



## **INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020**

### **REPUBLIC OF NORTH MACEDONIA**

#### **EU for Municipalities**

##### **Action summary**

The Action will pilot smart solutions for addressing local and community challenges in partnership with local authorities from EU Member States. It will support the municipalities in the Republic of North Macedonia to address local needs and to boost their potential towards EU integration. Promoting territorial partnership between municipalities in the country and their homologues in the EU will help identify and implement innovative solutions to local challenges in different areas (e.g. service provision, social welfare, utilities management, urban mobility, etc.) and support long lasting international partnerships.

<b>Action Identification</b>	
<b>Action Programme Title</b>	Annual Action Programme for Republic of North Macedonia for Year 2020
<b>Action Title</b>	EU for Municipalities
<b>Action ID</b>	IPA 2020/41-831/01.01/MK/Regions
<b>Sector Information</b>	
<b>IPA II Sector</b>	1. Democracy and governance
<b>DAC Sector</b>	15112 – Decentralisation and Support to Sub-national Government
<b>Budget</b>	
<b>Total cost</b>	7,250,000 EUR
<b>EU contribution</b>	6,000,000 EUR
<b>Budget line(s)</b>	22.02.01.01
<b>Management and Implementation</b>	
<b>Method of implementation</b>	Direct management
<b>Direct management:</b>	EU Delegation to the Republic of North Macedonia
<b>Implementation responsibilities</b>	EU Delegation to the Republic of North Macedonia
<b>Location</b>	
<b>Zone benefiting from the action</b>	The Republic of North Macedonia
<b>Specific implementation area(s)</b>	The Republic of North Macedonia
<b>Timeline</b>	
<b>Final date for concluding Financing Agreement(s) with IPA II beneficiary</b>	At the latest by 31 December 2021
<b>Final date for concluding contribution/delegation agreements, procurement and grant contracts</b>	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation
<b>Indicative operational implementation period</b>	6 years following the conclusion of the Financing Agreement
<b>Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)</b>	12 years following the conclusion of the Financing Agreement
<b>Policy objectives / Markers (DAC form)</b>	

<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	x
Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	x
Gender equality (including Women In Development)	<input type="checkbox"/>	<input type="checkbox"/>	x
Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	x
Reproductive, Maternal, New born and child health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	x	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	x	<input type="checkbox"/>

## 1. RATIONALE

### PROBLEM AND STAKEHOLDER ANALYSIS

North Macedonia has committed to achieve balanced and sustainable development of the whole territory, based on the model of polycentric development. This entails reducing the disparities between and within planning regions, increasing the competitiveness of planning regions, preserving the identity of the planning regions, revitalization of villages and areas with specific development needs, and supporting the inter-municipal and cross-border cooperation.

The 2007 Law on Balanced Regional Development sets the objectives, principles and responsible entities for regional development, planning policy, financial sources and allocation of the resources. The financing for regional development is established with the Programme for Balanced regional development, which is adopted by the Government every year and which defines the total budget and funding intensity for each type of region. The responsible public bodies, the Ministry of Local Self-government and the Bureau for Regional development, allocate the funds in compliance with the Programme and monitor their use. In principle, at least 1% of the GDP should be allocated for regional development through the state budget. These funds are distributed to the regions on the basis of the classification of regions: 70% of the funds are used for funding projects for development of the planning regions, 20% for funding projects for development of the areas with specific development needs and 10% for funding projects for development of villages.

As of 2018 the annual funds for balanced regional development were increased by 44% in comparison to the previous fiscal year, to the amount of MKD 327.000.000 (EUR 5.5 million). This trend is preserved in the 2019 Budget as well.

For statistical purposes, the NUTS<sup>1</sup> classification was introduced where NUTS level 1 and 2 cover the whole territory while NUTS 3 level implies 8 planning regions. However, the country's administrative organisation is based on municipalities. There are 80 municipalities, 10 of which cover the city of Skopje. Municipalities vary in size - from 23 square kilometres in Vevcani to 1,198 square kilometres in Prilep, and in population:

- 15 municipalities with less than 5,000 inhabitants;
- 14 municipalities, 5,000 - 10,000 inhabitants;
- 20 municipalities, 10,000 - 20,000 inhabitants; 17 municipalities, 20,000 - 50,000 inhabitants; 13 municipalities, 50,000 - 100,000 inhabitants;
- 1 municipality (Kumanovo) - over 100,000 inhabitants.

As prescribed by the Law on local self-government, the municipalities have competences in the area of urban and rural planning, protection of the environment, nature and space regulation, local economic development, municipal utilities, culture, sport and recreation, social welfare and child protection, education, healthcare, civil protection, firefighting. The municipalities finance their own activities through a mix of instruments. The 2004 Law on financing of Local Self-Government from 2004 establish the legal ground for fiscal decentralisation and local funding, which is based on local taxes (e.g. property/ inheritance tax, real estate transaction); local fees as municipalities utility fees or administrative fees; local charges (e.g. construction, urban and spatial planning charges); property revenues (e.g. sale/ rent revenues); penalty revenues; foreign and domestic donations; loans (authorisation from the Government needed); subsidies and grants (e.g. purpose or block grants).

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<sup>1</sup> Nomenclature of territorial units for statistics

Financing of municipal activities and obligations along with the quality of the local services remain the most important challenges in front of the municipal governance. According to the 2018 World Bank diagnostics review "municipalities may have only minimal revenue autonomy, but they fail to maximize the autonomy they have." The Ministry of Finance estimates the total municipal debt in 2018 to the amount of EUR100 million, 100% up compared to 2005, when the decentralization process was launched. While this is partially linked to the expansion of municipal responsibilities into the areas of education, social services and urbanisation, key deficiencies in governance such as poor fiscal discipline, accountability and efficiency in organising local services, and insufficient capacity to collect local taxes undermine the municipal budgets creating significant financial arrears and budget tensions. There is an urgent need for fiscal consolidation and considerable improvement in the public finance management at local level. Smaller municipalities are even more vulnerable since the type and standard of services need to be provided with smaller budgets. While the Law on local self-government gives to the municipalities the possibility to establish forms of inter-municipal cooperation for joint service delivery, this option is not widely used for various reasons (political, institutional, geographical, etc) thus missing an important opportunity to ensure services at a lower cost.

As regards **waste management**, serious concerns exist for the quality of waste collection and processing systems. There are over 50 landfills used by municipalities for waste disposal, but hundreds of wild and uncontrolled dumpsites exist in parallel, creating an environmental and health hazard for the local population. The existing waste management systems suffer important common deficiencies – they are rarely open for competition and rarely combine private and public initiative, no control systems on waste disposal exist, wastes are not treated as a secondary raw material, which can be used in industry and production, no waste separation has been introduced effectively, communities are not involved in resolving problems etc.

The management of **water and waste water networks** is also among the key challenges for municipalities. The harmonisation with the EU legislation is progressing slowly which puts in danger the sustainability of all investments (including EU ones) in the water sector. In a context of a tight fiscal framework and an increasingly stringent regulatory environment, the municipalities and public utility companies need to address climate change related consequences, security threats, population mobility, urbanization and road congestion, and infrastructure deterioration. They need to dramatically improve the income and outcome of the capital investments and the management standards and support pragmatic modern solutions for resource saving.

The Law on Waters regulate the management of the four River Basins and there is not a municipality that does not belong to at least one river basin. The harmonisation of the national legislation with the EU Water Directive is going to require an enhanced role of the municipalities in the **management of the river basins**. Municipalities will need to embrace an integrated approach to water management that captures the full spectrum of community's impact on water. This approach will need to go beyond the classic water and wastewater services and incorporate also land use planning, agriculture, parks and recreation, as well as finance. This cannot happen without continuous monitoring, assessment, innovation and improvement. Municipalities need to develop the capacities and coordination mechanisms to ensure sustainable water management.

One of the most complicated issues for each local government relates to **fire protection**. Over the past years, certain positive steps to regulate this area have been made through the ZELS Network of Territorial Fire Fighting Units (TFFU), but important challenges remain unsolved such as how to build and sustain a volunteer firefighting system and train firefighters, ensure co-ordination of all key subjects in time crises and fires, supply and maintain good technical equipment, define tariffs for the delivered services with aim to obtain fast and quality fire protection and other protection.

North Macedonia is **vulnerable to natural hazard**; the flood-related risks are higher than any other country in the region due to the climate impacts and the relatively low adaptive capacity of the

country's infrastructure. On this background, municipalities remain largely unprepared in terms of capacities and finances for prevention and response to disasters.

The legislation and practice in the area of **energy efficiency** is also an important challenge for the local authorities. In conformity with the Law on Energy, the municipalities are bound to draw up an analysis on annual energy consumption, and carry out monitoring over the energy consumption. This information needs to be further integrated in the local policy on building permits. While energy efficiency gives benefit for the running costs and has beneficial effects on the environment, it requires smart solutions and investment costs that are often out of the reach of municipal administration.

In the area of **culture**, municipalities have acquired the obligation for the management of the national cultural institutions on their territories. Government-driven interdepartmental working group established in the Ministry of Culture in April 2018 analysed the current process of decentralization and concluded that the resources transferred from the central government are insufficient, covering only and, often only partially, the salaries of the employees without any finances for development of cultural products or investments in the cultural facilities. Cultural heritage remains largely underused while smart policy making could exploit the territorial cultural potential for the socio-economic benefit of the local communities, tourists and visitors thus contributing to socio-economic growth of the regions as well as to boosting the competition among cultural industries in the region.

Particular importance should be given to the way the municipalities address the **education-related services**. According to 2018 World Bank diagnostic review, despite the decreasing number of children (24% less compared to 2000) no change was introduced in the number of schools, classes, and teachers in primary and lower secondary education, even the number of teachers went up. This situation makes the country the least efficient among comparator countries in ensuring access to education —countries spending similar amounts enjoy 20 percent higher enrolment and had PISA scores nearly 34 percent higher. The inefficiency needs to be addressed through modern and flexible solutions.

The ongoing reform in the social area envisage more prominent role of the municipalities in provision of **community-based social services to vulnerable groups**. This couples with a stronger demand for higher quality social services and increasing pressure on behalf of civil society on improving the efficiency of public spending. At present community based services are rare, generally inefficient and with insufficient coverage. They are practically never considered as a development tool with potential for the local economies. At the same time investing in affordable child and elderly care would support women activation and employment. Personal and family obligations seem to be the main reason for not being in employment for about 41% of the women who are not in the labour force. Investing in day care centres and appropriate pre-school education will on one hand address vulnerability and gender-based inequalities and on the other hand – support local economic growth. Yet, it is important that community-based service delivery does not weaken further the fiscal capacities of the local governments and do not create new budget arrears. Hence, smart solutions are necessary in planning social services but also in improving the accountability in delivering services.

## **OUTLINE OF IPA II ASSISTANCE**

This action aims at increasing the effectiveness, efficiency and public support of local governance in the Republic of North Macedonia. It will pilot smart solutions for addressing community challenges in partnership with local authorities from EU Member States. At the same time it will strengthen the administrative and technical capacities of the selected municipalities to successfully develop, implement and supervise innovative projects in specific areas aimed at ameliorating the municipal policy and service delivery. Promoting territorial partnership between municipalities in the country and homologues local authorities based in the Members States will support the transfer of European know-how in solving urban and rural challenges in different areas (e.g. service provision, social welfare, utilities management, urban mobility, etc.). The action will be implemented through a grant scheme for municipal innovative initiatives that will provide financial support to municipalities in the country to implement innovative solution and tackle specific local challenges in various areas such as innovation in the delivery of municipal services; local jobs and skills in the knowledge economy; organization of social care and provision of community based social services; sustainable growth and circular economy.

In parallel, a technical assistance will support municipalities in applying inclusive democracy and building the capacities of local authorities to successfully interact with citizens beyond the elections and to mobilise civil energy for a common cause. This would involve also strengthening of the capacities to develop and implement innovative projects to address local needs and bring the country closer to EU standards.

#### **RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES**

In line with the revised **Indicative Strategy Paper**, the Action addresses the increasing gap between the capital and the regions through strengthening the citizens' participation, improving the efficiency, effectiveness and accountability of the municipal administrations and their association, and optimising the public finance management at local level. It proposes a tool to meet the following objectives outlined by the ISP:

- to improve the quality and sustainability of the municipal services to citizens and businesses;
- the optimise the revenue collection, sound financial management, economic and financial planning and distribution of resources as well as on inter-municipal cooperation;
- the enhance the inter–community relations based on the principles of mutual tolerance and respect;
- to enhance local and regional competitiveness;
- to elaborate and implement integrated development programmes, based on the comparative advantages of municipalities.

Further on, the Action provides the country with a tool to address the **Country progress report 2018** recommendation to enhance decentralisation and strengthen the role of the municipalities in delivery of public services.

The Action also addresses all axes of the Governmental **Programme for Sustainable Local Development 2015-2020**, namely 1) good governance and development of an institutional framework for integrated local growth and development, 2) encouraging knowledge-based growth through strengthening local competitiveness and innovation, 3) fostering inclusive growth by providing equal access to local services for all citizens and 4) promoting sustainable growth through local development based on social welfare and responsible use of natural resources. The synergy between the EU and the governmental objectives increase the ownership and the potential for sustainability and impact of the EU investments.

#### **LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE**

The EU funding for municipal development has been limited so far. Under IPA 2013, EUR 2.3 million were granted to UNDP acting in cooperation with the Ministry of Local Self-Government, the Ministry of Finance and the municipalities. The project supports the consolidation of the country's local self-government system and its capacity to ensure inclusive governance and growth. It improves the planning and delivery of decentralized services, provides small investments and enhances the fiscal decentralization. Support for development projects of municipalities is provided through the existing cross-border cooperation programmes. So far, EUR 10 million was used for CBC actions with Albania and Greece for supporting economic development, including strengthening the SME productive capacity and access to markets and enhancing the awareness of a greener economy, cleaner environment and climate change. More targeted funds are provided through 2014 IPA programme on regional and local competitiveness, implemented by the WB and aimed at developing tourist products in 10 tourist destinations in the country.

Apart from the EU, there are numerous actors already involved in supporting municipal development.

**Swiss Aid** has allocated CHF 5.6 million for the Sustainable and Inclusive Balanced Regional Development Programme (2015–2022), involving primarily soft measures for improving regional/municipal planning, local democratic process and effectiveness and efficiency of the institutions responsible for balanced regional development. The government of Switzerland is also providing CHF 10 million to **UNDP** in cooperation with the Association of Finance Officers and the Association of Units of Local Self-government (ZELS) for implementing a programme for empowering Municipal Councils (2014 – 2020) through capacity building activities addressing transparency, accountability and citizens' participation. The programme invests into the development of at least one mechanism for citizen participation in 24 target municipalities and into off-line and online networks.

**UNDP** is also assisting the city of Skopje and the Ministry of Environment through the Skopje Laboratory Project to identify and resolve problems of key importance for the citizens of Skopje. The project encourages innovative thinking in addressing air pollution, park management and waste management. This project has a very strong multiplication potential and can be relatively easily rolled-out through other municipalities.

In September 2018 **UNOPS** started 'Nordic Support for Progress in Macedonia' Programme, which amounts to USD 2 million (with perspective to grow to 4 million). The local component of the Programme will invest in improving local infrastructure, living conditions and services for the most vulnerable and marginalised groups (in particular women and youth).

**USAID** is launching the implementation of a USD 5 million Government Performance Improvement Activity (GPIA), which is expected to build the capacity of central and local governments to develop and secure funding for investment projects.

These funding interventions provide technical assistance for improving the operations of the local administrations and encouraging direct democracies. They create a ground for identifying advanced solutions to acute local problems. However, none of these interventions envisages funds for implementation of these advanced solutions, and this is the added value of this Action. The EU funding therefore has the potential to improve the synergy between the EU and other donors' funding by piloting real solutions in the municipalities. In this way, the Action addresses one of the lessons learnt so far, namely the need to concert the efforts for municipal development and to improve the efficiency in donor funding.

Another important aspect, which shapes this Action, is the need to couple investment support with transfer of know-how, in particular EU experience with practical solutions that are at the intersection of technological, digital, nature-based, regulatory, social and governance innovation. In

this sense, the municipalities of the European Union have considerable success and they can be a good coach for the local authorities in North Macedonia.

Finally, from project management perspective, it is clear that municipalities have very limited capacities to develop innovative projects. Even if other ongoing donors' interventions would support the identification of project ideas and would promote the opportunity for EU funding, it is important to have technical assistance to support municipalities in addressing EU project management requirements.

## 2. INTERVENTION LOGIC

### LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE(s)/ IMPACT(s)	OBJECTIVELY VERIFIABLE INDICATORS				SOURCES & MEANS OF VERIFICATION	
	INDICATOR'S NAME	Baseline (value + year)	Target 2023	Final Target 2025		
To increase effectiveness and efficiency of local governance	Index of citizens' satisfaction from local services delivered (level of dissatisfaction)	60% (2017)	55%	Less than 55%	Eurobarometer	
	Trust in local governments (level of distrust)	67% (2017)	65%	Less than 65%	Eurobarometer	
	Distance to average GDP per capita measured for the regions where innovative measures will be implemented	Average GDP per capita for the country 4,691 (2016)	NA	10% decrease in distance to average	Eurostat / State Statistics	
SPECIFIC OBJECTIVE(S)/ OUTCOME(S)	OBJECTIVELY VERIFIABLE INDICATORS	Baseline (value + year)	Target 2023	Final Target 2025	SOURCE OF VERIFICATION	ASSUMPTION
To pilot smart solutions for addressing community challenges in partnership with local authorities (LA) from EU Member States.	Number of persons benefiting from the EU supported innovative solutions in the targeted/selected municipalities	0 (2018)	>50,000	>100,000	Interim and final reports of the projects	Financial, human and material capacities of the local authorities and communities to implement innovative solutions
	Number of smart solutions to significant community-recognised service/policy challenges implemented	0 (2018)	8	+24	Interim and final reports of the projects	

<b>OUTPUT(s)</b>	<b>OBJECTIVELY VERIFIABLE INDICATORS</b>	<b>Baseline (value + year) (2)</b>	<b>Target 2023</b>	<b>Final Target 2025</b>	<b>SOURCE OF VERIFICATION</b>	<b>ASSUMPTION</b>
1.Strengthened administrative and technical capacities of the selected municipalities to successfully develop, implement and supervise innovative projects in specific areas aimed at ameliorating the municipal policy and service delivery	Number of local governance arrangements put in place – coordination units, interdepartmental structures, to allow innovations in municipal governance happen	0 (2018)	3	12	Reports of the TA assisting applicants and grant beneficiaries. External studies from IOs and CSOs.	Interest on behalf of the local authorities and their partners in the country and in the EU Member states to participate in the programme Good coordination with various donors and international partners for preparing the grounds for the municipal projects
	Number of trained people (sex disaggregated data included)	0 (2018)	50	+100	Reports of the TA assisting applicants and grant beneficiaries	
	New inter-municipal, regional and international partnerships and networks developed/ Number of new partnerships between EU-MK and MK-MK local authorities	0 (2018)	0	12	Register of the co/financing of the payments for extension services	
	Number of social media participants/followers	0 (2018)	0	> 50,000	Project report	
2. Introduction of smart and innovative municipal governance solutions in selected municipalities.	Number of innovative measures financed	0 (2018)	7	7	Project report	
	Number of municipalities involved in innovative measures	2 (2018)	12	12	Project report	

## DESCRIPTION OF ACTIVITIES

### ***Output 1: Strengthened administrative and technical capacities of selected municipalities to successfully develop implement and supervise innovative projects in specific areas***

This result will be achieved through the following activities:

#### *Activity 1 Capacity and partnership building activities for the preparation and implementation of the selected innovative projects*

This activity involves:

Promotion of the opportunity to municipalities to introduce smart innovation in municipal governance through an intensive information campaign based on use of standard and social media and strong outreach campaign involving number of meetings in the municipalities with various stakeholders. This campaign needs to ensure the active involvement of all key stakeholders on the territory of the municipalities that can bring expertise on the specific issues to be addressed. These might include agencies, organisations, private sector, research institutions, NGOs, etc. Civil society and grassroots will be a natural ally in this process along with the municipal administration.

Training in municipalities on smart municipal governance which will involve also a promotion of particularly successful practices from various EU countries.

Building the capacities of pilot municipal administrations to act as drivers for the creation of local coordination platforms and for identification of particular service-delivery and policy challenges in the municipalities. Support for examining the identified problems in a systemic way and for analysing the possible solutions in an inclusive participatory manner.

Intermediation for building partnerships between municipalities in the country and municipalities from EU facing similar challenges and proposing smart solutions. The partnership building component may include study visits and people to people exchanges, participation to workshops/ events organised by the associations of local authorities from the Western Balkans (ZELS, NALAS) and from EU MS (Committee of the Regions, Council of European Municipalities and Regions), etc.

Advisory support in the preparation of applications to be financed by the grant scheme

#### *Activity 2 Advanced services to the selected municipalities to support the innovative project implementation.*

This activity will provide high-quality advisory services during the preparation and implementation phases to the selected municipal projects with a special focus on the following aspects:

Project management in order to ensure collaboration across a wide range of people in different departments and organisations;

Public procurement process (tendering, selection, analysis and contractual aspects);

Integrated cross-department working to involve "line departments" with the purpose to increase commitment and technical support;

Stakeholders participative involvement in order to ensure a genuine and on-going engagement by all partners and stakeholders;

Monitoring and evaluation;

Financial sustainability (including attraction of investment financing and PPP) Communication with target beneficiaries;

Upscaling the successful projects/solution to mainstream the approach in local administration.

#### *Activity 3 Awareness raising, Communication, Capitalisation, Dissemination*

Throughout the duration of the action, several interrelated communication activities will be implemented to inform about the use of the EU funds, to boost the impact of the projects financed and further develop at local level of an environment favourable to municipal governance innovation. More specifically, this activity involves a number of out-of-the box activities (one per selected project) to promote the innovative solutions at national level. Various communication channels will be encouraged - newsletter, website, social media, etc.

The activity will also produce video-materials to ensure identification, capitalisation and replication of best practices/ solutions experimented at local level along with the publication of an open access database and the establishment of a community of practise of practitioners in local development.

## ***Output 2: Introduction of smart and innovative municipal governance solutions in selected municipalities.***

### *Activity 4 Grant Scheme for Smart/Innovative Municipal Initiatives*

The grant scheme will provide financial support to municipalities of the country to implement their projects addressing specific community challenges, provided that:

- a) The projects propose innovative for the country solutions,
- b) The projects address gender equality and problems identified in an inclusive and participatory manner and benefit from large societal support. The initiatives to be supported must have been discussed intensively with the local community/ stakeholders, must be endorsed by the municipal council and included in local development or action plan.
- c) The projects are mature and based on good feasibility assessments
- d) The project will be co-funded by the municipalities (min 15% of co-financing required)
- e) The projects' implementation will be supported by partner municipalities from EU Member states

Projects can address various thematic priority areas such as:

- **Innovation in the delivery of municipal services** both at technological and organisational level, including introduction of digital technologies and e-municipalities,
- **Local jobs and skills in the SMART and knowledge economy with a focus on introducing** culture industries with business potential but still insufficient business involvement, encouraging women participation in social, political and economic life,
- **Organization of social care and provision of community based social services** to support the governmental efforts for transition from institutional to community-based services and improve quality of life of vulnerable people and minorities, such as care for preschool children, the elderly, and people living with disabilities.
- **Sustainable growth and circular economy with a focus on** innovative management of municipal utilities (e.g. water and waste management, local public transport and urban mobility, energy efficiency), improving air quality, enhancing the sustainable use of land, water and other natural resources.

The direct beneficiary of the grants will be the municipalities in the North Macedonia including the local administration and key stakeholders involved in the action. Indirect beneficiaries are the citizens that will benefit from the improved services in the selected municipalities.

The experience of the EU MS municipalities is also requested and required as part of the partnership that shall be established by the beneficiaries.

## **RISKS**

There are two risks pertaining to the Action.

The first risk relates to the limited financial capacity of the municipalities to undertake new investments. This risk will be mitigated through the governmental efforts to create fiscal space at municipal level for accommodating the new type of expenses in the municipal budgets, which are related to the reforms undertaken in development and in the EU accession context. The action will support projects which are leading to the implementation of these new standards, thus ensuring synergy between national public and the EU funding.

The second risk relates to the capacity of the municipalities to liaise with local governments in the EU Member states and to build sustainable partnerships. While the initial consultations on the preparation of this Action show clear interest on behalf of the municipalities for implementing EU-tested innovative solutions in municipal governance, more efforts will be needed to promote the involvement of EU municipalities. Various means will be used to mitigate the risks. One of them involves the EU Member states representations in the country, which were consulted on this action and declared strong support for bringing the EU funding closer to the local communities. Another tool will be the Network of Associations of Local Authorities of South-East Europe (NALAS) connecting 12 countries including EU member states, accession and neighbour countries. The network acts as a think tank providing support to the local authorities and to their associations as well as a platform to share lessons and best practices.

#### **CONDITIONS FOR IMPLEMENTATION**

The implementation of this Action is subject to the following conditions:

- The policy dialogue on regional development is institutionalised to allow smooth policy coordination involving central and local authorities, donors and citizens' organisations in identification of priorities and monitoring of the progress in their implementation.

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

### **3. IMPLEMENTATION ARRANGEMENTS**

#### **ROLES AND RESPONSIBILITIES**

This Action will be implemented under direct management by the EU Delegation, as a Contracting Authority, having the overall responsibility for contracting, monitoring and evaluation of the Action. The Secretariat for European Affairs (NIPAC office) will be closely associated to these activities. The Ministry for Local Self-Government, the ZELS, the NALAS, the relevant donors active in the sector will be members of the sector working group, which is expected to be established in 2019 to channel the policy dialogue on regional development.

For the operational activities, a technical assistance team will assist the Delegation of the European Union and the grant beneficiaries for the implementation of the grant scheme.

Apart from municipal governance bodies and administrations, the key stakeholders involved in municipal development include:

- Ministry of Local Self Government, which is responsible for proposing new policies and for monitoring of their implementation. The Ministry supervises the functioning of the local self-government system, direct and indirect involvement of the citizens in the decision-making processes at the local level and the delivery of quality and uniform public services for the citizens.
- Bureau for Regional Development is a part of the Ministry of Local Self-government having three key functions: 1). Prepares and reports on the Programme for Balanced regional development, and cooperates with the state statistical office 2). Provides methodological and analytical support for development of regional development plans, and 3). Prepares the

classification of the municipalities and the planning regions according to their level of development, as well as the criteria and indicators for identification of areas with specific development needs. The Bureau also acts as a secretariat of the National Council for Regional Development and reviews the regional lists of project proposals

- Association of the municipalities (ZELS), which promotes local self-governance, supports the cooperation between municipalities and between municipalities and central government and International organisations, and encourages the municipal development through exchange of know-how and networking in the country and internationally.
- National Council for Balanced Regional Development, which establishes the classification of planning regions and the detailed criteria and indicators used, as well as ensures transparent reporting system on all parameters related to regional development and informs the society on regional development. It approves the regional development programmes proposed by the Regional Development Councils. The National Council takes decision on distribution of the funds for promoting of Equitable Regional Development.
- 8 Councils for Development of the respective planning regions, involving mayors of the respective local self-government in the region and chaired by an elected Mayor for a period of 2 years. The Councils develop and report on the implementation of the regional development programmes and action plans, establish lists of project proposals for regional development and assures coordination of the activities between local authorities, citizens organisations, governmental agencies and international partners working on regional development.

In December 2018, a meeting between local stakeholders and donors took a decision to establish a formal Sector working group (SWG) on regional development in the framework of the NIPAC-driven sector approach framework. This sector working group, similar to the other 9 established in the country is intended to channel the dialogue on the sector policy (identification and implementation) and serve as a coordination platform for national/local bodies, civil society and donors.

#### **METHOD(S) OF IMPLEMENTATION AND TYPE(S) OF FINANCING (SEE ANNEX IMPLEMENTATION – BUDGET)**

### **4. PERFORMANCE MEASUREMENT**

#### **METHODOLOGY FOR MONITORING (AND EVALUATION)**

Progress in the implementation of the Action will be monitored through the Performance Assessment Framework (PAF) which is being prepared through a separate EU project and is expected to be put in place in 2019. The PAF is sector-based and integrates macro indicators (outcome and impact levels) and micro indicators (output level). The PAF is developed as a web-based application (to be backed up by a GOV decision on responsibilities and deadlines) allowing regular electronic input of data, data processing and data analytics. The PAF data will be used in the Sector Working Group on Municipal and local development, which is also the inclusive platform of all stakeholders to monitor the implementation of the sector priorities.

The European Commission may carry out additional evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. All evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

The ongoing monitoring of the specific contracts will be a responsibility of the EU Delegation and the NIPAC office as well as of the Steering Committees established in the context of the specific technical assistance interventions.

## **5. SECTOR APPROACH ASSESSMENT**

The country has progressed in introducing the Sector approach with the development and implementation of Sector Approach Roadmaps and the active functioning of the established 9 sector working groups. However regional development has not been so far included in the sector approach framework and there is not yet a formalised Sector Working Group dealing specifically with municipal and local development. Some relevant activities are at present implemented under the SWG Democracy and Governance in the part dealing with Public Administration Reform and other activities are implemented under the Sector Working Groups dealing with Competitiveness and Innovation and with Transport and Environment Since December 2018, there is a political commitment for establishment of a sector working group on regional development, which is expected to enhance the policy coordination and policy dialogue and contribute to improved synergy of the various policies and interventions.

## **6. CROSS-CUTTING ISSUES**

### **GENDER MAINSTREAMING**

The country has put in place the legal framework to ensure gender equality through the adoption of the Law on equal opportunities for women and men and the Law on prevention of and protection from discrimination. The current legal framework actually prohibits discrimination on the grounds of gender and sexual orientation and prescribes that equal representation of men and women exists when one sex is represented with at least 40% per cent in bodies at all levels (state, municipal levels other institutions). In general, in the public administration, women and men have similar representation. However, at local level there is a prevalence of men in the governing structures. Only six out of 80 mayors are women and only one urban municipality has a she-mayor. Inequality between the sexes remains a major obstacle for economic development and for reducing poverty. Only 34.6% of women in the beneficiary country are employed, placing the country significantly below the EU average of 58.5%. Of the inactive people, 64,4% are women. The Action would hopefully address this issue through promoting smart solutions in municipal governance including delivery of public services encouraging women's participation in economic and social life – in line with the existing practices in the EU Member states.

### **EQUAL OPPORTUNITIES**

The Action is expected to enhance the economic and social cohesion between the regions and the municipalities and improve development prospects for areas out of the capital. This is already an important contribution to promoting the equal opportunity. In addition the Action will address acute problems for local communities, identified in an inclusive participatory way. Hence, it can be expected that the solutions to be implemented will improve the public services for the communities and contribute to better living of various and different groups of people. Further on, the action will support the transfer of European know-how to the municipalities, which in general do respect the equal opportunity principle.

### **MINORITIES AND VULNERABLE GROUPS**

The Action is expected to promote the local policy dialogue with the participation of various social and ethnic groups thus voicing better concerns of minorities and vulnerable people. Moreover, one of the identified priorities is addressing precarity and improving quality of life of the poor and vulnerable. It can be expected that some of the funded interventions will have the potential to

accompany people of minority origin and/or vulnerable groups in improving their living conditions, access to services and supporting their inclusion in social and economic life of the municipalities.

### **ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)**

The Sector working group has proved as an excellent tool to involve all the relevant stakeholders in the programming of 2019 Action Documents. In the specific case of this AD, a late informal SWG was established and will be formalised. However since its establishment, the main NGO in the municipal sector (ZELS) is part of it. Substantial efforts are and will be dedicated to the purpose of regular informing and involvement, whenever possible, of the civil society organisations and social partners, as well as any other institution/organisation concerned with the monitoring of the programme implementation, outcomes and achieved results.

Representatives of non-governmental organizations and civil society will be also consulted and involved in the future steps for the implementation processes: they will be consulted and invited to actively take part in the different consultation events foreseen during the implementation of the activities envisaged in this Action Document. It is anticipated that ZELS will be one of the members of the Steering Committee of the AD.

### **ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)**

The Action is expected to have direct and indirect positive impact on environment and climate change. The Action will vigorously promote respect to the principles of environmental suitability, which is one of the priorities of the grant scheme. It is expected that the Action will finance some innovative solutions to environmental problems encountered by the municipalities and will promote sustainable use of natural resources. In all cases, all supported solution will need to be environmentally friendly or at least neutral.

## **7. SUSTAINABILITY**

The sustainability potential of the action is high:

The Action will support projects of the local administrations benefiting of strong local support and addressing acute local problems. The targeted improvements involve co-financing and budget allocation to maintenance costs, which is a strong element of ownership and create good sustainability prospects. Moreover, the proposed methodology is based on extended community dialogue, which entails also a significant public control on the investments.

The Action will support cooperation with EU municipalities and transfer of specific know-how on addressing local problems. These innovative solutions should have already proved to be successful in EU, which would minimize the risk of failure.

The action proposes a strong parallel capacity building approach which is an investment in the social capital in the country and is a guarantee for sustainability.

Since 2018, a sign of political commitment was given for improving regional development policy, reducing the disparities in development between and within the planning regions and improving the quality of life of citizens on the whole territory. There are various pillars of the reform including improvements in the legal and institutional framework and optimisation of the funding for the regions. In this sense, the Action comes to support the implementation of these reforms by increasing the roles and autonomy of the municipalities in finding solutions to local problems and improving the efficiency of the public services.

Moreover, the Action is expected to nourish the sector policy dialogue at central and at local level with the involvement of all actors, local and central structures as well as donors and civil society. The intensified sector policy dialogue in its turn is a good driver of the sector reforms

and guarantee to a significant extent the public and donor supervision of the measures and the commitment of the Government to address the regional disparities. This is even more important in the perspective of opening of negotiations with the Republic of Macedonia when future negotiation process, will also take into considerations also the progress in regional policy.

## **8. COMMUNICATION AND VISIBILITY**

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be funded from the amounts allocated to the Action and specifically from the amounts allocated for the grants.

Communication and visibility will be given high importance during the implementation of the Action with a particular focus on enhanced attention to the environment, more resources for the municipalities and improved quality of life in the country.

The communication and visibility approach is based on several pillars:

Promotion of the action through the visibility and communication strategy "EU for YOU", of the EU Delegation, based on sector campaigns, which target the citizens at large outlining the benefits of the EU aid for the country in a communicative, comprehensible and interactive style. In addition, all EU projects are promoted through the Delegation web-site. As of 2018, the EU Delegation together with NIPAC launched the IPA Visualization Map (<https://euprojects.mk>) providing information on all IPA projects in the country.

Promotion of the EU support at the level of the action – this implies selection of few activities out of the whole Action with very high media potential and creating media events allowing to promote in general the EU values and principles in a certain specific context. Cooperation with the NIPAC office and the other beneficiaries will be very important to ensure one-voice communication to citizens.

Promotion of the EU support at the level of each single contract and in line with the EU communication and visibility requirements in force. All grantees have to develop a communication plan, which will be approved by the EU Delegation. The communication and visibility plan should highlight the external communication activities that need to take place. In approving the communication plan the EU Delegation usually encourages "out-of-the-box" communication solution having the potential to attract the attention of media and citizens and allow passing important messages.

All contractors are also expected to show a good communication reflex and the ability to exploit unexpected opportunities to the benefit of the action. Having in mind importance of digital communication in today's era of web technologies and social media, creation of EU-funded projects' communication materials in an internet friendly format is essential. The implementation of the communication activities shall be funded from the amounts allocated to the Action and the separate contracts. It is the responsibility of the contractors and beneficiaries to keep the EU Delegation and the Commission fully informed of the planning and implementation of the specific visibility and communication activities. The beneficiary shall also report on the visibility and communication actions in the relevant reports.

All visibility and communication actions shall focus on results and changes achieved and shall demonstrate how the EU support brings the country closer to the EU standards. The objective is to improve the awareness on the EU funding of the general public and not only of target specific audiences. The communication policy applied must ensure that the added value and impact of the EU's interventions are understood by the citizens and that EU funds are managed and used in a transparent, efficient and effective way for the benefit of the country as a whole.