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**Project Fiche 2.1 Local infrastructure for Social and Economic Cohesion**

**1. Basic information**

**1.1 CRIS Number:** 2007/19297

**1.2 Title:** Support to Local Infrastructure for Social and Economic Cohesion

**1.3 ELARG Statistical code:** Axe 02 - 22

**1.4 Location:** Skopje, with nationwide project activities.

**Implementing arrangements:**

**1.5 Contracting Authority (EC)**

European Commission, EC Delegation, on behalf of the beneficiary

**1.6 Implementing agency**

European Commission, EC Delegation, on behalf of the beneficiary

**1.7 Beneficiary**

Ministry of Local Self Government.

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**1.8 Overall costs (VAT excluded)<sup>1</sup>:** EUR 8.7 million.

**1.9 EU contribution:** EUR 7 million.

**1.10 Final date for contracting**

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

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

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

Two years from the final date for contracting.

**1.12 Final date for disbursements**

One year from the final date for execution of contracts.

**2. Overall Objective and Project Purpose**

**2.1 Overall Objective:**

The overall objective is to stimulate social and economic cohesion through support to infrastructure development in municipalities as well as training the municipal officers in developing, implementing and supervising these infrastructural projects.

**2.2 Project purpose:**

The project purpose is to improve the infrastructure in municipalities through successful completion of selected small-scale projects and to improve the capacity of the identified counterpart staff in the Ministry of Local Self-Government and municipalities through on-the-job and other training and day-to-day management of infrastructure programmes, in particular in those sectors where responsibilities have recently been devolved to the municipalities and in areas targeting the most economically vulnerable.

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

The projects address EP priorities to ‘complete the necessary legislative framework to implement the decentralisation process and ensuring the municipalities have the necessary means to implement their new competences’.

The progress reports states that the smaller municipalities have had difficulties in delivering basic services and that possible under-financing of the educational sector is a matter of concern.

**2.4 Link with MIPD:**

MIPD states that support will continue to the decentralisation process and to improve local infrastructure.

**2.5 Link with National Development Plan:**

The National Development Plan highlights the regional disparities in the country and in virtually every chapter the needs for investments in infrastructure to begin tackling disparities. Local infrastructure is specifically referred under the section on communal infrastructure and points to the needs of investments in communal water economy which includes water supply, and waste water collection and treatment, and solid waste management, education, employment, social protection, health care, areas where there is large competences of municipalities.

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## **2.6 Link with national/ sectoral investment plans:**

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

- Strategy for the Reform of the local self-government
- Operational Program for Decentralisation 2003-2004
- Program for the implementation of decentralisation process 2004-2007
- Action Plan for the realisation of the program for the implementation of decentralisation process 2004-2007
- Detailed plan for transfer of authorities and resources in the process of decentralisation
- Pre-Accession Economic Programme (2007-2009), 2006;
- Public Investment Programme (2006-2008), 2006;
- Strategic plan of the Ministry of Local Self-Government for the period of 2007-2009.
- Draft National Programme for Training of Municipal Administration 2007

## **3. Description of project**

### **3.1 Background and justification**

An important element of the Government's programme to ensure stability in the country and alleviating social tensions is the reduction of regional disparities and poverty. Developing better quality local services and infrastructure is not only effective to improve living standards and thus reduce poverty, through targeting the more deprived sectors and deprived regions, it is also effective in reducing regional disparities. Infrastructure development needs are significant, especially at municipality level. Apart from improving services, local infrastructure projects directly generate local employment and contribute significantly to a better investment climate.

The total economic infrastructure needs are estimated in the National Development Plan to be around €1.200 million for the period 2007 – 2009. Especially the municipalities in the more deprived areas of the country face difficulties in financing these infrastructural needs. The local infrastructure development projects will help municipalities to address their infrastructure needs, and thereby support the decentralisation process and improve the lives of the economically disadvantaged.

In the context of the ongoing decentralisation reform process, municipalities increasingly will have to take the lead in defining, developing, implementing and supervising the implementation of these local infrastructure projects. Although the new Law on Local Self-Government gives municipalities the responsibility for urban and rural planning as well as communal services, at this stage, the municipalities still have low capacities to transfer priorities into actual projects and appropriately implement these projects. The training in these areas that has been provided to the municipalities under the CARDS programme is very useful and would need to be continued to create a sufficiently large mass of trained municipal staff.

The local infrastructure projects would – as a matter of priority - focus on those areas where new competencies have been decentralised to the municipalities. The competencies, human

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resources and assets to be decentralised are listed in the Government's Detailed Plan for the Transfer of Competences and Resources (adopted in April 2005) and as stipulated in the Law on Local Self-Government (2002) and agreed earlier with the Ohrid Framework Agreement (2001). The major competencies which have been decentralised since 1 July 2005, when the process started, include<sup>2</sup>:

- Social welfare and child protection – Old age people homes, day centres for children with disabilities, street children, drug abusers and homeless; centres for victims of family violence, kindergartens.
- Sport and recreation - Transfer of the title of immovable and movable goods, staff and documentation related to the sport facilities,
- Health care - Protection of health of workers and protection at work; health oversight over the environment; assistance to patients with special needs, e.g. mental health, child abuse, etc.
- Education - The management and maintenance of primary and secondary schools;
- Culture - The management and maintenance of local cultural institutions;
- Fire and rescue - The management and maintenance of the fire and rescue services;
- Urban Planning and construction – The management of local urban planning.

In case insufficient projects will be proposed within the remit of the competencies above, projects may be financed within the competence of **Communal services**, which includes the reconstruction of local roads, water supply and sewerage

The Ministry of Local Self Government is responsible for the oversight of the overall decentralisation process. However, the ministry has as yet insufficient capacities to oversee and support the infrastructural component of the decentralisation process. In this context, selected ministerial staff will be trained – jointly with the municipal staff – on the project level aspects, and additionally in gaining the competencies to oversee the process and support the municipalities adequately.

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

The project is designed to improve the infrastructure development in municipalities, directly improving access to local services / amenities in municipalities, and contributing to an improved investment climate. While targeting specific services provided and (preferably) serving the most deprived parts of the population, the impact of the individual projects on a local level is expected to be significant.

The project will aim to contribute to a more equitable and balanced development of the country with particular focus on the most disadvantaged areas.

Through a training component to the relevant municipal staff the project will contribute to improved competencies at the municipal level. By training staff of the municipalities in 'project cycle management', a capacity is created within the municipalities to identify, develop and implement infrastructure projects. By training the municipal staff the maintenance of the

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<sup>2</sup> Information on the Implementation of the Programme for the Implementation of the Decentralization Process (2004-2007) - 2005-2006

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investments, sustainability of the projects is enhanced. By training staff of the Ministry of Local Self Government, competencies are enhanced to oversee the (infrastructural aspects of the) decentralisation process and provide adequate support to the municipalities.

The project has potential not only to attract local investments, but as a catalytic effect also investments from IFIs.

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

The project will entail three main components:

Component 1: implementation of small-scale infrastructure projects in municipalities, and

Component 2: training of selected ministry and municipal staff, but where appropriate staff the Communal Enterprises may be included.

Component 3: the implementation of the Municipal Award to reward those municipalities that have significantly contributed to improve their services to their inhabitants.

#### ***Expected results and measurable indicators for component 1 (implementation of small-scale infrastructure projects in municipalities):***

Expected results include:

- Improved access to better quality services and infrastructure for a wider range of the community in their municipalities.
- Reduction in disparities between municipalities in terms of the quality of infrastructure and services.

Measurable indicators for reviewing progress include:

- 14 projects implemented and in operation according to timelines (and milestones)
- The number of direct beneficiaries from vulnerable groups benefiting from the projects (in terms of access to services) (to be further detailed in the terms of references)

#### ***Expected results and measurable indicators for component 2 (training of selected ministry and municipal staff):***

*Expected results include:*

- improved skills of municipal staff on management of infrastructure programmes and managing appropriate levels of consultation with external parties (e.g. NGOs, the business sector, the population in general) in the design and implementation of infrastructure projects.

*Measurable indicators for reviewing progress include:*

- The number of people trained, with specific reference to municipality, gender, ethnic origin and vulnerable groups (to be further detailed in the terms of references)

Consultants and experts providing training through technical assistance are required to produce reports at inception, interim and final phases, in order to show progress against the targets identified.

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### ***Expected results and measurable indicators for component 3: The Municipal Awards***

*Expected results include:*

- Successful completion of a call for proposals of initiatives undertaken by municipalities that represent a significant improvement in the quality of services provided to the citizens;
- Implementation of three infrastructure projects that will be awarded to the winning municipalities

*Measurable indicators for reviewing progress include:*

- Timely completion of the call for proposals
- The projects are implemented and in operation according to timelines (and milestones)

### **3.4 Activities**

The project will entail three main components:

Component 1: implementation of small-scale infrastructure projects in municipalities, and

Component 2: training of selected ministry and municipal staff.

Component 3: Implementation of the Municipal Awards

#### **Activities foreseen for component 1 (implementation of small-scale infrastructure projects in municipalities):**

- 1) Call for municipal proposals
- 2) Evaluation and prioritisation of the submitted proposals and selection of projects to be funded; Projects will be prioritised that are environmentally friendly, and have target groups that include women and minority groups.
- 3) Review of preliminary designs of selected projects and development of final designs in cooperation with the municipalities;
- 4) Preparation of the documentation necessary for the tendering procedures for works contracts
- 5) conduct the tendering of the selected projects;
- 6) Construction of the selected projects;

The steps 1 to 4 will be implemented through a Steering Committee that will include representatives from The Ministry of Local Self Government, the Secretariat for European Affairs, ZELS, representatives from the European Commission as well as representatives from the relevant ministries, where an effort will be made to include women and representatives from different ethnic groups, while consultant services (contracted through component 2) will provide advisory support.

The activities shall be implemented through an appropriate combination of works and supply contracts to implement the infrastructural projects. It is expected that the average value of each municipal project will be around 0.5 Million Euro, with an investment budget of EUR 6.7 mn

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(EUR 5 mn IPA contribution and EUR 1.7 mn national contribution), it is expected that 14 contracts will be concluded in the course of the project.

**Activities foreseen for component 2 (training of selected ministry and municipal staff):**

Component 2 of the project will provide tender support and supervision services, and on-the-job, workshop, seminar and other forms of training for the relevant staff of the municipalities and the Ministry.

The training will consist of the following elements:

- 1) Training of Municipal staff in project cycle management vis-à-vis infrastructural projects, including mainstreaming of cross cutting issues such as gender, ethnicity, environment and governance; including consultation management.
- 2) Training of Municipal Staff in maintenance - and related requirements like budgeting of maintenance costs, ongoing training efforts etc. – of the infrastructure projects implemented in their municipalities
- 3) Training of Ministerial staff in overseeing the infrastructure developments in the context of decentralisation and providing appropriate support to the municipalities.

Although the basic elements of the training to be provided are similar to the ones provided under the CARDS projects, a monitoring and evaluation system will be established to identify the present training needs and keep track of changing needs of the Ministry and the municipalities. This component of the project will also work closely with the Ministry to develop a plan for improving the production of reliable statistic data on existing needs of the municipalities and other relevant issues.

The component will implemented through a service contract. The tender support and supervision activities foreseen under component 1 will be contracted through the same contract that will provide the training under component 2.

**Activities foreseen for component 3 (Municipal Awards):**

The main activities foreseen are:

- 1) The design of the call for proposals (by the municipalities) that made a significant improvement in service delivery to the municipalities,
- 2) The implementation of the call for proposals (launch, evaluation)
- 3) Award of three best proposals

The Municipal Awards project was first organised during 2006. Calling Municipalities to submit a project they had implemented and that constituted a best practice related to decentralisation, a number of lessons were learnt during the process. There is a need to sharply define the subject matter for which best practices can be submitted, it is important to ensure that larger – and hence often more competent municipalities – do not have an undue advantage due to better project formulation skills, and it is important that the potential participants are well aware of the process and procedures.

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The award for the three best proposals will be EUR 250.000, EUR 150.000 and EUR 100.000 respectively. In addition, the awards will consist of a municipal infrastructure project the winning municipalities can select and that will be implemented as part of component 1.

### **Project Management and Administration**

A project steering committee will be established to oversee the total process of the activities to be implemented under component 1 and 2.

Advisory services will predominantly be provided to the Ministry of Local Self Government, the Municipalities and other stakeholders. The contract to support the project will contain next to a team leader being responsible for the overall activity implementation, additional expertise to implement the training activities, infrastructure project development and implementation, as well as to address the cross-cutting issues.

The team leader will be responsible for the overall management, representation (co-ordination with the EU and other international bodies) as well as reporting. The co-ordination of activity development in the different components of the activity is significantly important. The team leader is responsible for an appropriate management of resources. During the inception phase of the project, a detailed deployment plan will be developed under the coordination of a Steering Committee in which each co-operating national institutions will be represented to ensure appropriate inclusion.

The different Government bodies that will benefit from expert services are:

- The Ministry of Local Self Government
- ZELS
- Municipalities
- Other state and non-state actors as appropriate.

### **The contracting arrangements are as follows:**

It is expected that:

- 1 Service contract will be concluded following an international restricted tender procedure to support the implementation of component 1 and 2. The duration of the contract will be for a period of approx. 40 months, depending on the budget. The core of the project activities will take place in the first three years of the project, but one more year is added to allow project assistance until the final acceptance of the works. Implementation is expected to start in November 2008. The contract value will be approx. EUR 1.8 mn
- 1 framework contract will be concluded to implement to Municipal Awards - component 3. The duration of the contract will be for a period of 6 to 12 months. One month after the signature of the contract, implementation is expected to start in November 2008. The contract value will be approx. EUR 0.2 mn.
- A total of 14 infrastructure projects will be supported with an average value of EUR 0.5 mn. For each of these projects a works contract will be concluded. Where appropriate, support through a supply contract may be foreseen.

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### **3.5 Conditionality and sequencing**

The project includes the following conditionalities:

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

### **3.6 Linked activities**

In earlier funding programmes of EC, including CARDS, as well as the funds from the Danish Government that were entrusted to the European Agency for Reconstruction, more than 100 infrastructure projects (water supply, sewerage, local roads, public administration buildings) in a range of municipalities have been funded. Most of these projects have been completed and handed over to the local authorities for operation and maintenance. Training to the municipalities on project preparation, monitoring and evaluation was provided.

Moreover, municipal awards, which are to be spent in local infrastructure, was run through CARDS funds highlighting the importance of the decentralization process and the continuing improvement of government services to the citizens. The rationale was to give an incentive to the municipal authorities to improve the livelihood of people.

A number of donors including EU Member States, EBRD, KfW and the World Bank support local infrastructure development, targeting a diversity of infrastructure projects. The EBRD will focus on supporting the new fiscal decentralisation process, including through possible municipal-guaranteed water sector investments. The Bank will develop extensive dialogue with credit worthy municipalities to explore the opportunity for developing water/wastewater rehabilitation programmes. The World Bank - Urban Development Project will be included in the new Country Partnership Strategy 2007-2010 and it is in very early preparatory phase. According to the Study on Issues in urban and municipal development, support might be focused on three areas: (a) municipal financial management and capacity-building; (b) communal services; (c) urban planning and land management. The KfW - Municipal Water Programme focuses on performance based investments in water supply and wastewater infrastructure in selected municipalities.

Coordination between the different initiatives is ongoing and will continue.

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### 3.7 Lessons learned

CARDS implementation, as documented in progress reviews, monitoring and evaluations reports, highlighted a number of common difficulties in project implementation, including insufficient availability of national (counterpart) staff, insufficient budget, late approval of relevant legislation etc. These lessons learned have been translated into conditionalities (see par. 3.5)

During the projects funded under the CARDS 2002-2006 programmes, a transparent selection mechanism for local infrastructure projects has been developed. The present project builds further upon this mechanism. In addition there should be coordination between different stakeholders, for example in a water infrastructure project there should be coordination with the Ministry of Environment the responsible body for the implementation of the EU water directives.

The (on-the-job) training to the municipal and ministerial staff in conjunction with the infrastructure projects proved to be a valuable tool in building capacities on the decentralised level. Again, the present project builds upon these experiences.

In some cases, municipal projects were selected that are part of a wider rehabilitation or construction plan (e.g. construction of a sewage system in one part of town to be connected to the wider system and sewage treatment facilities). In such a case a sound planning concerning the maturity of complementary investments needs to be made to ensure functionality of the system financed through IPA funds.

### 4. Indicative Budget (amounts in €)

Activities	TOTAL COST (million euro)	SOURCES OF FUNDING											
		EU CONTRIBUTION				NATIONAL PUBLIC CONTRIBUTION					PRIVATE		
		Total	% *	IB	INV	Total	% *	Central	Regional	IFIs	Total	% *	
Activity 1 Support for Local Infrastructure	6.7	5.0	75		5.0	1.7	25	1.7					
Contract 1.1 – 1.14 Works (14 contracts) for municipal infrastructure	6.7	5.0	75		5.0	1.7	25	1.7					
Activity 2 Support for implementation of infrastructure projects	1.8	1.8	100	1.8									
contract 2.1 TA for municipal infrastructure projects	1.8	1.8	100	1.8									
Activity 3 Support for Municipal Awards													
Contract 3.1TA (FWC) for Municipal Awards	0.2	0.2	100	0.2									

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<b>TOTAL</b>	<b>8.7</b>	<b>7.0</b>	<b>80</b>	<b>2.0</b>	<b>5.0</b>	<b>1.7</b>	<b>20</b>	<b>1.7</b>				
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Amounts net of VAT

Notes:

- (1) *At this stage it is not possible to determine the exact number of contracts, due to call for proposals approach. It is expected that approx. 14 contracts will be concluded, with an average value of approx. 0.5 Million Euro. However, if the proposed projects have a lower average value, the number of projects will be increased.*
- (2) *It is expected that the services required under activity 1 and activity 2 will be contracted through 1 service contract (contract 2.1)*
- (3) *Tender dossiers are expected to be prepared through the Programming Support.*

## 5. Indicative Implementation Schedule (periods broken down per quarter)\*

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1 – 1.5: Works for municipal infrastructure	Q3 2008	Q1 2009	Q1 2011
Contract 1.6 – 1.10: Works for municipal infrastructure	Q4 2008	Q2 2009	Q2 2011
Contract 1.11 – 1.14: Works for municipal infrastructure	Q1 2009	Q3 2009	Q3 2011
Contract 2.1: TA for municipal infrastructure projects	January 2008	November 2008	November 2012
Contract 3.1: 1TA (FWC) for Municipal Awards	July 2008	November 2008	November 2009

\* Note: Assuming that in January 2008, the Steering Committee will have defined selection criteria for evaluation of municipal proposals.

## 6. Cross cutting issues

The cross-cutting issues will be addressed throughout the project. Up to 10% of the budget of the service contract for tender support supervision and training may be allocated to assist the different beneficiaries to comply with European standards and best practices, implement relevant existing Government strategies and develop internal measures to ensure each cross-cutting issue is appropriately mainstreamed.

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

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

Throughout the project cycle, in particular when developing project ToR, state actors specifically addressing (one of) the cross cutting issues shall be consulted.

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

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

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

Where the main reference in the former Yugoslav Republic of Macedonia in relation to minority groups is the Ohrid Framework Agreement, in an EU context, reference is made to the "Race directive" of 2000 (200/43/EC of 29 June), which has an important impact on employment (incl. vocational training, working conditions, social protection etc.) and is also a crucial aspect of the acquis.

The training activities will include a specific component to address equal opportunities of minorities and vulnerable groups through a) training in the implementation of the Equitable Representation Strategy, following up on the Ohrid Framework Agreement, b) assessment of the particular requirements of dealing with minority and vulnerable group issues within the subject matter the beneficiary's mandate – mainstreaming minority and vulnerable group issues throughout the policy and implementation sequence. (specific reference here is made to construction standards vis-à-vis handicapped persons), and c) assist the beneficiary to implement an 'internal minority and vulnerable group assessment' to identify areas where it could improve its internal performance vis-à-vis minorities or other vulnerable groups.

- **Environmental protection;**

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

The training activities will include a specific component to address environmental issues through a) mainstreaming environmental issues within the subject matter the beneficiary's mandate, b) environmentally sound construction methods in small scale municipal infrastructure projects, c) an introduction to Environmental Impact Assessments (reference to Directive of 1985, amended in 1997), and d) assist the beneficiary to implement an 'internal environment assessment' to identify areas where it could improve its internal performance vis-à-vis environmental aspects.

The present project will support the implementation of infrastructural works. For each of these local infrastructure projects, the environmental impact will be assessed in accordance with national regulations and European best practice. Where appropriate, energy efficient and environmental friendly building methods will be applied.

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

Good governance and the fight against corruption is a core element of the programme. The training activities will include a specific component to address a) the basic principles of a professional human resource development strategy, b) sound budget planning and execution

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(including the need for planning operational and maintenance expenditures for infrastructure projects), c) developing and implementing an communication strategy to allow for an appropriate level of transparency, and d) developing and implementing an internal risk assessment concerning corruption and design an appropriate strategy to fight corruption.

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## **ANNEXES**

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

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

LOGFRAME PLANNING MATRIX FOR Local Infrastructure for Social and Economic Cohesion Project Fiche	Programme name and number: Local Infrastructure for Social and Economic Cohesion		
	Contracting period expires two years from the date of the conclusion of the Financing Agreement	Execution period expires two years from the final date for contracting	Disbursement period expires one year from the final date for execution of contracts.
		Total budget: 8.7 Million Euro	IPA budget: 7 Million Euro

Overall objective	Objectively verifiable indicators	Sources of Verification	
Overall objective is to stimulate social and economic cohesion through the development of infrastructure in municipalities as well as training the municipal officers in developing, implementing and supervising these infrastructural projects.	<ul style="list-style-type: none"> <li>Number of project implemented and operational</li> <li>Number of staff trained</li> <li>Coverage by municipal services</li> </ul>	<ul style="list-style-type: none"> <li>Project documents</li> <li>Municipal statistics</li> </ul>	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
Project purpose is to improve the infrastructure in municipalities through successful, timely and transparent completion of selected small-scale projects and to improve the capacity of the identified counterpart staff in the Ministry of Local Self-Government and municipalities through on-the-job and other training and day-to-day management of infrastructure programmes, in particular in those sectors where responsibilities have recently been devolved to the municipalities and in areas targeting the most economically vulnerable.	<ul style="list-style-type: none"> <li>Number of completed projects according schedule</li> <li>Number of staff trained</li> <li>Coverage by municipal services</li> </ul>	<ul style="list-style-type: none"> <li>Project documents</li> <li>Municipal statistics</li> </ul>	<ul style="list-style-type: none"> <li>Co-financing is forthcoming.</li> <li>Municipalities capable to assume basic responsibilities</li> </ul>
Results	Objectively verifiable indicators	Sources of Verification	Assumptions
<p>Component 1:</p> <ul style="list-style-type: none"> <li>Improved access to better quality services and infrastructure for a wider range of the community in their municipalities.</li> <li>Reduction in disparities between municipalities in terms of the quality of infrastructure and services.</li> </ul> <p>Component 2:</p> <p>Expected results include:</p> <ul style="list-style-type: none"> <li>improved skills of municipal staff on management of infrastructure programmes and</li> </ul>	<p>Measurable indicators for reviewing progress include:</p> <ul style="list-style-type: none"> <li>14 projects implemented and in operation according to timelines (and milestones)</li> <li>The number of direct beneficiaries from vulnerable groups benefiting from the projects (in terms of access to services) (to be further detailed in the terms of references)</li> </ul> <p>Measurable indicators for reviewing progress include:</p> <ul style="list-style-type: none"> <li>The number of people trained, with specific reference to municipality, gender, ethnic origin and vulnerable groups (to be further detailed in the terms of references)</li> </ul>	<ul style="list-style-type: none"> <li>project documents</li> </ul> <ul style="list-style-type: none"> <li>* Project documents</li> <li>* Municipal files</li> </ul>	<p>Municipalities respond to the call for proposals to submit projects.</p> <p>Municipalities assign staff to the programme for training.</p>

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<ul style="list-style-type: none"> <li>increased co-operation between different municipalities and between municipalities and the central administration.</li> </ul> <p>Component 3:</p> <ul style="list-style-type: none"> <li>Successful completion of a call for proposals of initiatives undertaken by municipalities that represent a significant improvement in the quality of services provided to the citizens;</li> <li>Implementation of three infrastructure projects that will be awarded to the winning municipalities</li> </ul>	<p>Measurable indicators for reviewing progress include:</p> <ul style="list-style-type: none"> <li>Timely completion of the call for proposals</li> <li>The projects are implemented and in operation according to timelines (and milestones)</li> </ul>	<ul style="list-style-type: none"> <li>project documents</li> </ul>	
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Activities	Means	Costs	Assumptions
<p>Component 1:</p> <ol style="list-style-type: none"> <li>Call for municipal proposals</li> <li>Evaluation and prioritisation of the submitted proposals and selection of projects to be funded; Projects will be prioritised that are environmentally friendly, and have target groups that include women and minority groups.</li> <li>Review of preliminary designs of selected projects and development of final designs in cooperation with the municipalities;</li> <li>Preparation of the documentation necessary for the tendering procedures for works contracts</li> <li>conduct the tendering of the selected projects;</li> <li>Construction of the selected projects;</li> </ol>	<p>Technical assistance to be contracted in combination with the training activities to be implemented under component 1. The actual infrastructure projects will be implemented through works contracts.</p>	<p>EUR 6.7 Million (of which 5 Million IPA contribution)</p>	<ul style="list-style-type: none"> <li>Sufficient proposals of reasonable quality are submitted by the municipalities</li> </ul>
<p>Component 2:</p> <ol style="list-style-type: none"> <li>Training of Municipal staff in project cycle management vis-à-vis infrastructural projects, including mainstreaming of cross cutting issues such as gender, ethnicity, environment and governance</li> <li>Training of Municipal Staff in maintenance - and related requirements like budgeting of maintenance costs, ongoing training efforts etc. - of the infrastructure projects implemented in their municipalities</li> <li>Training of Ministerial staff in overseeing the infrastructure developments in the context of</li> </ol>	<p>Technical assistance to be contracted in combination with the TA activities under component 1.</p>	<p>EUR 1.8 Million (100% IPA contribution)</p>	<ul style="list-style-type: none"> <li>Continued availability of staff to participate in training</li> </ul>

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decentralisation and providing appropriate support to the municipalities.			
<p>Component 3:</p> <ol style="list-style-type: none"> <li>1) The design of the call for proposals (by the municipalities) that made a significant improvement in service delivery to the municipalities,</li> <li>2) The implementation of the call for proposals (launch, evaluation)</li> <li>3) Award of three best proposals</li> </ol>	<p>Technical assistance to be contracted. The actual implementation of the infrastructure projects will be integrated in component 1.</p>	<p>EUR 0.2 Million (the costs for the infrastructure projects are budgeted under component 1. The total costs of the three infrastructure projects is Euro 500.000)</p>	<ul style="list-style-type: none"> <li>• Sufficient proposals by municipalities are submitted</li> <li>• At least three proposals are of sufficiently high quality to qualify for the award.</li> </ul>

**Pre conditions:**

The project includes the following conditionalities:

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

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ANNEX II: Amounts (in €) Contracted and disbursed by quarter for the project (only IPA funding - Qu 1 start 1-1-2008)

Contracted	Qu1	Qu2	Qu3	Qu4	Qu5	Qu6	Qu7	Qu8	Qu9	Qu10	Qu11	Qu12	Qu13	Qu14
Contract 1.1 – 1.5: Works for municipal infrastructure			1.8											
Contract 1.6 – 1.10: Works for municipal infrastructure				1.8										
Contract 1.11 – 1.14: Works for municipal infrastructure					1.4									
Contract 2.1: TA for municipal infrastructure projects			1.8											
Contract 3.1: 1TA (FWC) for Municipal Awards			0.2											
<b>Cumulated</b>			<b>3.8</b>	<b>5.6</b>	<b>7.0</b>									
<b>Disbursed</b>														
Contract 1.1 – 1.5: Works for municipal infrastructure				0.36	0.36	0.36	0.36	0.18				0.18		
Contract 1.6 – 1.10: Works for municipal infrastructure					0.36	0.36	0.36	0.36	0.18				0.18	
Contract 1.11 – 1.14: Works for municipal infrastructure						0.28	0.28	0.28	0.28	0.14				0.14
Contract 2.1: TA for municipal infrastructure projects				0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18		0.18	0.18
Contract 3.1: 1TA (FWC) for Municipal Awards			0.1	0.05		0.05								
<b>Cumulated</b>			<b>0.1</b>	<b>0.69</b>	<b>1.59</b>	<b>2.82</b>	<b>4.0</b>	<b>5.0</b>	<b>5.64</b>	<b>5.96</b>	<b>6.14</b>	<b>6.32</b>	<b>6.68</b>	<b>7.0</b>

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**Annex III: Reference to laws, regulations and strategic documents:**

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

Key laws, regulations and strategic documents on local infrastructure (taking into account the new competences of the municipalities):

*General:*

- Constitution of the former Yugoslav Republic of Macedonia, 1991;
- Ohrid Framework Agreement, 2001;
- Law on Local Self-Government, 2002;
- Law on Territorial Organisation of the Local Self-Government, 2004;
- Law on the City of Skopje, 2004;

*Culture:*

- Law on Culture, 2003;
- Law on Museums, 2004;
- Law on Memorials, Monuments and Plaques, 2004;
- Law on Libraries, 2004;
- Law on protection of cultural heritage, 2004;

*Sports:*

- Law on Sports, 2004;

*Defence:*

- Law on Defence, 2003;
- Protection and Rescue Law, 2004;

*Education and Science:*

- Law on Primary Education, 2004;
- Law on Secondary Education, 2004;

*Urbanism and Rural Planning:*

- Law on spatial and urban planning, 2005;
- Law on Establishment of Names of Streets, Squares and other Infrastructure Facilities, 2004;
- Law on Public Roads, 2004;
- Law on Supply of Drinking Water and Disposal of Waste Waters, 2004;
- Law on Road Transport, 2004;

*Local Economic Development:*

- Law on Catering Industry, 2004;
- Law on Tourism Industry, 2004;

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- Law on Handicraft Activities, 2004;
- Law on Trade, 2004;
- Law on construction, 2005;

*Healthcare:*

Law Amending the Law on Healthcare, 2004;

Law on Protection of Population from Communicable Diseases, 2004;

*Local Financing:*

- Law on Financing of Local Self-government Units, 2004;
- Law on Communal Fees, 2004;
- Law on Administrative Fees, 2004;
- Law on Property Taxes, 2004;

*Social care and child care:*

- Law on Social Security, 2004;
- Law on Child Protection, 2004;

*Environment Protection:*

- Law on Nature Protection, 2004;
- Law on Waste Management, 2004;
- Law on Ambient Air Quality, 2004;

*Fire Protection:*

Law on Fire Protection, 2004;

### **3b) References to AP /NPAA / EP / SAA**

**Reference to the European Partnership:** The projects address EP priorities to ‘complete the necessary legislative framework to implement the decentralisation process and ensuring the municipalities have the necessary means to implement their new competences’; to ‘implement fiscal decentralisation’; and to ‘complete the decentralisation process’.

**Reference to the EC Opinion and to the Analytical Report for the Opinion:** The projects have reference to the Opinion, which highlights the importance of the implementation of the Ohrid Framework Agreement and recommends that ‘the Government should continue effective implementation of the Agreement’ in order to further strengthen the climate of confidence and consolidate achievements. The projects also have a reference to the Analytical Report findings that ‘implementation of the decentralisation process has become crucial as it encourages participation by citizens in democratic life and promotes the identity of communities’; ‘decentralisation of public finance competences to lower levels of administration will be a considerable challenge in terms of maintaining control standards and fighting corruption’; ‘the municipalities’ capacity to manage their expenditure and their ability to raise revenue has yet to be demonstrated’; ‘establishing transparent and accountable administrations at local level which are able to manage the new powers, and notably the new fiscal competences, will be a very challenging task’.

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**Reference to the Progress Report:** The progress reports states following: “There are still serious challenges to be addressed before passing to the next steps in the decentralisation process. The problem of debts remains an issue, and substantial debts could threaten the functioning of several municipalities. Smaller municipalities have had difficulties in delivering basic services. Possible under-financing of the educational sector is a matter of concern. Municipal tax collection remained a challenge in many municipalities. Further progress in fiscal decentralisation will require the development of financial and internal control mechanisms to allow appropriate planning and to minimise the risk of fraud and corruption. The municipalities' capacity to manage state-owned property should be developed, particularly considering the scarce resources available to foster local economic development”;

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

MIPD states: “Support will continue to the decentralisation process”; “to improve local infrastructure”.

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

The National Development Plan (page 49/50) highlights the regional disparities in the country:

- *there is hypertrophy of the center-periphery problem in former Yugoslav Republic of Macedonia;* A mono-centric regional structure has been created with emphasized dominance of the capital. The city of Skopje absorbs almost 29 per cent of the total and 40 per cent of the urban population, enormous amount of the financial resources, investment (including FDI), apart from the really huge concentration of knowledge, science, cultural and other types of the social capital;
- *an economic and social degradation of middle-sized-cities is evident;* Due to the lack of coordinated policy, the market-driven structural adjustment during the transition resulted in a damaged “rank-size-rule”; second-rank cities are not even nearly economically attractive enough to compete with the capital, which means loss of one of the most important levers of the polycentric economic development model;
- *the differences between urban and rural centres are widening;* Manifestations of deprivation of rural settlements are obvious, as is social and technical degradation, the reasons of which can, to a great extent, be traced to the lack of support of the basic rural economic activities (agriculture).

The National Development Plan in virtually every chapter highlights the needs for investments in infrastructure to begin tackling disparities. Local infrastructure is specifically referred under the section on communal infrastructure and points to the needs of investments in communal water economy which includes water supply, and waste water collection and treatment, and solid waste management. It states that among the NDP's objectives is the aim “to develop new and improve existing physical infrastructure, ..., in order to support economic growth and improve the overall competitiveness of the country”. NDP also envisages local infrastructure support in the areas of education, employment, social protection, health care, areas where there is large competences of municipalities. It underlines that infrastructure “isn't sufficiently developed. Moreover, its condition is deteriorating due to the inadequate maintenance”; “..both urban and rural areas is facing serious problems related to incomplete or not well maintained infrastructure, such as water supply, sewerage systems, irrigation schemes etc”.

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

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

- Strategy for the Reform of the local self-government
- Operational Program for Decentralisation 2003-2004
- Program for the implementation of decentralisation process 2004-2007
- Action Plan for the realisation of the program for the implementation of decentralisation process 2004-2007
- Detailed plan for transfer of authorities and resources in the process of decentralisation
- Ohrid Framework Agreement
- Pre-Accession Economic Programme (2007-2009), 2006;
- Public Investment Programme (2006-2008), 2006;
- Strategic plan of the Ministry of Local Self-Government for the period of 2007-2009.
- Draft National Programme for Training of Municipal Administration 2007

#### **ANNEX IV: Details per EU funded contract:**

\* The project envisages **two TA contracts**.

**Contract 2.1** will be a long term service contract following an international restricted tender procedure with a value of approx. 1.8 Million Euro. Under this contract the following activities will be carried out in both component 1 and component 2:

Component 1:

- 1) Providing support in conducting the call for municipal proposals
- 2) Providing support in evaluation and prioritisation of the submitted proposals and selection of projects to be funded; Projects will be prioritised that are environmentally friendly, and have target groups that include women and minority groups.
- 3) Review of preliminary designs of selected projects and development of final designs in cooperation with the municipalities;
- 4) Providing assistance in preparation of the documentation necessary for the tendering procedures for works contracts (including the infrastructure projects under Municipal Award Programme)
- 5) Providing assistance in conducting the tendering of the selected projects (including the infrastructure projects under Municipal Award Programme);
- 6) Supervision of Construction works of the selected projects (including the infrastructure projects under Municipal Award Programme);

#### **Component 2:**

- 1) Training of Municipal staff in project cycle management vis-à-vis infrastructural projects, including mainstreaming of cross cutting issues such as gender, ethnicity, environment and governance

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- 2) Training of Municipal Staff in maintenance - and related requirements like budgeting of maintenance costs, ongoing training efforts etc. – of the infrastructure projects implemented in their municipalities
- 3) Training of Ministerial staff in overseeing the infrastructure developments in the context of decentralisation and providing appropriate support to the municipalities.

**Component 3:**

**Contract 3.1** will be a framework contract of approx. 200.000 Euro. Under this contract the following activities will be carried out concerning component 3:

- 1) The design of the call for proposals (by the municipalities) that made a significant improvement in service delivery to the municipalities,
- 2) The implementation of the call for proposals (launch, evaluation)
- 3) Award of three best proposals

\* The project envisages approx. **14 works contracts:**

The project foresees to implement approx. 14 works contracts for a total amount of 6.7 Million Euro, of which 5.0 Million Euro are the IPA contribution. At this stage the actual projects to implement are not yet known. The project (through the long term TA project) will launch a call for proposals under which the municipalities may propose projects. After a prioritisation process, the projects to be implemented will be selected. Each project will then subsequently be tendered. The project average value of each project is 500.000 Euro. In case the real average value will be lower, more projects will be implemented. In case the average value will prove to be lower, fewer projects will be implemented.

For none of the contracts non-standard procedures are foreseen.