

**PROJECT DOCUMENT**



Empowered lives.  
Resilient nations.

**Project Title:** The European Pathway of the Republic of North Macedonia – Achieving Faster, more Inclusive and Sustainable Growth

**Project Number:**

**Implementing Partner:** UNDP

**Responsible parties:**

**Start Date:** 01.05.2019

**End Date:** 31.12.2019 **LPAC Meeting date:** 09.05.2019

РЕПУБЛИКА МАКЕДОНИЈА  
ВЛАДА НА РЕПУБЛИКА МАКЕДОНИЈА  
СЕКРЕТАРИЈАТ ЗА ЕУРОПСКА ПРАВАБА  
Бр. М-195/22  
09.05.2019  
СКОПЈЕ

**Brief Description**

The European Pathway of the Republic of North Macedonia and Making it a Success – European Integration as Accelerator for Achieving Faster, more Inclusive and Sustainable Growth aims at:

- providing the policy makers with a set of concrete recommendations and policy options that will enable North Macedonia to maximize the benefits of EU accession in terms of building quality human resource base, preventing the pressure and adverse effects on the most vulnerable segments of the society; creating favourable environment for grater interface of the national economy with the economies of EU countries, improving the flexibility of different markets, etc.;
- present the multi-layered connections between the EU Accession process and the implementation of the Agenda 2030 on Sustainable Development and pinpoint the areas with highest potential for synergies and positive impact of undertaken reforms for the attainment of accelerated, inclusive and sustainable growth;
- outline the likely scenarios of the pace of EU accession and their impact on the development pathway and citizens well-being, drawing on the experience of countries that have recently joined the EU;
- equip policy makers with solid analytical tools or quantification of the costs and benefits from choosing different policy actions or accession scenarios;
- present evidences on the potential increased costs for the public administration and the business community due to the necessary adjustment to meet the standards of the EU and sustain the competitive pressure of the EU market;

Such evidence-based approach will contribute to identifying the policy measures that can help the country take advantage of the EU negotiation process to accelerate the structural reform as well as the transparency of the EU accession process by providing the business sector and the general public with an overview of the likely effects of the different scenarios and pace of EU accession;

**Contributing Outcome (CPD):**  
By 2020, national and local institutions are better able to design and deliver high-quality services for all users, in a transparent, cost-effective, non-discriminatory and gender-sensitive manner

**Indicative Output(s) with gender marker:**  
Output 2.3 National and local institutions have improved capacities to apply the principles of rule of law, accountability and transparency in the delivery of public services (GEN1)

<b>Total resources required:</b>	USD 121,220.00 <sup>1</sup>	
<b>Total resources allocated:</b>	UNDP	USD 121,220.00
<b>Unfunded:</b>	n/a	

**Agreed by:**

**UNDP:**  
Narine Sahakyan,  
UNDP Resident Representative

**Government of the Republic of North Macedonia:**  
Bujar Osmani,  
Deputy Prime Minister in charge of European Affairs

Date:

<sup>1</sup> Estimated at USD/MKD exchange rate of 54.1108 for March 2019 – UN official exchange rate (<https://treasury.un.org/operationalrates/OperationalRates.php>) and subject to change

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## **I. DEVELOPMENT CHALLENGE**

### **Political context**

It is widely believed that European integration is one of the most successful examples of regional integration. The previous rounds of enlargement had reaffirmed the transformative power of the EU project on the social and economic development, stability and democratization of the acceding countries.

The financial crisis of 2008, the economic slowdown and the migrant crisis of 2015 etc. have fuelled the scepticism amongst EU member states towards the enlargement process, leading to a new political narrative, which prioritizes EU's consolidation vis-à-vis the enlargement to prevail. However, 2017 State of the Union address of the President of the European Commission Jean Claude Juncker brought new perspectives in the relations between the EU and the Western Balkan countries. The reaffirmed vision to continuing the enlargement agenda and commitment to supporting the accession countries on their path towards integration in the European Union, created a new and uplifting momentum in the relations between EU and the Western Balkan countries.

EU membership is considered of highest strategic priority for the Republic of North Macedonia, which enjoys a broad consensus among all political parties and a popular support of citizens regardless of their ethnic, social and political affiliation.

North Macedonia was the first Western Balkan country to sign the Stabilization and Association Agreement (SAA) with the EU as early as 2001 and was granted a candidate status in 2005. Although negotiations for accession have not been formally opened yet, ever since signing the SAA, aspirations for EU membership have been shaping up the country's reform agenda. The aspiration of becoming a full-fledge EU member state has been a driving engine for pursuing the institutional reforms and incentive for economic and structural transformation, which ultimately should prepare the country to assume the obligations of the membership. Moreover, in many instances, the EU perspective has been instrumental for overcoming the stalemates, deep political divides and societal fractures. The fragile political context suggests that the EU accession agenda will continue to play determining role in the future both in terms of restoring the citizens' trust in institutions and in shaping up the public policies.

In 2017 and 2018, the new political establishment undertook some formidable steps for overcoming the long-standing neighbourly issues. The friendship and good neighbourly agreement with Bulgaria was signed in 2017 and Prespa Agreement, which brought to end the name dispute with Greece was signed in June 2018. With the Parliament's endorsement of the constitutional amendments in January 2019, the major political barrier for the country's Euro-Atlantic integration was removed, which in turn enables now the policy makers to restore the focus on the European integration agenda.

### **Development context**

The EU accession is a merit-based process, conditioned by the country's objective progress in the adoption of the EU's body of law i.e. the *acquis* as well as in the achievement of the agreed benchmarks for implementation of society-wide policy and institutional reforms.

The accession process is economically and politically challenging, but also resource-demanding, requiring a mobilization of large portion of available human, financial and institutional capacities. The process also generates adjustment costs both for the public sector institutions and the business, so they can meet the

rigorous normative standards and build a competent, professional and accountable public administration or to sustain the competitive pressure of the European market. Still, the long-run benefits of the EU convergence are indisputable. The previous rounds of enlargement showed that the periods of negotiations have been periods in which the acceding countries achieved record high growth, accelerated progress and convergence of economic and social outcomes with the old member states.

Preparing for the EU accession consists of two related but conceptually separate efforts. One is to prepare the country for accession in the legal and formal sense, that is, by transposition and adoption of the necessary laws, regulations and policies. The second and a more complex process is about increasing the country's ability to pursue accelerated, sustainable and inclusive development, which resonates with the vision and system of values of the EU. Progress on the latter is more difficult to achieve and to measure, both in terms of the actual outcomes, but also in terms of forecasting the costs as it envisages a whole-of-society reforms, which often have a multifaceted impact and unforeseen transition costs.

Therefore, it will be of critical importance in the early stage of the accession, the country to create capacity for weighting the potential implications and benefits and trade-offs of adopting specific policy measures or introducing new standards and regulations for the business environment. This will help to avoid the eventual scepticism of the public for imposing undue costs related to the accession process. In addition to building a culture of transparency and based on evidence for ex-ante planning of the adjustments costs, by the public and business sector, the availability of such estimates will equip the policy makers and economic agents with tools for assessing the optimal pace and sequencing for phasing-in the various EU-related policy measures and decisions and increase absorptive capacities and preparedness of the society for the upcoming reforms. Such approach will provide the necessary elements for preparing an evidence-based roadmap of policy measures, also indicating the associated costs, benefits and the premium effects of adopting these.

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## **STRATEGY**

The purpose of this study is to assist the policy makers, economic agents and the society at large in developing a strong body of evidences and analytical base for understanding the impact of the EU accession process on the country's aspirations for achieving accelerated, inclusive and sustainable growth. The analytical evidence will be used as a platform for mobilizing broad-based dialogue with the business sector and the civil society and development of a roadmap of social and economic action-oriented policy measures that will enable the country to act now to maximize the benefits from the EU accession.

The process will entail conducting a UN commissioned research, by a team of national experts, which will be complemented by a series of peer-reviews and topic-focused consultations with international experts and prominent figures from the business sector and the civil society. In part, the study will attempt to incorporate lessons learned and experience of other countries that have joined the EU or are at advanced stage of negotiations with the EU. The consultation process shall be open to the broader business community and the civil society, which will first contribute to the awareness raising of the upcoming reform agenda and second will increase the predictability of forthcoming changes, thus contributing to the improved preparedness of the development agents for the changes that the accession will bring about.

To assist the process, UNDP will partner with the Secretariat of European Affairs and will consult relevant line ministries, business community, social partners and the local and international think tanks. As a

knowledge-based organization and a global network of development partners, UNDP shall also assist the process by providing technical support in setting up the methodology and the analytical framework and making available some advanced analytical tools for identifying and selecting the optimal mix of public policy solutions. Moreover, UNDP will make effort to identify experts and relevant examples of successful experiences from other countries that have recently joined the EU.

**Main Objective:**

The main objective of this policy document is to provide evidence base that can stimulate a broad and informed debate in the society on the forthcoming policy and institutional reforms that the country will have to pursue on its path to EU integration.

By no means, the study has intention of covering the legal adjustments and compliance measures, which are required during the accession and are part of the engagement of the negotiation teams and designated working groups with their peers from EU Directorates and other expert bodies. Rather, the study will concentrate on identifying policy actions that will enable the country to maximize the benefits of the EU integration process by boosting the country to pursue a new development trajectory of an accelerated, inclusive and sustainable growth.

In addition to its policy-reform-centred objective, the consultation process during the preparation, the peer reviews and the final set of messages and policy recommendations will be used as a platform for raising awareness of the economic agents, public administration and the non-governmental sector about the challenges and opportunities of the EU integration process.

However, it is worth noting that this study is neither intended to turn into an academic exercise nor into another broad strategy. Where available, the study shall build on the existing sectoral analyses and assessments commissioned by national and international institutions. The research and analytical work will rather focus on the scenario building e.g. the trade-offs of the accelerated, prolonged or delayed integration as well as on the quantification of the benefits but also adjustment and opportunity costs. In addition, the study will provide a roadmap of policy actions which will ensure that the phasing-in of the policy reforms maximizes the economic and social development outcomes.

Specifically, the study aims to provide policy makers, business community and the public with:

- a proposed roadmap of policy actions that will enable the country to maximize the benefits of EU integration;
- several scenarios of the EU integration process and a quantitative analysis of the respective consequences on the country's overarching goals for achieving accelerated, inclusive and sustainable growth;
- evidence base for raising awareness and education of the public about the implications and potential consequences of EU accession;
- a methodology and set of policy instruments for prioritization of public policy options.

The document will provide a snapshot of the status quo in terms of the country's convergence towards the Copenhagen criteria: political, economic and *acquis communautaire*, as well as the macroeconomic convergence – GDP-level and per capita growth; unemployment, human capital, social development, the quality of education and social services, inequalities and disparities in the society and private sector

resilience i.e. business environment and competitiveness. The quantification methodologies will consider the world governance indicators, global competitiveness index and human development index, as well as other relevant, comparable and comprehensive indicators where necessary.

While the scope of the assessment and the specific policy areas to be covered by the study will be crystalized upon consultations with line ministries and the initial pool of prominent experts, the preliminary assessment singled out the following priority areas:

1. Sustainable Development
  - Good Governance, Rule of Law, and Quality of Institutions
  - Human Capital Development
  - Fiscal Sustainability
  - Regional and Local Economic Development
  - Modernization of Agriculture
  - Energy, Transport and Other Infrastructure
  - Environment and Climate Action
  
2. Accelerated Growth
  - Business Environment and Investment
  - Trade Integration and Connectivity
  - Research and Development (R&D) and Innovation
  - Entrepreneurship and Access to Finance
  - Digital Economy
  
3. Inclusive Growth
  - Education (Access to Education)
  - Labour Market
  - Health and Well-being
  - Social Vulnerability (Inequality and Social Protection)

The study will also provide a political, economic and social cost-benefit analysis with respect to legal, institutional and policy reforms of the overall EU integration process.

In line with the overarching aim of the study, the structure of the document will focus on addressing the relevant findings and recommendations to all stakeholders in the country: the government sector; private sector and civil sector (including citizens as wider public).

### **For the Government sector: Shifting Institutional Reforms into Higher Gear**

Institutional capacity building is not only a pre-requisite for the accelerated European integration but also an important goal in itself that cuts to the core of country's socio-economic, political and cultural development. Nonetheless, shifting the institutional reforms into higher gear is easier said than done. The challenge is even larger as the erosion of the quality of government institutions during the 2015-17 political crisis now requires recouping for the lost time. Institutions and public administration are exposed to resolving the major challenge of political partisanship and clientelist practices.

The accelerated pace of harmonizing the national legislation with the *acquis* shall contribute to reinforcement of the principles of legal certainty and predictability for both corporate sector and the citizens. However, to restore the confidence, the policy makers will have to ensure that the reforms will be followed

through across all their dimensions, public sector institutions to be modernized to provide client-centred services and public administration to be professionalized. Only stable and strengthened institutions can rebuild the trust, ensure democratic consolidation and accelerate the engines of growth in addressing numerous inequalities in the society. Therefore, the study aims to offer an evidence-based road map, which can be used by the policy makers and public administration as a pathfinder, but also as a tool for monitoring the progress and measuring the impact in case of prolonged accession.

The policy analysis will also aim to shed light to the deep-seated challenges in reforming social sector (education, social protection, health and well-being etc.) at all levels, focusing on the quality, relevance and accessibility for all regardless of the ethnic, social, gender background or functional abilities. It takes decades to build a competitive human capital as a source for sustained competitive advantage. Formidable reforms in the social sector can help vulnerable groups, youth, women etc. to become productive agents at the world of work, to exit the area of low-wage sectors and hence reduce income inequalities.

Although the business environment is considered as growth-conducive, a lot of work remains to be done. The design and implementation of effective business regulation must support innovation and accelerated technological development. Only recently the national innovation fund started to increase its visibility and to promote innovation grants. These institutions have an important role in co-financing investment projects of business start-ups and mature firms. Investment gaps in the public physical infrastructure require more careful long-term planning. Some infrastructure projects should be financed by the Instrument for Pre-Accession (IPA) III, and after the EU accession, by the European regional development and cohesion funds, instead of by long-term loans. The investment decisions in the government sector should also rest on a sound cost-benefit analysis.

### **For Enterprise Sector: Ensuring a Deeper Integration of the Enterprise Sector with the European Economy**

The road to high growth in European Union (EU) candidate countries is being primarily assured through making possible to pursue investment opportunities that would otherwise remain unfunded. Investors decisions seems to be intimately linked to the prospects for EU membership.

The policy evidences from earlier rounds of accession show a correlation between the country's progress on the EU integration pathway and the FDI inflows. Higher inflows of FDI and associated mergers and acquisitions (M&A) pose both a risk and an opportunity for domestic firms. On one hand, their market shares may easily diminish with the arrival of new multinational firms. On the other hand, integrating into the value chains of the multinational companies can create positive spill-over effects for the national economy. Strategic management decisions would require more resources for investing in Research and Development (R&D), spurring innovation, increasing start-up activity, and supporting entrepreneurship. European institutions and multinationals also expect more visible progress in strengthening the regime of intellectual property rights' protection.

Access to finance is a serious impediment to private sector development. Compared to large enterprises, SMEs continue to face more stringent financing conditions, higher interest rates for bank credit, and higher difficulties in attracting alternative sources of finance. Firms are expected to identify the best practices among EU member states and propose implementable legal (financial) instruments regarding the alternative sources of financing. Government support and budget resources to support innovation and technological development will not be enough.

On the labour markets, firms are already facing skills mismatch. The experiences of Romania, Bulgaria and Croatia reveal that both 'brain drain' and emigration may disrupt certain segments of the labour market.

Overall, the study shall provide the business sector with analytical evidence and indicate strategic actions to be taken to improve business sector resilience from the new business opportunities and challenges and costs associated with the full integration in the EU common market. It is also expected that this will inspire domestic firms to develop corporate strategies and design a timely adjustment and investment.

### **For citizens: Raising the Public Awareness on the Costs and Benefits of the EU Integration**

Much of the public debate is ill-informed about the potential benefits and costs of the country's prospective EU integration, and of the associated costs from the prolonged accession.

For the accession process to be a success, the opportunities and challenges must be communicated more clearly. In this respect, it is primarily the responsibility of governments to provide adequate information to citizens and business, and to forge a national consensus around their strategic goal. Study will supply facts and evidences for strategic communication to citizens and business sector about the opportunities and challenges of the EU accession process.

Citizens have the right to be informed how they could enjoy legal protection by various EU laws. They need to be more aware about the new EU regulations that will bring benefits not only to general social services, but also to many services for the marginalized groups. The decision-making process is expected to be more open, transparent, and participatory. Transparent democratic processes, citizens' participation, provision of better services, and access to services that are already available to EU citizens will be embraced sooner, when explained in a timely and proper manner.

This policy document will examine the important opportunities as well as the risks of the ongoing fast technological transformation, together with globalisation and demographic change. It will explore the key adjustment needs in order to ensure that the workers can reap the benefits of these developments. The citizens will be informed on the key factors behind the changing patterns of inequality of opportunities as well as inequality of outcomes, and the policies needed to address them. The policy document will also discuss the implications of the European integration on access to social protection.

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## **II. RESULTS AND PARTNERSHIPS**

### **Expected Results**

#### **Impact**

This project overarching objective is to leverage the EU integration process for acceleration of the policy reforms, which should enable the country to take a new development trajectory of accelerated, sustainable and inclusive growth for the economic and social well-being of all citizens of North Macedonia.

#### **Outcome**

The study will provide a set of policy recommendations and road map of actions for consideration by the policymakers. The evidence-based approach will contribute to identifying the policy measures that can help the country take advantage of the EU negotiation process to accelerate the structural reforms.

The Study will deliver a range of concrete recommendations and policy options for the Government and the business community that will enable the development agents to maximize the social and economic benefits of the EU integration process. The Study will also shed a light to the adjustment costs, which will have to be borne by the public and business sector to meet the required EU standard and thus ensure their timely preparation to assume the responsibilities associated with the full membership.

The study will not focus on the legal steps and measures required from the EU accession process. Rather it will offer to policy makers, business community and the general public:

- a set of concrete recommendations and policy options that will enable North Macedonia to maximize the benefits of EU accession in terms of building quality human resource base, preventing the pressure and adverse effects on the most vulnerable segments of the society; creating favourable environment for grater interface of Macedonian economy with the economies of EU countries, improving the flexibility of different factors markets etc.,
- the likely scenarios of the pace of EU accession and their impact on the development pathway and citizens well-being, drawing on the experience of countries that have recently joined the EU;
- present evidences on the potential increased costs for the public administration and the business community due to the necessary adjustment to meet the standards of the EU and sustain the competitive pressure of the EU market;
- present the multi-layered connections between the EU Accession process and the implementation of the Agenda 2030 on Sustainable Development and pinpoint the areas with highest potential for synergies and positive impact of undertaken reforms for the attainment of accelerated, inclusive and sustainable growth;
- contribute to the transparency of the process for the public about the likely consequences of the different scenarios and pace of EU accession; and,
- equip policy makers with solid analytical tools or quantification of the costs and benefits from choosing different policy actions or accession scenarios.

In addition, the study will pay attention to developing easy-to-communicate messages for the business sector and for the citizens on the cost and benefits of the EU integration process, which should increase the ownership and reform absorption capacity.

Project results shall be delivering through the following outputs:

**Output 1:** Concept and research methodology designed.

**Output 2:** Study developed offering in-depth analysis of the likely scenarios on the impact and set of options and recommendations for policy action

**Output 3:** Dissemination and public outreach



## Major project milestones

Event	Period
Project concept note is completed	15 April 2019
First Meeting of the Team: presentation of the outline and discussion	1 May 2019
Team experts work on their sections, preferably in teams – coordinated	1 - 30 May 2019
Texts of sections sent to UNDP North Macedonia and SAE	1 June 2019
First round of workshops with stakeholders (government institutions, business sector, citizens)	20 -25 June 2019
Analytical work and drafting policy recommendations.	25 June – 20 July 2019
First draft of the report prepared and circulated to all members	1 August 2019
Report shared with EU technical experts.	1 August 2019
Experts comment on the draft report and send comments to UNDP North Macedonia for channelling to the Team Leader	1 September 2019
Second round of consultations with stakeholders	15 September 2019
Meeting in Brussels with EU technical experts to consider their views	10 October 2019
Ministerial-level meeting with EU Commission and/or parliamentarians to discuss report	30 October - 10 November 2019
Translation, layout, printing	1 December 2019
Launch of the Study	20 December 2019

## Risks and Assumptions

Description of the risk	Likelihood	Possible impact	Prevention/ and or mitigation measures
<b>Strategic risk</b>			
Selected sectors and areas that will be subject of the analysis do not reflect actual priorities for the EU accession process for the country	Low	Efforts are focused on issues of lower priority leading to diminished impact of proposed policies and recommendations	Comprehensive consultations with the key informants and stakeholders in the EU accession agenda. Additionally, the team of international experts that will be involved in the analysis will be selected from prominent leaders and practitioners who have played important role in the EU accession process in the home countries or have been engaged as advisors in the process.
Quality of analysis is not up to the required level	Medium	Recommended policy options are not founded on evidence and sound analysis. The occurrence of the risk would reduce the long-term impact of the project	A multidisciplinary national and international expert team will be engaged involving renowned experts with prior experience in the relevant areas of expertise. Quality control will be regularly monitored and checked by the

			project team, SEA and UNDP Country Office and IRH
<b>Organizational/management risks</b>			
National institutions partners in this project lacking capacity to provide substantive input and guidance in the process	Medium	The occurrence of this risk will significantly impact the pace of the project implementation and quality of the project results	The project management team shall engage in regular meetings for coordination and consultations. SEA shall request relevant ministries and national institutions to designate senior technical staff that will contribute to development of the methodology of work and provide substantive inputs throughout the analytical work of the experts and consultation process;
Quantitative and qualitative data are not available and statistically viable	Medium	If this risk occurs, the quality of evidence-based analysis will not be at the expected level	Partnership will be established with all relevant institutions that will be identified as holders of relevant data and information to ensure that the best possible data are available to the Expert Team.
Short timeframe and restricted availability of the international experts	Low	The occurrence of the risk will impact negatively on the quality provided services and the overall impact of the project and increase workload on representatives from the SEA and responsible staff in UNDP	A well elaborated and precise terms of reference and work plan which shall enable for timely and fast recruitment and organization of logistical arrangements for the necessary technical expertise

### III. RESULTS FRAMEWORK

EXPECTED OUTPUTS	OUTPUT INDICATORS	DATA SOURCE	BASELINE	Target 2019	DATA COLLECTION METHODS
<b>Output 1:</b> Concept and research methodology designed	<b>1.1</b> Research tools for data collection and analysis as well as identification of development accelerators	National/international experts; SEA; Line ministries	Lack of specific concept and methodology designed to assess the development impact of the EU accession process	Concept and research methodology designed and mechanisms for data collection effectively in use	<b>Collection method:</b> brief reports, minutes of meetings. <b>Frequency:</b> intensively during the first month. <b>Responsibility:</b> Project Team; UNDP Programme Staff; Secretariat for European Affairs; Readers Group; Steering Committee operative and offering adequate input; Expert team; Local experts, representatives from Government institutions, international organizations etc
<b>Output 2:</b> Study developed offering in-depth analysis of the likely scenarios on the impact and set of options and recommendations for policy action	<b>2.1</b> Level of consolidation of the methodology for monitoring the impact of the EU accession process	SEA, line ministries, business sector, civil sector, academia, media	Lack of evidence-based quantitative/qualitative knowledge on the impact of the EU accession on sustainable growth; No national development strategy guiding the country's efforts for EU accession.	Country's EU pathway as a leverage for the achievement of accelerated, sustainable and inclusive growth Study used as policy tool; Development policies on priority areas aligned with the findings and recommendations emerging from the Study and the Agenda 2030 Existence of mechanisms for consultation between government partners, the private sector and the CSOs.	<b>Collection method:</b> Interviews, meetings, workshops and desk research <b>Frequency:</b> Intensively throughout the project <b>Responsibility:</b> Project Team; UNDP Programme Staff; Secretariat for European Affairs; Readers Group; Steering Committee operative and offering adequate input; Expert team; Local experts, representatives from Government institutions, international organizations, etc.
<b>Output 3:</b> Dissemination and public outreach	<b>3.1.</b> Number of Policy dialogue events; printed and published study	Activity Progress reports Stock taking reports	Lack of information on societal impact of the EU accession process among institutions, business sector and the general public.	Stakeholders in the country (institutions, private sector, public sector...) are adequately informed about the effects of the EU accession process	<b>Collection method:</b> Interviews, meetings and desk research <b>Frequency:</b> During the last couple of months <b>Responsibility:</b> Project Team; UNDP Programme Staff; Secretariat for European Affairs; Expert team; Local experts.

#### IV. MONITORING AND EVALUATION

In accordance with UNDP’s programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans:

##### Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners	Cost
<b>Track results progress</b>	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly	The project will be monitored by assessing progress against the qualitative and quantitative indicators outlined in the Project Results and Resources Framework. Slower than expected progress will be addressed by project management.	UNDP	
<b>Monitor and Manage Risk</b>	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.	UNDP	
<b>Learn</b>	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	Quarterly	Relevant lessons are captured by the project team and used to inform management decisions.	UNDP	
<b>Project Quality Assurance</b>	The quality of the project will be assessed against UNDP’s quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Quarterly	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.	UNDP	
<b>Review and Make Course Corrections</b>	Internal review of data and evidence from all monitoring actions to inform decision making.	Monthly	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.	UNDP	
<b>Project Report</b>	A progress report will be presented to the Project Board and key stakeholders, showing the results achieved against pre-defined targets and updated risk log with mitigation measures.	Quarterly	Brief monthly report shall be submitted on monthly basis. It will include narrative description of the progress of project activities. Within three months after project completion, the final report and a certified final financial statement presenting overall project costs shall be provided.	UNDP	
<b>Project Review (Project Board)</b>	Project Board reviews will take place on a quarterly basis, upon submission of the progress report. Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for follow up activities.	Quarterly	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.	UNDP	

V. MULTI-YEAR WORK PLAN <sup>23</sup>

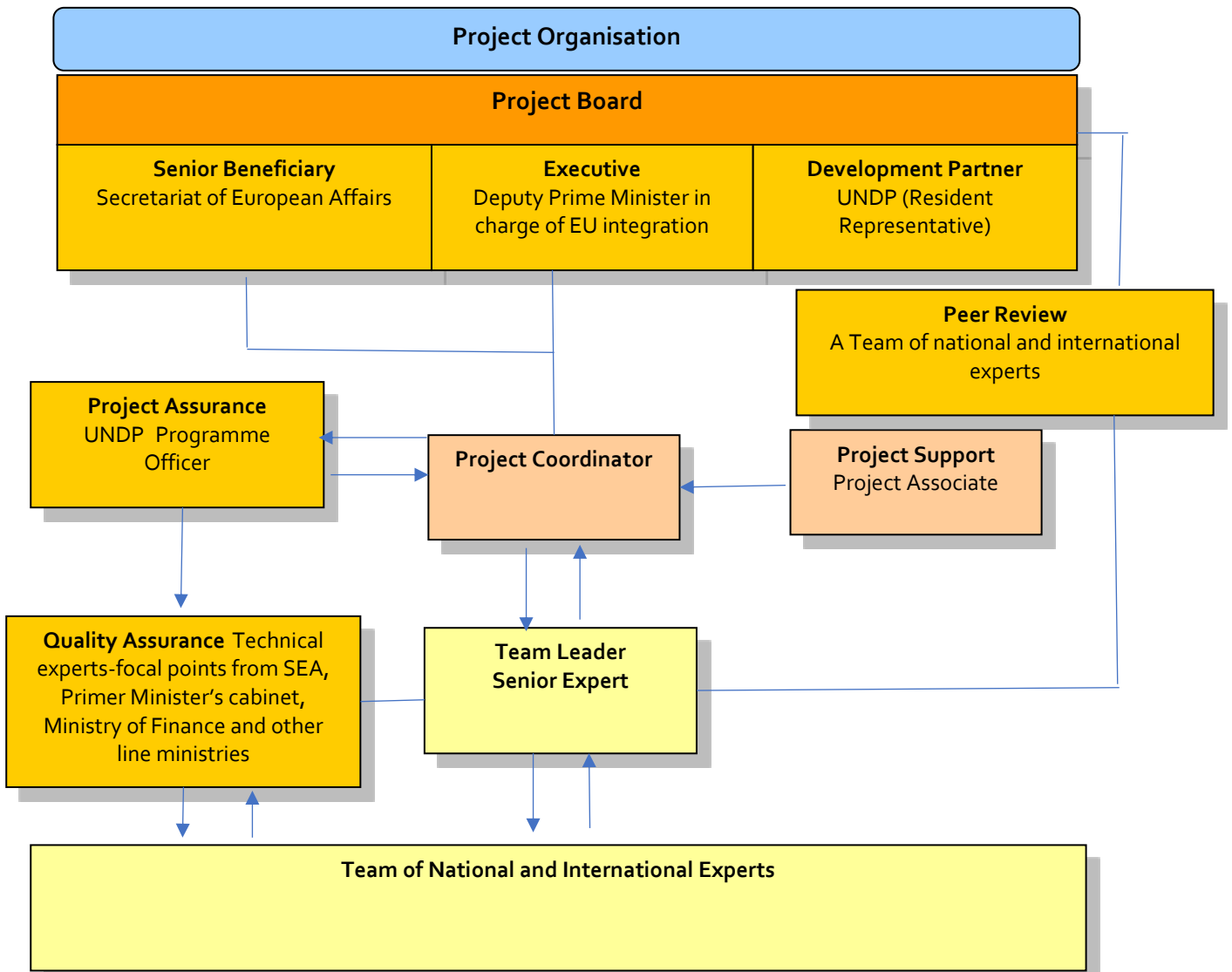
EXPECTED OUTPUTS	PLANNED ACTIVITIES	Work Plan			RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3		Funding Source	Budget Description	Amount
<b>Output 1:</b> Concept and research methodology designed	Assessment of available studies, analysis and data; Initial outline of the study, methodology and ToRs; Project Board established and key strategic advice on the priority areas of focus identified; Creation of pool of local and international experts, selection and contracting experts' team; Forming a group of key local informants/interlocutors from the Government, academia, think tanks, international organizations as point of reference and consultations for the expert team; Consultations with the EC delegation held.	X			UNDP			
<b>Output 2:</b> Study developed offering in-depth analysis of the likely scenarios on the impact and set of options and recommendations for policy action	Methodology finalized, and initial research carried out; Potential links identified between the EU accession and 2030 Sustainable development agenda beyond a superficial 'surface' analysis of the SDGs and EU Chapters and look into targets and policies for the accelerated achievement of the SDGs; Necessary data collected, processed and analysed; Consultations with the key local informants/interlocutors from the Government, academia, think tanks, European Delegation and other international organizations carried out; Experts inputs finalized and consolidated by the team leader; First draft developed and ready for review; Gaps, needs for additional information, inputs, identified; Development of second draft with incorporated comments; Second draft commented by the Readers Group, comments incorporated, and Study finalized.	X	X	X	UNDP			
<b>Output 3:</b> Dissemination and public outreach	Launching event to promote policies and recommendations organised; Carrying out follow-up activities including distribution to relevant institutions and publishing the Study			X	UNDP			
<b>Project Management Costs</b>	Project Manager; Translation and Interpretation	X	X	X	UNDP			
<b>General Management Support (8%)</b>		X	X	X	UNDP			
<b>UNDP</b>								
<b>Government</b>								
<b>TOTAL</b>								

<sup>2</sup> Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

<sup>3</sup> Changes to a project budget affecting the scope (outputs), completion date, or total estimated project costs require a formal budget revision that must be signed by the project board. In other cases, the UNDP programme manager alone may sign the revision provided the other signatories have no objection. This procedure may be applied for example when the purpose of the revision is only to re-phase activities among years.

**VI. GOVERNANCE AND MANAGEMENT ARRANGEMENTS**

The project will be implemented under Direct Implementation modality (DIM). The main implementing partner will be the Secretariat of European Affairs. The result-based management will provide the management framework for project’s activities. The following management structure will be established:



**Project Board** shall be established to provide overall leadership, guidance and direction in the successful delivery of project outputs; take strategic decisions by consensus; address any relevant project issues as raised by the Project Manager; provide guidance on project risks and agree on possible mitigation measures; approve the work plans, project budget and progress reports as needed;

**Executive role** shall be performed by the Deputy Prime Minister in charge of European Affairs. The executive role shall have a decisive power if the opinions of development partners and beneficiary representatives do not reach compromise.

**Development Partners role** is to provide guidance regarding the technical feasibility of the project. This role will be held by UNDP Resident Representative.

The Project Board will be advised by a **team of peer reviewers**, comprised from a team of distinguished international and national experts from the academic and business community, international organizations and think tanks.

**Beneficiary role** will be performed by senior technical staff of the Secretariat of European Affairs designated by the Deputy Prime Minister, with the purpose of ensuring the realization of project benefits from the perspective of project beneficiaries.

In addition, two other instances will be important for the smooth implementation of the project:

**Project Assurance** - with the objective of carrying out objective and independent project oversight and monitoring functions. During the project implementation, this role will ensure that the appropriate milestones are met and completed. This role will be held by the UNDP Programme Officer.

In addition, a team of **quality assurance** shall be designated from amongst the group of technical experts in the line Ministries and the working groups which have been established to lead the technical aspects of the negotiation process.

UNDP office will designate a **Project Coordinator** to manage implementation of project activities on daily basis. Project Coordinator will report to the UNDP Resident Representative and designated project focal point from the Secretariat of European Affairs. Due to short period of implementation, the Project Coordinator shall prepare brief monthly reports on the progress and the key issues that require attention by the Secretariat of European Affairs and UNDP Senior Management.

The analysis will be entrusted to a team of renowned international and national experts with proven knowledge of the EU accession agenda and ability to analyse the societal and developmental effects of the process. The experts will pay due consideration to analysing the different starting conditions, societal dynamic and policy and regional environment. The analysis should be guided both from practical experience and theoretically proven principles.

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## VII. LEGAL CONTEXT

This Project Document shall be the instrument referred to as such in Article 1 of the Standard Agreement on Basic Assistance (SBAA) signed between the Government of the Republic of North Macedonia and the United Nations Development Programme signed in October 1995. All references in the SBAA to “Executing Agency” shall be deemed to refer to “Implementing Partner”

This project will be implemented by UNDP (“Implementing Partner”) in accordance with its financial regulations, rules, practices and procedures. The financial governance of the project shall ensure best value for money, fairness, integrity, transparency, and effective competition.

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## VIII. RISK MANAGEMENT

1. UNDP as Implementing Partner will comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS).
2. UNDP as Implementing Partner will undertake all reasonable efforts to ensure that none of the project funds are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml). This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.
3. All signatories to the Project Document shall cooperate in good faith with any exercise aimed to evaluate project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.
4. UNDP as Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor and sub-recipient:
  - a. Consistent with the Article III of the SBAA, the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP’s property in such responsible party’s, subcontractor’s and sub-recipient’s custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:
    - i. put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
    - ii. assume all risks and liabilities related to such responsible party’s, subcontractor’s and sub-recipient’s security, and the full implementation of the security plan.
  - b. UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the responsible party’s, subcontractor’s and sub-recipient’s obligations under this Project Document.
  - c. Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants and subcontractors



in implementing the project and using the funds. It will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or chanelled through UNDP.

- d. Each responsible party or subcontractor agrees to the requirements (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. These documents constitute an integral part of this Project Document and are available online at [www.undp.org](http://www.undp.org).
- e. In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.
- f. Each responsible party or subcontractor will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

Where it becomes aware that a UNDP project or activity, in whole or in part, is the focus of investigation for alleged fraud/corruption, each responsible party, subcontractor and sub-recipient will inform the UNDP Resident Representative, who will promptly inform UNDP's Office of Audit and Investigations (OAI). OAI will provide regular updates to the head of UNDP in the country and OAI of the status of, and actions relating to, such investigation.

UNDP will be entitled to a refund from the responsible party, subcontractor or sub-recipient of any funds provided that have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of this Project Document. Such amount may be deducted by UNDP from any payment due to the responsible party, subcontractor or sub-recipient under this or any other agreement. Recovery of such amount by UNDP shall not diminish or curtail any responsible party's, subcontractor's or sub-recipient's obligations under this Project Document.

Where such funds have not been refunded to UNDP, the responsible party, subcontractor or sub-recipient agrees that donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities under this Project Document, may seek recourse to such responsible party, subcontractor or sub-recipient for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document<sup>4</sup>.

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<sup>4</sup> *Note:* The term "Project Document" as used in this clause shall be deemed to include any relevant subsidiary agreement further to the Project Document, including those with responsible parties, subcontractors and sub-recipients.

- g. Each contract issued by the responsible party, subcontractor or sub-recipient in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from it shall cooperate with any and all investigations and post-payment audits.
- h. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project or programme, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.
- i. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled “Risk Management” are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled “Risk Management Standard Clauses” are adequately reflected, *mutatis mutandis*, in all its sub-contracts or sub-agreements entered into further to this Project Document.

## IX. BUDGET

<b>The European Pathway of the Republic of North Macedonia – Achieving Faster, more Inclusive and Sustainable Growth</b>	International Experts (x4)	Per day	40	600.00	24,000.00
	Travel Costs	Per flight	10	450.00	4,500.00
	Overnight Stay (International)	Per diem	50	134.00	6,700.00
	Team Leader	Per day	80	300.00	24,000.00
	Senior Expert	Per day	60	250.00	15,000.00
	Local Experts (x2)	Per day	40	250.00	10,000.00
	Project Coordinator	Per day	30	250.00	7,500.00
	Peer review	Per day	10	600.00	6,000.00
	Coordination Workshops	Per workshop	4	2,000.00	8,000.00
	Launching Event	Per event	1	2,500.00	2,500.00
	Editing, layout preps & production	Per service	1	3,000.00	3,000.00
	Interpreters	Per day	6	200.00	1,200.00
	Final presentation event	Per event	1	2,500.00	2,500.00
	Translation (MK&ALB)	Per page	600	11.00	6,600.00
<b>Total</b>					<b>121,500.00</b>