1. Basic information

1.1 **CRIS Number**: 2009/021-665

1.2 **Title**: Building effective and democratic local government

1.3 **ELARG Statistical code**: 1.34

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

**Implementing arrangements:**

1.5 **Implementing agency**

The Central Finance and Contracting Department (CFCD) will be the contracting authority and will be responsible for all administrative and procedural aspects of the tendering process, contracting matters and financial management including payment of project activities, upon conferral of management. The Head of CFCD will act as the Programme Authorizing Officer (PAO) of the project.

Mrs. Radica Koceva (PAO)
Central Financing and Contracting Department
Ministry of Finance
Tel: +389-2-3231 219
Fax: +389-2- 3106 612
E-mail: radica.koceva@finance.gov.mk

1.6 **Beneficiary (including details of SPO)**

Ministry of Local Self - Government (MLSG) and its partners in the area of local self government, such as the National Association of Units of Local Self Government and municipalities (ZELS).
Lirie Elezi – SPO
lelezi@mls.gov.mk
Tel : +389-2-3106-318
Fax: +389-2- 3106 303

Ms. Andrijana Stojanovska, State Secretary MLS
e-mail: AStojanovska@mls.gov.mk
Tel: +389-2-3106 309
Fax: +389-2- 3106 303

Naile Elezi, Chief of Cabinet
e-mail: NElezi@mls.gov.mk
Tel: +389-2-3106 307
Fax: +389-2- 3106 303
Financing:

1.7 Overall costs (VAT excluded)\(^1\): EUR 1 136 943

1.8 EU contribution: EUR 990 000

1.9 Final date for contracting

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

1.10 Final date for execution of contracts:

Two years from the final date for contracting

1.11 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 contribute to the improvement of quality and accessibility of public services delivered at the municipal level through support to the Ministry of Local Self-Government.

2.2 Project purpose

The project purpose is to improve the capacity of the Ministry of Local Self Government, together with ZELS and a selected number of municipalities to take on the responsibilities arising from the implementation of the Law on Local Self-Government.

2.3 Link with AP / NPAA / EP / SAA

2.3.1 Link with Accession Partnership

The objectives of the project follow the priorities of the Accession Partnership including the development of the capacity of the administration to implement the Stabilisation and Association Agreement and to complete the decentralisation process.

2.3.2 Link with the Ohrid Framework Agreement

The decentralisation is one of the key commitments of the Ohrid Framework Agreement.

2.3.3 Link with Progress Report 2008

The Progress report states “Adequate human and financial resources to implement the acquis (NPAA) are still lacking. It emphasizes “There is insufficient administrative capacity in many

---

\(^1\) 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.
municipalities to implement those parts of the *acquis* that are assigned to local level or to manage EU funds.”

2.4 **Link with MIPD**
In regard to the decentralisation, the MIPD 2008-2010 underlines “In order further to improve the country’s alignment with the political criteria, and taking into account commitments made under the SAA, EU assistance will continue to help to advance public administration reform by supporting the implementation of a comprehensive Public Administration Reform strategy.

2.5 **Link with National Development Plan**
The National Development Plan (NDP) emphasizes that “the weak support of the government, insufficient cooperation between the local and central government, as well as the difficulties caused by the unfinished decentralisation process are mentioned among the most important problems affecting the competitiveness”. It also identifies: “lack of capacities of the local government(s)”; “lack of cooperation with local and central authorities”; “understaffed local authorities”; “non-existence of the communication system with citizens” and “lack of resources of the local governments” as the main weaknesses in the municipalities in the SWOT analysis for the regions. The NDP recognises that, “besides at national level, a responsible and competent public administration at local level is a crucial precondition for successful implementation of the decentralisation process and for ensuring high quality of public services for the citizens. This derives the need for incorporating a thorough and systematic capacity building at all levels of the public administration”.

2.6 **Link with national / sectoral investment plans**
The objectives of the project follow the priorities of the Strategy for the reform of the local self-government system 1998. The Programme for Implementation of the Decentralisation Process (PIDP) 2008-2010 aim is to “create necessary preconditions for smooth execution of transferred competencies according article 22 of the Law on local self government in partnership with the local self government units and with participation of other key stakeholders”. The focus of this Programme is put on “improvement of already transferred competencies, as well as on the transfer of the remaining competencies, employees, movable and immovable goods, documents and other assets from central to local level. Besides the continuation of the fiscal decentralisation, capacity building of the municipalities, preparation of the municipalities for the EU accession and improvement of the conditions for inter-municipal cooperation, the Programme also emphasizes the need for regular communication of the decentralisation process and adequate supervision and monitoring of all devolved competencies”.

3. **Description of project**

3.1. **Background and justification**
A key issue of political concern for the Government is the implementation of the Ohrid Framework Agreement, in particular to strengthen inter-ethnic relations and foster efficient democratic institutions and the rule of law. To this end, the Government is pursuing an ambitious programme for the implementation of the decentralisation process (2008-2010). The goal of the reform, which in practice began in July 2005, is to make local government more effective and democratic. The legislation sets the framework for local government powers, responsibilities and resources. However, effective, transparent and democratic local government needs well-trained staff and elected representatives in order to ensure good
management and quality local services to their citizens. The main driver of this reform is the Ministry for Local Self Government. The municipalities must also play their part in this process as must ZELS, the Association of the Units of Self Government².

One of the key elements of local self-government reform, recognised by the Government, is capacity-building of the municipalities³.

The strengthening of the MoLSG, (and ZELS) to manage the Decentralisation process is important. Equally, the strengthening of the local authorities’ capacity to manage the competences devolved to them effectively and transparently will create a proper basis for designing new strategies and tools to promote local development and streamline national and external funding to projects corresponding to national priorities and local interests.

**Features of the sector:** The EC’s Progress Report has been clear on its assessment that there are many weaknesses in the process and in its implementation. This was also recognised in the OSCE 2008 report on decentralisation where it described the system of communal service provision as still weak. Fiscal decentralisation had however registered progress in terms of resources available to municipalities, not only in terms of self generated revenues but also for new sources now at the disposal of local governments. By 2008 several achievements had been recorded with reference to financial conditions at local level: the number of municipalities entering in the second phase of fiscal decentralisation has increased. According to the report the public seems to appreciate the results of implemented reforms.

The OSCE report however outlined amongst other issues unsatisfactory levels of involvement of citizens in local decision making processes. Municipalities have tried to make efforts to ensure proper dissemination of information to all citizens, but feedback is rather negative. There is a lack of knowledge, skills, and attitudes in local authorities to implement the specific requirements of the legislation, relating to their responsibilities.

Clearly, much more is needed both at central (which drives the process) and local level (where it is implemented) to make the process work both as per the law and equally to make it matter for ordinary people up and down the country.

**Response:** The Ministry, ZELS and the municipalities all have to address these issues of the provision of information and services to ordinary citizens. Each of these actors have a distinct role to play in bringing about progress and real improvements.

The Ministry is charged with overall responsibility for making the process work, the municipalities deal with these new responsibilities on an everyday basis. ZELS for their part provide a platform for sharing experiences, expertise and oversight of the process country wide.

The Ministry’s processes can be further improved to strengthen their role and ability to make this process work. In turn the municipalities functions can also be consolidated. Municipal Service Centres have been created with the assistance of EC funds. These centres aim to improve information and services to the ordinary public and in so doing help the public play a greater role in the process. However these are very new and so far their impact and effectiveness is not yet proven.

² ZELS  [http://www.zels.org.mk](http://www.zels.org.mk)
ZELS has equally been strengthened over the last ten years. It too can do more in building links between different municipalities throughout the country sharing experiences and expertise.

3.2 **Assessment of project impact, catalytic effect, sustainability and cross-border impact**

Progress has been made towards compliance with EU legislation and with international standards. However, further alignment is needed, and moreover administrative capacity needs to be substantially strengthened. Sustainability of project outcomes will be ensured by setting up teams or focal group within each implementing institutions to undertake the implementation of the components affecting them. The sustainability and ownership of these and any follow-up activities will be ensured through the inclusion of a range of stakeholders in the projects. Further progress in this area will require both international support and additional financial resources from the national budget.

The project aims at strengthening the capacity of central and local authorities to implement effectively either the competences devolved to them or the coordination functions which they lead. The project will thus aim to contribute to the quality of the municipal services, institutionalisation of the multiethnic dialogue and citizen engagement in local decision-making. It will contribute to the modernisation of local administration and the progressive building-up of adequate administrative capabilities within local authorities. The project will help the Government, through the MoSLG, in particular, to better coordinate the implementation of the decentralisation process and to have accurate data and information for policy decisions in the area of local self-government.

A process of Decentralisation which works is important for improving public services. In turn having good quality public services directly increases the quality of life of ordinary people. It plays a key role in the development of local democracy and is also relevant to other stakeholders such as businesses, NGOs, academia etc. Equally improvements in planning and management might also lead to improved local economic development. The project also aims to help the process of building effective local democracy by strengthening transparency and accountability of local authorities.

3.3 **Results and measurable indicators**

The project will address two components:

**Component 1: Support to the MoLSG and ZELS in monitoring and coordinating the Decentralisation process**

The specific results to be achieved under Component 1 should include:

- Increased capacities of the decentralisation working groups (DWG) (all Ministries – led by MoLSG) – with the setting up of a high level decision making mechanism in the form of a new DWG;
- Development of a national monitoring and evaluation system in order to follow the performance of competences at local level in all municipalities based a set of qualitative and quantitative indicators for obtaining a truer picture of the functioning of municipalities,
• Increased capacity of MoLSG (and where appropriate ZELS) for collection of accurate data and information required to ensure informed policy decisions in the area of local self-government;
• Practical recommendations provided for on-going and future phases of the decentralisation programme;
• Increased capacity of ZELS to participate in the key government bodies for coordination and implementation of the decentralisation process.

And the measurable indicators under Component 1 include:
• Improved data and information for policy decision making in place;
• Increased coordination (set up and running) between the various actors in Government and the Ministry in order to strengthen the decentralisation process;
• Review of the decentralisation process with recommendations produced with possibly a desk based study on best practice for coordination and implementation of the decentralisation process and effective implementation of the decentralised competences;
• Recommendations on future decentralisation phases proposed and implemented;
• More regular updating and improving of legislation;
• Priority training curricula produced, used and distributed based on the findings and the recommendations of the assessment reports, developed;
• Report and recommendations prepared on inter ministerial cooperation in the context of decentralisation;
• Reports and documentation outlining improved coordination between the various actors and the decentralisation working group;
• Reports/decisions indicating that ZELS increases its participation and input into the implementation of the decentralisation process;
• A needs assessment of the MoLSG and ZELS drafted.

Component 2: Support to selected municipalities in assuming the responsibilities arising from the Decentralisation process

The specific results to be achieved under Component 2 should include:

• As a pilot in selected municipalities increased capacity to address accountability issues incl. the use of internal control and audits;
• Increased capacity of the selected municipalities practical implementation of competences, incl. strategic planning, programming, policy planning and budgeting and in a number of selected (to be defined at Inception stage) municipalities, structures put in place so that citizens and organisations are better consulted on draft plans and budgets and on the kind/quality of services they need and expect – (so that citizens have the opportunity to participate in decision-making and to access information);
• In a number of selected municipalities (to be defined at ToR or Inception stage) tangible improvements in services/information so that understanding and information of rights, obligations and opportunities in the decentralised local government system is felt by citizens and organisations (NGO’S), and also by officials with focus on stakeholder participation in decision making, transparency/access to information, responsiveness;
• Review of existing MSCs produced – with a view to further roll out of the scheme;
• TA Support to a number (to be agreed at ToR or Inception phase) of existing MSCs;
• Execution of refurbishing works, where needed related to new Service Centres.

And the measurable indicators under Component 2 include:

• Training of staff of the administration of up to ten pilot municipalities, conducted;
• Specific training carried out for mayors and elected representatives;
• Guidelines established on transparency in municipal policy and decision making;
• Recommendations on review of MSC disseminated and put into practice;
• Improved quality of municipal services in a number of selected municipalities recognised by the public and civil society;
• Decreased number of complaints after support to the municipalities (and MSCs);
• Questionnaire and survey carried out in a number of selected municipalities on effectiveness on MSC and impact of the decentralisation process;
• Increased number of services that are provided through MSC in selected municipalities;
• A number of agreements made between various local organisations and local authorities made;
• Number of agreements and cooperation/exchange of best practice shared between various municipalities set up;
• Number of MSC improved and established increased;
• Increased coordination in place between municipalities;
• Number and quality of partnerships between local organisations and local authorities is strengthened/increased.

3.4 Activities

As indicated above, the application of good governance standards in preparation and delivery of the local services and the establishment of functional MSS will increase the potential of the municipalities to absorb and properly utilise the assistance provided by the EC under Structural funds and a range of other programmes. The community engagement, the maintenance of the multiethnic dialogue, the participative strategic planning and decision making will lead towards increase of the quality of the local democracy and the local services.

The principal activities will include:
- Support to the leadership of the MLSG at political and operational level;
- Provision of technical assistance to the municipalities and to ZELS;
- Organisation of knowledge exchange visits between municipalities, in conjunction with ZELS.

Component 1: Support to the MoLSG and ZELS in monitoring and coordinating the Decentralisation process

The activities within the first component amongst other aspects can include:
- Bespoke training and advice given provided to the decentralisation working group and varied actors dealing with the decentralisation process;
- The carrying out of a review of the decentralisation process;
- developing and executing a participatory capacity needs assessment(s) and implementing tailor-made capacity building plans of the MoLSG, the ZELS by using
appropriate assessment tools such as self-assessment questionnaires, interviews and focus group meetings; preparation and dissemination of assessment reports including the use of key findings and recommendations;
- this also includes preparation and dissemination of a study on international and domestic practice for coordination and implementation of the decentralisation process and effective implementation of the decentralised competences;
- The preparation of priority training curricula based on the findings and the recommendations of the assessment reports and delivery of a training to the MoLSG and ZELS staff;
- The carrying out of various activities of training, policy advice and capacity building to ZELS.

Component 2: Support to selected municipalities in assuming the responsibilities arising from the Decentralisation process

The activities can include:
- As a pilot for the wider country in selected municipalities – training aimed at series of issues incl. improving of the quality and accessibility of public services focusing on decision making, transparency and access to information, responsiveness and responsibility, consensus decision making, inclusiveness, effectiveness, efficiency and accountability incl. internal control and audits. This will use where appropriate the CARDS 2006 SUDEP project ToR for training curricula;
- Training and advice prepared and provided to selected municipalities’ so to better implement strategic planning, programming, policy planning and budgeting;
- Within a number of selected municipalities (to be decided at ToR or Inception stage) – conduction of a review of the understanding of rights, obligations and opportunities in the decentralised local government system – on the basis of that development of information and educative tools to raise awareness and improve knowledge and awareness amongst staff, the public (where possible) and through NGOs;
- Development of a strategy of public consultation for draft plans and budgets, and for services – using best practice from the EU;
- Establishment of a review of existing MSC planned and undertaken;
- Training plans developed and carried out with (number to be agreed at ToR or Inception drafting phase) existing MSCs;
- Development of materials and methods to reach out to and communicate with NGOs and other organisations;
- Organisation of inter municipal seminars (possibly through ZELS).

Management and contracting arrangements

These components are obviously inter-related. Therefore, the project will be implemented through a strong coordination mechanism. A steering committee (to be defined in ToR drafting phase) will be established chaired by the Ministry of local self-government, with SEA, as observer, in order to both coordinate the components but also coordinate the parallel contractual activity.

The expected contracting arrangements are:

- 1 Service Contract will be concluded to support the project with duration of maximum/up to 24 months (pending budget availability. Implementation is expected to start 4th quarter 2010; the contract and the contract value will be EUR 915 277, of
which IPA funds will be EUR 823 750, and the national co-financing will be EUR 91 527.

- 1 Works Contract will be concluded for the refurbishing works in a number of selected municipalities in accordance with the project ToR, with a contract value of EUR 221 666, of which IPA funds will be EUR 166 250 and the national co-financing will be EUR 55 416. The contract duration should be of 6-12 months. Implementation is expected to start in the 3rd quarter 2011.

3.5 Conditionality and sequencing

The project includes the following conditionalities:

1. Endorsement by all key stakeholders (MoLSG and ZELS) of the Terms of Reference;
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. Participation of the beneficiary in the tender process in accordance with EU regulations;
5. Selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiary in accordance with TOR/work project plan;
6. Designating the relevant staff by the beneficiaries to participate in training activities as per work plan;
7. Reinforcement of staffing in the Ministry shall be finalised and ensured by the Ministry, by May 2009. Approximately 8 people on a permanent basis shall be hired.
8. Signed agreement between ZELS and the MoLSG for cooperation on the project
9. Any Works must be undertaken with provision made for supply of equipment either through National funding or through other donor activities.
10. Follow up by the Government of the Strategy and an Action Plan for developing Municipality Service Centres

If the conditionalities are not met, suspension or cancellation of the project will be considered.

3.6 Linked activities

Complementary actions

Since 1999, the EU has carried out major projects in the sector and significantly contributed to the development of local government with the MLSG as a direct counterpart and the municipal administrations and citizens in the municipalities of the country as main beneficiaries. The EUSR office in Skopje has played a key role in assuring proper political coordination of the inception phase of the decentralisation process.

Both the Phare and CARDS EC programmes combined support to capacity building at central level with a municipal pilot component thus assisting the MoLSG in carrying out its responsibilities as a coordinator of the Government’s decentralisation programme and enhancing the operational capabilities of line ministries and municipalities. The main programmes/projects are and were:
Under the 1999 Phare Programme, a 36-month Local Self-Government Development Programme was implemented. The programme provided policy advice on decentralisation to the MLSG, aiming to enhance the dialogue between stakeholders in the devolution process. A training and capacity building component supported selected municipalities through 27 pilot projects, mainly focusing on enhancing municipal service delivery to citizens. A database for the inventory of the municipalities was established and assistance was provided to ZELS through preparation of a business plan and the establishment of an office for training coordination as well as a database for municipal training.

Under CARDS the following projects were implemented:

The Technical Assistance Project for the Implementation and Coordination of the Decentralisation Process – Phase I, that continued until May 2006, supported the decentralisation process in general and particularly in the selected priority fields: (i) strengthening administrative capacities to supervise and facilitate the decentralisation process at central level, in particular the MLSG as well as other line ministries in their own areas of competence, (ii) ensuring a smooth and coordinated transfer of competencies through provision of specific support to the decentralisation working subgroups in the priority transfer areas of urban planning, local economic development and culture, (iii) improving the monitoring and evaluation capacity of central government.

The Technical Assistance Project for the Implementation and Coordination of the Decentralisation Process – Phase II, that continued until October 2007, supported the decentralisation process in general and was focused on: building up the MoLSG as an effective institution to lead and co-ordinate the decentralisation process; strengthening the capacities of the Central Government to effectively transfer the competencies to the municipalities; strengthening the capacities of central government in its monitoring, supervising and evaluator role of the competence transfer and developing and promoting best municipal practices throughout the country.

The objective of the Technical Assistance to the Ministry of Finance for the Fiscal Decentralisation project which started in January 2005 (duration 12 months), was to enable the Government through the Ministry of Finance to start competence transfer to municipalities and enforce adequate accounting, budget and financial management functions. Eight municipalities gained experience in performance measurement and value-for-money practices.

Other projects have fostered the municipal service delivery capacity through investment in infrastructure projects or supply of IT equipment, such as:

- The Development of Local Infrastructure project (DLI), financed under CARDS 2002-04 and 2005 financed local infrastructure projects on the basis of a call for proposals. It established a Project Implementation Unit (PIU), providing project management and supervision services for projects proposed by municipalities. It contained an on-the-job training component, supporting administrations involved in the preparation and implementation of construction works;
- The Training and Capacity Building for Local Government Institutions project, financed under CARDS 2003 programme, started in August 2004 for 24 months aimed at developing municipal management and technical services for the efficient functioning of urban planning units of municipalities; and the strengthening of the role of the MoLSG in guiding and monitoring the development and establishment of urban planning functions at municipal level;
- The IT supply under CARDS 2003 were equipped all municipalities with urban planning hardware;
- Customised software for a Database for Municipal Urban Planning was designed and installed at the MLSG in 2006, under CARDS 2005;
- The project “Support to the Decentralisation Process” (SUDEP) in its different phases was another sign of the EU’s commitment to decentralisation. The main goal of this activity was to support the full implementation of the decentralisation process, as well as the authorities on central and local level through modernisation of the public administration, by bringing it closer to EU standards. The specific activities are grouped in three components: Municipal Service Centres (to which this project follows on to a certain extent); Local Development and Legal and Technical Services and Trainings. The Programme ends December 2008. As a result of the project 36 municipal service centres were established and operational;
- A Leadership Development Programme was implemented (Sept 2006 – Feb 2007) with support from the Council of Europe and with a voluntary contribution from Japan. The project aimed to raise awareness among senior local authority staff on the competences and principles of Effective Democratic Leadership;
- Leadership Benchmark and Best Practice projects (under a single Programme) are being implemented (2007-2008). This Programme was a joint initiative of the EU and the Council of Europe. The Programme is implemented in cooperation with ZELS and Ministry of Local Self Government as a political partner. It has three sub-programmes (projects): Best Practice, Leadership Benchmark and Public Ethics. The Programme aimed at strengthening the capacity of local authorities to manage effectively competences devolved to them through the development of democratic and effective leadership, strategic management of service provision and community engagement. The Programme also sought to develop local government administration, which is transparent, free of corruption and open towards citizens.

**Donor coordination**

A range of donors including a number of EU Member States and international financing institutions, as well as USAID, UNDP and various NGOs actively support local self-government development through projects targeting direct and indirect beneficiaries at both central and municipal levels. The Ministry of local self-government with the support of the Secretariat for EU Integration is coordinating donors active in this field. ZELS also organises meetings with donors to share experience and to avoid duplication and overlapping. There is Donors Working Group active in local self-government area that meets 6 times a year chaired by different donors where members of the international community share their experience and problems they face during project implementation. A donor meeting focused on all support to the country is held once a month chaired by the head of the EU office in Skopje.

**Selected Related Programmes and Projects of Donors**

A project on “Fighting Corruption to Improve Governance” is being implemented by ZELS with support from UNDP.

The OSCE is carrying out a number of activities in the field of decentralisation and in particular in capacity-building for local government. It focuses on strengthening municipal bodies, promoting participatory governance and improving governmental relations and communication.
The USAID’s MLGA Project is supporting the development of more effective, responsive, and accountable local government. The project focuses on the development of the managerial and administrative capacity of local authorities. In particular, it supports the development of the financial management and supports increase of local revenues through PPP and other forms of outsourcing. Local economic development and sharing best practices in this area is a major topic of this project. It also promotes citizen participation in public decision-making. The project has a component for strengthening the institutional capacities of ZELS.

The World Bank is providing support under the project Municipal Service Improvement, implemented by the Ministry of Finance. This Project will offer loans to municipalities under IBRD loan terms to be used for capital investments to improve local government services. In respect to the ongoing activities of this multilateral support and the IPA'09 project, there should be an ongoing coordination between the MoLSG and the Ministry of Finance in respect to the activities covered under both projects in order to ensure complementarities of activities and investments, for achieving greater results.

The Norwegian government has indicated its interest to support the Decentralisation process and the MoLSG ministry and municipalities. This could be manifested through either technical assistance or support through supplies or works.

Regular meetings are taking place and close co-operation among the actors listed above has been established, resulting in specific project level cooperation including sometimes co-financing between the WB, OSCE and USAID.

In addition, special coordination groups have been created in the different sectors such as EAR or OSCE (decentralisation working group), USAID (financial and fiscal management), KFW (local infrastructure water supply).

The government plays an important role in the preparation and coordination of the training activities initiated by the different agencies through the Trilateral Committee composed of MLSG, ZELS and Civil Service Agency since November 2003 and organising regular meetings with all donors involved.

In this complex sector with a large number of stakeholders, close co-operation and coordination involving all is a critical success factor for programme implementation.

3.7 Lessons learned

**Good governance, strengthening the political environment**

A key lesson from the projects during the past years has been that the sustainability of assistance is stronger when projects are placed in an overall policy perspective with government leading the reform process. Notwithstanding any strong EU support, it has to be acknowledged that the government’s capacity to develop policies, strategies and coordinating donor support is a work in progress.

Capacity building needs tailor made approaches, based upon real needs as identified by the country itself. In order to support good governance, it is recommended to focus initiatives on further organising and facilitating the policy learning process, strategy formulation and policy action in the country. Projects implemented with a solid basis firmly rooted in a governmental strategic document will be more sustainable and complement the reform process.
**Strengthening the commitment of the governments**  
Projects have been most effective in cases where stakeholders were involved in the design, conceptualisation and implementation of the activities. This resulted in commitment, better results and acceptance of recommendations at the policy level. Local ownership of the reform process is of paramount importance and underlines that capacity development is a process that should be led by the government. When designing future interventions, it is recommended to involve the main stakeholders and beneficiaries fully in the design and implementation of project activities. This will contribute to sustainable institutional capacity which enhances ownership and commitment, leads to improved results and facilitates acceptance of recommendations at policy level.

**Addressing the complexity of the reform process**  
Experience of the last years demonstrates that the reform process is complex and requires time to develop. The capacity of the beneficiary is shaped by local values and culture. Determination is therefore essential in order to overcome resistance to change. A realistically tailored analysis of the ruling political, economic conditions and cultural norms will be beneficial for future programming and project implementation.

**Improving the programme design and development**  
The basic conditions for any future programme design are the determination and political will of the government to move forward. Projects have been most effective in cases were the design of the project has been based upon realistic Terms of Reference. Project objectives should be achievable - not over ambitious – and take into account the complexity of the change process and absorption capacity of the partner country. Focused project cycle thinking based upon the logical framework as a primary set of project design and management tools ensure a more systematic and standardised approach. However it tends also to focus on the outputs rather than the outcomes and the impact of the projects on the system.

**Institution Capacity building**  
One of the main lessons learned is the centrality of providing training opportunities to beneficiaries and stakeholders. Capacity building might also be enhanced through a higher priority to learning by doing approach, emphasising local learning and coaching at the expense of letting international consultants doing the job. Equally, if training is provided by different donors it also becomes important to coordinate donor activities and to create economies of scale. Training is an important tool to build local capacity and should be considered as an integral part of any future support programme.

In the local self government area decentralisation support has had a positive impact on government. At the same time the process showed a positive example of government coordination. However it is important to make sure that that sustainable assistance is rooted in overall agreed policy.
## 4. Indicative Budget (amounts in EUR)

<table>
<thead>
<tr>
<th>ACTIVITIES</th>
<th>IB (1)</th>
<th>INV (1)</th>
<th>TOTAL EXP.RE</th>
<th>TOTAL PUBLIC EXP.RE</th>
<th>IPA COMMUNITY CONTRIBUTION</th>
<th>NATIONAL PUBLIC CONTRIBUTION</th>
<th>PRIVATE CONTRIBUTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>contract 1.1 Service Contract</td>
<td>915 277</td>
<td>915 277</td>
<td>823 750</td>
<td>90</td>
<td>91 527</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>contract 1.2 Works Contract</td>
<td>221 666</td>
<td>221 666</td>
<td>166 250</td>
<td>75</td>
<td>55 416</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>TOTAL IB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL INV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL PROJECT</td>
<td>1 136 943</td>
<td>1 136 943</td>
<td>990 000</td>
<td></td>
<td>146 943</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**NOTE:** DO NOT MIX IB AND INV IN THE SAME ACTIVITY ROW. USE SEPARATE ROW

Amounts net of VAT

(1) In the Activity row use "X" to identify whether IB or INV

(2) Expressed in % of the Public Expenditure (column (b))

(3) Expressed in % of the Total Expenditure (column (a))

In case of local or foreign training the project will fund from incidentals – whenever necessary - the renting of training rooms and equipment, the printing of training material and accessories as well as per diems/allowances for participants in the way and to the level normally financed by the government, but never higher than the per diem rates published by the EU.
5. Indicative Implementation Schedule (periods broken down per quarter)

<table>
<thead>
<tr>
<th>Contracts (financed by IPA)</th>
<th>Start of Tendering</th>
<th>Signature of contract</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1.1: Service</td>
<td>Q2 2010</td>
<td>Q4 2010</td>
<td>Q4 2012</td>
</tr>
<tr>
<td>Contract 1.2: Works</td>
<td>Q4 2010</td>
<td>Q3 2011</td>
<td>Q4 2012</td>
</tr>
</tbody>
</table>

6. Cross-cutting issues

Cross-cutting issues will be addressed throughout the project. Up to 10% of the budget of the individual service contracts for capacity-building may be allocated to comply with EU standards and best practices, implement relevant Government strategies and develop internal measures to ensure that each cross-cutting issue is appropriately mainstreamed. The mainstreaming of the crosscutting issues is treated 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 in the sections below.
2. Ensuring that the outputs produced by the beneficiaries (e.g. publications, policies, and strategies) will conform to and promote the relevant principles outlined in the sections below.

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

6.1 Civil Society development and dialogue

The Project will aim to enable the Citizens and organisations (NGO’S), as much as officials, to be more informed and to better understand their rights, obligations and opportunities in the decentralised local government system. It is expected that during implementation, and after, citizens and organisations (NGO’S), will be consulted on draft plans and budgets and on the kind of services they need as well as on the quality of the services they expect on more permanent basis. It is also expected that during implementation recommendations will be developed for further regulation of the participatory bodies in the sector in order that the citizens have the opportunity to participate in the local decision-making and to access all needed information of a public character without obstacles in each of the 10 areas of competence transfer.

6.2 Environmental considerations

The EC has a longstanding commitment to address environmental concerns in its assistance programmes (as part of 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 in EC development cooperation and in other policies. The project will, where relevant, integrate this into its different activities.

6.3 Equal opportunities and non-discrimination

In the implementation of the project the principle of equal opportunity will apply as regards the hiring of experts, local staff or any sub-contractor required. In the choice of staff participating in study visits, seminars, trainings or other technical assistance activities, equal
opportunity requirements will be respected. Guidelines for how to carry this out in practice will be set up at the beginning of the project by the contractor and agreed with the beneficiary and the contracting authority.

In terms of local self government, results shall be disaggregated by gender and age where applicable. Other aspects of equal opportunity like ethnic group, religion and disability are very sensitive issues and must be treated with special care. The project will have a dedicated component which shall deal with this issue.

6.4 Minority and vulnerable groups

The present project focused as it is on the decentralisation process is naturally expected to have an additional important impact on an equal treatment of minorities and vulnerable groups. The second component will contribute significantly to this issue on local level in accordance with Ohrid Framework Agreement.

6.5 Good Governance, with particular attention to fight against corruption

The country has adopted a State Programme for the prevention of corruption with an Annex concerning local self-government. Some specific efforts (inter alia, the adoption and implementation of codes of conduct and ethics for public officials and elected members at local level, analyses of risks and improvements in administrative and financial procedures) were made to prevent corruption. However there is a need to take systematic measures that will improve significantly the situation with regard to transparency in decision-making, audit and control systems, access to information, etc.
ANNEXES

1- Log frame in Standard Format

2- Amounts contracted and Disbursed per Quarter over the full duration of Programme

3- Description of Institutional Framework

4 - Reference to laws, regulations and strategic documents:
   Reference list of relevant laws and regulations
   Reference to AP /NPAA / EP / SAA
   Reference to MIPD
   Reference to National Development Plan
   Reference to national / sector investment plans

5- Details per EU funded contract (*) where applicable:
   For TA contracts: account of tasks expected from the contractor
   For twinning covenants: account of tasks expected from the team leader, resident twinning advisor and short term experts
   For grants schemes: account of components of the schemes
   For investment contracts: reference list of feasibility study as well as technical specifications and cost price schedule + section to be filled in on investment criteria (**)
   For works contracts: reference list of feasibility study for the constructing works part of the contract as well as a section on investment criteria (**); account of services to be carried out for the service part of the contract

(*) non standard aspects (in case of derogation to PRAG) also to be specified

(**) section on investment criteria (applicable to all infrastructure contracts and constructing works):
  • Rate of return
  • Co financing
  • compliance with state aids provisions
  • Ownership of assets (current and after project completion
### ANNEX 1: Logical framework matrix in standard format

**LOGFRAME PLANNING MATRIX FOR Project Fiche on Building effective and democratic local government**

**Programme name and number:**
National Programme for the former Yugoslav Republic of Macedonia under the IPA Transition Assistance and Institution Building Component for 2009
CRIS number: 2009/021-665

**Disbursement period** expires one year from the final date for execution of contracts.

**Execution period** expires two years from the final date for contracting.

**Contracting period** expires two years from the date of the conclusion of the Financing Agreement.

**Total budget:**
EUR 1 136 943 million

**IPA budget:**
EUR 990 000

### Overall objective

**Objective**
The overall objective is to contribute to the improvement of quality and accessibility of public services delivered at the municipal level through support to the Ministry of Local Self – Government.

**Objectively verifiable indicators**
- SAA process requirements;
- Follow up of Progress Reports.

**Sources of Verification**
Commission’s Progress Reports and other documents related to accession

### Project purpose

**Objective**
The project purpose is to improve the capacity of the Ministry of Local Self Government, the ZELS and a selected number of municipalities to take on the responsibilities arising from the implementation of the Law on Local Self-Government.

**Objectively verifiable indicators**
- SAA process requirements;
- Follow up of Progress Reports.

**Sources of Verification**
- Commission monitoring and evaluation tools;
- Commission documents;
- Government documents;
- Contractor’s reports.

**Assumptions**
Commitment of the national authorities to the process
Intergovernmental cooperation

### Results

**Objective**
The specific results to be achieved under Component 1 should include:

- Increased capacities of the decentralisation working groups (DWG) (all Ministries – led by MoLSG) – with the setting up of a high level decision making mechanism in the form of a new DWG;
- Development of a national monitoring and evaluation system in order to follow the performance of competences at local level in all municipalities based a set of qualitative and quantitative indicators for obtaining a truer picture of the functioning of municipalities,
- Increased capacity of MoLSG (and where appropriate ZELS) for collection of accurate data and information required to ensure informed policy decisions in the area of local self-government;
- Practical recommendations provided for on-going and future phases of the decentralisation programme;
- Increased capacity of ZELS to participate in the key government bodies for coordination and implementation of the decentralisation process;

**Objectively verifiable indicators**
- Improved data and information for policy decision making in place;
- Increased coordination (set up and running) between the various actors in Government and the Ministry in order to strengthen the decentralisation process;
- Review of the decentralisation process with recommendations produced with possibly a desk based study on best practice for coordination and implementation of the decentralisation process and effective implementation of the decentralised competences;

**Sources of Verification**
- Contractor’s reports; by experts and contractual reports;
- Training curricula;
- Publications and studies;
- Commission’s assessments.

**Assumptions**
- Elections in 2009 and beyond;
- Ministry of local self government fully equipped;
- continuity of personnel continuity of Ministers and of management
- Political support
- Intergovernmental cooperation
### Component 2: Support to selected municipalities in assuming the responsibilities arising from the Decentralisation process:

The specific results to be achieved under Component 2 should include:

- As a pilot in selected municipalities increased capacity to address accountability issues incl. the use of internal control and audits;
- Increased capacity of the selected municipalities' practical implementation of competences, incl. strategic planning, programming, policy planning and budgeting and in a number of selected (to be defined at ToR stage) municipalities, structures put in place so that citizens and organisations are better consulted on draft plans and budgets and on the kind/quality of services they need and expect – (so that citizens have the opportunity to participate in decision-making and to access information);
- In a number of selected municipalities (to be defined at ToR stage) tangible improvements in services/information so that understanding and information of rights, obligations and opportunities in the decentralised local government system is felt by citizens and organisations (NGO's), and also by officials with focus on stakeholder participation in decision making, transparency/access to information, responsiveness;
- Review of existing MSCs produced – with a view to further roll out of the scheme;
- TA Support to a number (to be agreed at ToR drafting phase) of existing MSCs; Execution of refurbishing works, where needed related to new Service Centres.

| of the decentralisation process; | - Priority training curricula produced, used and distributed based on the findings and the recommendations of the assessment reports, developed; |
| - Report and recommendations prepared on inter ministerial cooperation in the context of decentralisation; |
| - Reports and documentation outlining improved coordination between the various actors and the decentralisation working group; |
| - A needs assessment of the MoLSG and ZELS drafted; |
| - Training of staff of the administration of up to ten pilot municipalities, conducted; |
| - Specific training carried out for mayors and elected representatives; |
| - Guidelines established on transparency in municipal policy and decision making; |
| - Recommendations on review of MSC disseminated and put into practice; |
| - Improved quality of municipal services in a number of selected municipalities recognised by the public and civil society; |
| • Decreased number of complaints after support to the municipalities (and MSCs); |
| • Questionnaire and survey carried out in a number of selected municipalities on effectiveness on MSC and impact of the decentralisation process |
| • Increased number of services that are provided through MSC in selected municipalities; |
| - A number of agreements made between various local organisations and local authorities made; |
| - Contractor's reports; by experts and contractual reports; |
| - Evidence of complaints/input from citizens in the municipalities |
| - Commission's assessments. |

- • Elections in 2009 and beyond; |
- • Ministry of local self government fully equipped; |
- • Continuity of personnel or Ministers.
Number of agreements and cooperation/exchange of best practice shared between various municipalities set up.
- Number of MSC improved and established increased;
- Increased coordination in place between municipalities;
- Number and quality of partnerships between local organisations and local authorities is strengthened/increased.

<table>
<thead>
<tr>
<th>Activities</th>
<th>Means</th>
<th>Costs</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component 1 - Support to the MoLSG and ZELS in monitoring and coordinating the Decentralisation process</td>
<td>- Contract;</td>
<td>Total: EUR 1,136,942</td>
<td>- Availability of experts;</td>
</tr>
<tr>
<td>The activities within the first component amongst other aspects can include:</td>
<td>- Contractor's staff and experts;</td>
<td>IPA EUR 990,000</td>
<td>- Commitment of beneficiaries;</td>
</tr>
<tr>
<td>- Bespoke training and advice given provided to the decentralisation working group and varied actors dealing with the decentralisation process</td>
<td>- Commission staff;</td>
<td>Nat. co-financing: EUR 146,943</td>
<td>- Good and active cooperation among all stakeholders.</td>
</tr>
<tr>
<td>- The carrying out of a review of the decentralisation process;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Developing and executing a participatory capacity needs assessment(s) and implementing tailor-made capacity building plans of the MoLSG, the ZELS by using appropriate assessment tools such as self-assessment questionnaires, interviews and focus group meetings; preparation and dissemination of assessment reports including the use of key findings and recommendations;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- this also includes preparation and dissemination of a study on international and domestic practice for coordination and implementation of the decentralisation process and effective implementation of the decentralised competences.;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- The preparation of priority training curricula based on the findings and the recommendations of the assessment reports and delivery of a training to the MoLSG and ZELS staff;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- The carrying out of various activities of training, policy advice and capacity building to ZELS.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Component 2 – Support to selected municipalities in assuming the responsibilities arising from the Decentralisation process</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The activities can include:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- As a pilot for the wider country in selected municipalities – training aimed at series of issues incl. improving of the quality and accessibility of public services focusing on decision making, transparency and access to information, responsiveness and responsibility, consensus decision making, inclusiveness, effectiveness, efficiency and accountability incl. internal control</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
and audits. This will use where appropriate the CARDS 2006 SUDEP project ToR for training curricula;
- Training and advice prepared and provided to selected municipalities’ so to better implement strategic planning, programming, policy planning and budgeting;
- Within a number of selected municipalities (to be decided at ToR stage) – conduction of a review of the understanding of rights, obligations and opportunities in the decentralised local government system – on the basis of that development of information and educative tools to raise awareness and improve knowledge and awareness amongst staff, the public (where possible) and through NGOs;
- Development of a strategy of public consultation for draft plans and budgets, and for services – using best practice from the EU;
- Establishment of a review of existing MSC planned and undertaken;
- Training plans developed and carried out with (number to be agreed at ToR drafting phase) existing MSCs;
- Development of materials and methods to reach out to and communicate with NGOs and other organisations;
- Organisation of inter municipal seminars (possibly through ZELS).

Preconditions

1) Endorsement by all key stakeholders of the Terms of Reference and specifications;
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) Participation of the beneficiary in the tender process in accordance with EU regulations;
5) Selection and appointment of members of working groups, steering and coordination committees, seminars by the beneficiary in accordance with TOR/work plan of the project;
6) Designating the relevant staff by the beneficiaries to participate in training activities as per work plan;
**ANNEX 2: Amounts (in €) contracted and disbursed by quarter over the full duration of the project (IPA funds only)**

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contracted</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract 1.1:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>823 750</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract 1.2:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>166 250</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cumulated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>823 750</td>
<td>990 000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Disbursed</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contract 1.1:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>247 125</td>
<td>164 750</td>
<td>164 750</td>
<td>164 750</td>
</tr>
<tr>
<td>Contract 1.2:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Works</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>49 875</td>
<td>49 875</td>
<td>49 875</td>
<td>16 625</td>
</tr>
<tr>
<td><strong>Cumulated</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>247 125</td>
<td>411 875</td>
<td>461 750</td>
<td>626 500</td>
</tr>
<tr>
<td></td>
<td>676 375</td>
<td>891 000</td>
<td>990 000</td>
<td></td>
</tr>
</tbody>
</table>
ANNEX 3: Description of Institutional Framework

Ministry of Local Self-Government

Organisational Chart of the IPA Implementation, Monitoring and Evaluation Unit in the Ministry of Local Self Government.

A number of staff including the SPO will be mandated to work together with the project team in order to help ensure delivery of project objectives.
ANNEX 4: Reference to laws, regulations and strategic documents:

Reference list of relevant laws and regulations

Key laws and regulations in local self government area:
- Law on Local Self - Government, 2002
- Law on Financing of the Local Self-Government Units 2004
- Law on the Territorial Organisation, 2004
- Strategy for the reform of local self-government system 1999
- Programme on implementation of decentralisation process, 2008-2010

Reference to AP / NPAA / EP / SAA
The objectives of the project follow the priorities of Accession Partnership with the Former Yugoslav Republic of Macedonia 2007. The project will address one of the priorities of the Accession Partnership more particular to further develop the capacity of the administration to implement the Stabilisation and Association Agreement and to complete the decentralisation process.

Implementation of the decentralisation process is one of the key commitments of the Ohrid Framework Agreement.

The 2008 Progress Report of the EU Commission states “Adequate human and financial resources to implement the acquis (NPAA) are still lacking. It emphasizes “There is insufficient administrative capacity in many municipalities to implement those parts of the acquis that are assigned to local level or to manage EU funds.”

Reference to MIPD
For the area of decentralisation MIPD 2008-2010 it is underlined “In order further to improve the country’s alignment with the political criteria, and taking into account commitments made under the SAA, EU assistance will continue to help to advance public administration reform by supporting the implementation of a comprehensive Public Administration Reform strategy. The emphasis will be on assisting the introduction of a merit based career system, ensuring the implementation of the code of ethics, developing the capacity for strategic planning and administration, training and increasing transparency. Support will continue to the decentralisation process”.

The MIPD also suggests “In the area of fiscal policy, continuous assistance aiming at further improving the administrative capacity, on both central and local levels, (e.g. tax collection, expenditure control, etc.) may be envisaged”.

Link with National Development Plan
The National Development Plan (NDP) emphasizes that “the weak support of the government, insufficient cooperation between the local and central government, as well as the difficulties caused by the unfinished decentralisation process are mentioned among the most important problems affecting the competitiveness”. It also identifies: “lack of capacities of the local government(s)”; “lack of cooperation with local and central authorities”; “understaffed local authorities”; “non-existence of the communication system with citizens” and “lack of resources of the local governments” as the main weaknesses in the municipalities in the SWOT analysis for the regions. The NDP recognises that, “besides at national level, a responsible and competent public administration at local level is a crucial precondition for successful implementation of the decentralisation process and for ensuring high quality of
public services for the citizens. This derives the need for incorporating a thorough and systematic capacity building at all levels of the public administration”.

**Link with national / sectoral investment plans**
The objectives of the project follow the priorities of the Strategy for the reform of the local self-government system 1998. The National Programme for the Decentralisation (NPD) 2008-2010 aim is to “create necessary preconditions for smooth execution of transferred competencies according article 22 of the Law on local self government in partnership with the local self government units and with participation of other key stakeholders”. The NPD also highlights the focus of this Programme that is put on “improvement of already transferred competencies, as well as on the transfer of the remaining competencies, employees, movable and immovable goods, documents and other assets from central to local level. Besides from the continuation of the fiscal decentralisation, capacity building of the municipalities, preparation of the municipalities for the EU accession and improvement of the conditions for inter-municipal cooperation, the Programme also emphasizes the need for regular communication of the decentralisation process and adequate supervision and monitoring of all devolved competencies”.

ANNEX 5: Details per EU funded contract (*) where applicable

Management and contracting arrangements

These components are obviously inter-related. Therefore, the project will be implemented through a strong coordination mechanism. A steering committee (to be defined in ToR drafting phase) will be established chaired by the Ministry of local self-government, with SEA, as observer, in order to both coordinate the components but also coordinate the parallel contractual activity.

The expected contracting arrangements are:

- 1 Service Contract will be concluded to support the project with duration of maximum/up to 24 months (pending budget availability. Implementation is expected to start 4th quarter 2010; the contract and the contract value will be EUR 915 277, of which IPA funds will be EUR 823 750, and the national co-financing will be EUR 91 527.

- 1 Works Contract will be concluded for the refurbishing works in a number of selected municipalities in accordance with the project ToR, with a contract value of EUR 221 666 of which IPA funds will be EUR 166 250, and the national co-financing will be EUR 55 416. The contract duration should be of 6-12 months. Implementation is expected to start in the 3rd quarter 2011.