA II beneficiary and the Union. The breakdown of the respective financial contributions is set out in Annex I.

(3) The Programme shall be implemented in accordance with the description provided in Annex I, which is further detailed in Action documents to be agreed on by exchange of letters between the Commission and the IPA II beneficiary.

Article 2 – Execution period and operational implementation period

(1) The execution period of this Financing Agreement as defined in Article 12 of Annex II (General Conditions) is fixed at 12 years, from the entry into force of this Financing Agreement.

(2) The duration of the operational implementation period as defined in Article 12 of Annex II (General Conditions) is fixed at 6 years, from the entry into force of this Financing Agreement.

Article 3 – Addresses and Communication

¹ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II), OJ L 77, 15.03.2014, p. 11.

All communication concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this Programme as identified in Article 1(1) and shall be sent to the following addresses:

(1) for the Commission

DG Neighbourhood and Enlargement Negotiations,
15, Rue de la Loi
B -1049 Brussels
Belgium
Directorate D, e-mail: NEAR-D@ec.europa.eu

(2) for the IPA II beneficiary

The Secretariat for European Affairs,
Quai Dimitar Vlahov No.4,
1000 Skopje, the former Yugoslav Republic of Macedonia,
phone: +389 (0)2 3200 105, fax: +389(0)2 3114 569,
e-mail: cabinet@sep.gov.mk

Article 4 – OLAF contact point

The contact point of the IPA II beneficiary having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be:

Snezana Petrovska, Head of Unit, "Financial police of Macedonia",
Quai Dimitar Vlahov No.4, floor 4
1000 Skopje, the former Yugoslav Republic of Macedonia,
e-mail: suzana.petrovska@finpol.gov.mk

Article 5 – Framework Agreement

The Programme shall be implemented in accordance with the provisions of the Framework Agreement between the European Commission and the former Yugoslav Republic of Macedonia on the arrangements for implementation of Union financial assistance to the former Yugoslav Republic of Macedonia under the Instrument for Pre-Accession Assistance (IPA II) which entered into force on 24 June 2015 (hereafter referred to as "the Framework Agreement"). This Financing Agreement supplements the provisions of the Framework Agreement. In case of conflict between, on the one hand, the provisions of this Financing Agreement and, on the other hand, the provisions of the Framework Agreement, the latter shall take precedence.

Article 6 - Annexes

(1) This Financing Agreement is composed of:

- (a) these Special Conditions;
- (b) Annex I: Annual Action Programme, detailing the objectives, expected results, activities, description of the budget-implementation tasks entrusted and budget of this Programme;
- (c) Annex II: General Conditions;
- (d) Annex III: Model Annual Report on the implementation of IPA II assistance as per Article(s) 58 and 59(1) of the Framework Agreement;

- (e) Annex IV: Model Financial Report as per Article 59(2) of the Framework Agreement;
- (f) Annex V: Accrual Based Accounting System Minimum Specification;
- (g) Annex VI: Ad hoc measures for entrusting budget implementation tasks.

- (2) In the event of a conflict between, on the one hand, the provisions of the Annexes and, on the other hand, the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between the provisions of Annex I on the one hand and, the provisions of Annex II, on the other hand, the latter shall take precedence.
- (3) Annex VI provides for ad hoc measures for entrusting budget implementation tasks under this Programme, in addition to the IPA II beneficiary duties in regard to the entrustment of budget implementation tasks provided for under this Financing Agreement, in particular Annex II.

Article 7 – Provisions derogating from or supplementing Annex II

It is not possible to re-allocate funds between the amount of EUR 20,943,780 of global commitment number CRIS 2017/040-200 and the amount of EUR 23,700,000 of global commitment number CRIS 2017/040-202.

Article 8 – Entry into force

This Financing Agreement shall enter into force on the date on which it is signed by the last party at the latest, 31 December year 2018.

This Financing Agreement is drawn up in duplicate in the English language, one being handed to the Commission and one to the IPA II beneficiary.

For the IPA II beneficiary:

Bujar Osmani,

Deputy Prime Minister for European Affairs and
National IPA Coordinator

Skopje

Date:

For the Commission:


Genoveva Ruiz Calavera,

Director DG NEAR, Directorate D,
Brussels

Brussels 27 July 2018

Date:

ANNEX I

Annual Action Programme for the former Yugoslav Republic of Macedonia for the year 2017

1 IDENTIFICATION

Beneficiary	The former Yugoslav Republic of Macedonia
CRIS/ABAC Commitment references / Budget lines	2017/040-200 - 22.02 01 01 2017/040-202 - 22.02 01 02
Total cost	Total Cost: EUR 51,610,065 as follows: 2017/040-200 – EUR 26,460,065 - 22.02 01 01 2017/040-202 - EUR 25,150,000 - 22.02 01 02
EU Contribution	EU Contribution: EUR 44,643,780 allocated to: 2017/040-200 - EUR 20,943,780 - 22.02 01 01 2017/040-202 - EUR 23,700,000 - 22.02 01 02
Management Mode/ Entrusted entities	<ul style="list-style-type: none"> • Direct management by the European Commission • Indirect management with beneficiary country for: <ol style="list-style-type: none"> 1) 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. 2) Action 4: EU Support for Education, Employment and Social Policy – Activities planned for achieving Result 2 (Equitable access to quality inclusive education at all levels) and Result 3 (Improved employability and access to labour market and decent work) <p>The entity entrusted with budget implementation tasks is the Central Financing and Contracting Department in the Ministry of Finance (CFCD).</p>
Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2018
Final date for concluding <u>delegation agreements</u> under indirect management	At the latest by 31 December 2018
Final date for concluding <u>procurement and grant contracts</u>	3 years following the date of conclusion of the Financing Agreement, with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for operational implementation	6 years following the date of conclusion of the Financing Agreement.
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement.

Programming Unit	DG NEAR, D3: the former Yugoslav Republic of Macedonia, Kosovo
Implementing EU Delegation	EU Delegation to the former Yugoslav Republic of Macedonia

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

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

Two sectors - *democracy and governance* and *education, employment and social policies*, - have been selected for support under this programme. The selection has been made on the grounds of:

- The need to concentrate significant financial assistance on a limited number of key priorities, thus improving the dynamics of changes in the selected sectors and strengthening the impact of the Instrument for Pre-Accession Assistance (IPA II) funds on the relevant reforms.
- The relevance with the key fundamentals outlined in the Enlargement Strategy¹ and the continued commitment of the Commission to the public administration reform in support of meeting the Copenhagen and Madrid membership criteria.
- The strategic planning, presented in the Indicative Strategy Paper² (ISP), which allocates 8% of all EU funds to the sector of education, employment and social policies. So far this sector has not benefited of EU funds under IPA II. The ISP also identifies some recurrent priorities such as the participation in the Union programmes.
- The maturity in the implementation of the sector approach, where both sectors have been identified as well advancing, having set clear strategic objectives and disposing of an acceptable administrative capacity to back up the implementation of the IPA actions.
- Overview of past and on-going 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 sectors since 2007. Yet, the reforms in these sectors require a long-term approach, based on clear political commitment. The previous experience outlines some important aspects that have to be considered.

- Political turbulences have affected the efficiency of the public administration and further on, the implementation of the IPA assistance. The continuation of the sector reforms and the extension of the high-level dialogue is a pre-requisite for successful implementation 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

¹ COM(2016) 715 final of 9.11.2016: Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions / 2016 Communication on EU Enlargement Policy – https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_strategy_paper_en.pdf

² Indicative Strategy Paper for the former Yugoslav Republic of Macedonia (2014-2020) adopted on 19/08/2014 - https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20140919-csp-former-yugoslav-republic-of-macedonia.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 non-state stakeholders to ensure that sector policy priorities enjoy large societal support. To enhance this process, the actions have been subject to public consultations. Further, the implementation process not only envisages a stronger coordination with civil society organisations, but also their participation in meeting the action objectives, in particular through the opening of the planned grant schemes for participation of the civil society actors. The development of a new administrative culture of cooperation with civil society and non-state actors need to be strongly encouraged, also through enhanced participation of civil society organisations (CSOs) in sector working groups.
- Further efforts will be needed to strengthen the coordination among all stakeholders to ensure an efficient framework for sector support. Lack of stakeholder consultation and coordination mechanisms has been recognised as one of the weaknesses of implementing the sector wide approach in the country. A comprehensive stakeholder coordination platform is being developed, but needs to be further strengthened.

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 7,293,780		
		Action 2: EU Integration Facility (EUIF)	2,450,000
		Action 3: EU Support to the Public Administration Reform & Statistics	11,200,000
TOTAL	EUR 7,293,780		EUR 13,650,000

Sector Education, employment and social policies

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS (DIRECT MANAGEMENT)	
Action 4: EU Support for Education, Employment and Social Policy – Results 2 and 3	EUR 12,650,000	Action 4: EU Support for Education, Employment and Social Policy – Results 1,4 and horizontal (evaluation)	EUR 11,050,000
	EUR 12,650,000	TOTAL	EUR 11,050,000

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR	DEMOCRACY AND GOVERNANCE	EUR 20,943,780
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<i>Action 1</i>	<i>Support to participation in Union Programmes (UP)</i>	<i>Indirect management by beneficiary country</i>	<i>EUR</i> <i>7,293,780</i>
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(1) Description of the Action, objective, expected results and key performance indicators

The Country 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 the former Yugoslav Republic of 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 IPA 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 the former Yugoslav Republic of 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 on the Union Programmes.

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

- Increasing No 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; however the current action programme will only cover the participation in 11 of them as follows:

1. Horizon 2020
2. COSME (Programme for competitiveness of enterprises and SMEs)
3. Europe for Citizens
4. Culture (Creative Europe)
5. Media (Creative Europe)
6. Customs
7. Fiscalis