Project Title: Fighting Corruption to Improve Governance

Proposed Duration: Two years

Proposing UN Agency: UNDP

Programme Partners: Government of Macedonia

Estimated total budget: EURO 415,374.00

Geographical Location: Skopje, Macedonia

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National Counterparts: State Commission for Prevention of Corruption, relevant local government institutions, NGOs

UNDAF Outcome: 1.2. The principles of transparency, efficiency accountability and respect for human rights abided by public sector institutions and citizens

Executive Summary

The main objective of the project will be to promote accountability and transparency as indispensable pillars of local democratic governance that compel the local authorities, private sector and civil society to focus on results, seek clear objectives, develop effective strategies and monitor and report on performance while constantly preventing, combating and sanctioning corruption practices. This overall objective will be achieved by a) provision of training for transparent and accountable local management and b) undertaking a research with the aim to rank the level of corruption at local level so that appropriate measures could be undertaken for further tackle the issue. One specific component will be aimed at enhancing civic control in the fight against corruption by provision of capacity building for civil society organizations in better performance of their watch-dog functions through better coordination and access to information at local level.

This project will also contribute to reinforcing the importance of corruption control under circumstances of expanded local competences and taking the opportunity for the transparency to become even more important with the advancement of the ongoing decentralization reform, which represents both a risk and opportunity for ensuring good governance for effective development.
I. Background

Like many countries in the world, one of the challenges of Macedonia is to achieve democratic governance for a sustained human development. Macedonia managed to secede from the former Yugoslavia without a war and to establish relatively stable democratic institutions. Nevertheless, the transition process was associated with major economic, social and political challenges all of them being conducive to development of corruption. The phenomenon of corruption has caused serious moral and political concerns, and has threatened to undermine good governance while negatively influencing the democratic processes and economic development, and distorting the general competitive conditions.

Although, the corruption as a phenomenon existed in the previous system as well, the level of corruption, especially in the last years, seems to have increased significantly. Early Warning Reports have been alerting on high levels of poverty, unemployment and corruption as key factors to exacerbate the social cohesion and stability. According to numerous public opinion polls corruption is one of the main concerns of general public. Polls have also indicated that people perceive corruption as a significant obstacle for good governance and foreign investments in Macedonia, which can also have extremely negative impact on the overall social life, development, and market economy. The assessment of corruption indicates that these practices have become a manner for doing business, obtaining benefits, or protecting personal interests and property. However, public disapproval and revolt due to such situation has been increasing continuously.

The public opinion polls also point out administration as the most susceptible sphere to corruption. Among public officials, according to the research of the Center for Strategic Research and Development, the inspection and customs officers are the highest corrupted officials -39% of foreign investors had to pay a bribe to the inspections and 37% to customs. Other research indicate the following level of corrupted officials: customs officials- 72%; municipal councilors- 61.0%; ministers-60. 8%; judges - 49%; officials from ministries-47. 5%; members of the Parliament- 45% and so on.

The ongoing decentralization process in Macedonia is viewed as an opportunity, but also a risk to further aggravate the situation with the corruption as the transfer of competencies at local level implies more powers and responsibilities, but greater risk of abuse of power. In other words, although the decentralization process is meant to provide easier and better access to public services and more responsive and accountable governance, it nevertheless bears the risk of immediate misconception and abuse of transferred responsibilities.

As part of its commitment to fight corruption on its path to the EU, Macedonia has begun a process aimed at joining multilateral legal instruments containing anti-corruption related provisions or relevant to an effective fight against corruption and also adopting national legislation dealing with corruption.

In terms of international documents, Macedonia was the first country to ratify the Council of Europe Criminal Law Convention on Corruption in July 1999, while the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds of Crime was ratified in May 2000. The Council of Europe Civil Law Convention on Corruption has been signed and implementing legislation has been adopted. The country is also a party to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. It signed the United Nations Convention against Trans-national Organised Crime and its two protocols in Palermo in December 2000.

The country is party to three follow-up programs to monitor and promote the implementation of appropriate measures to combat corruption: the Council of Europe's partial agreement 'Group of States against Corruption' (GRECO); the Council of Europe's Select Committee for the Evaluation of Anti-Money Laundering Measures (PC-R-EV), in the framework of the Financial Action Task Force on Money Laundering (FATF); and the Stability Pact Anti-Corruption Initiative's Steering Group.
Among legislation relevant to the fight against corruption that has been passed by national Parliament over the last years are: a new Criminal Code, a new Criminal Procedure Code, a Law on the Execution of Sanctions, a Law on Courts, a Law on the Public Prosecutor's Office and a Law on Prevention of Corruption. Conditions for more responsible business practice are also being developed in the framework of the 1996 Commercial Companies Law, amended several times since then. Accounting and auditing standards that apply to companies are also in the process of being harmonised with international standards.

The Law on Prevention of Corruption adopted in April 2002 stipulated the establishment of State Commission on Prevention of Corruption which was effectuated in November 2002 as an independent body consisting of 7 members (experts in law and economy), elected by Parliament for one 4-year term only without any re-election provision, and a President elected by commission members for one year only. According to the Law, the Commission is uniquely responsible for implementation, regulating measures for corruption prevention, and also conflicts of interest and public interest activities by authorities.

In June 2003, the State Commission adopted a State Programme for Prevention and Repression of Corruption (as stipulated by Article 49, paragraph 1, item 1 of the Law on Prevention of Corruption) whereby it outlined the measures and activities that need to be undertaken for establishment of an efficient system for prevention and repression of the corruption.

According to the data from the Commission, 2003 and 2004 yielded a total of 2,833 property declarations. 627 complaints received by the Commission resulted in resolution of 36 cases Criminal proceedings were instituted in 25 cases, 4 involved annulling of privatization status and 22 concerned breaches in the controls for reporting assets. Conflicts of interest dismissals of high level state officials have also commenced, along with other conflicts of interest cases relating to trading companies.

In 2005, having realized the need to tackle the issue of decentralization and the competences of local governments, the Commission prepared an Annex to the State Programme for Prevention and Repression of Corruption specifically targeting the local administration. The Annex very specifically addresses the issues of transparency and accountability of the local governments, along with the ethnic norms that need to be abided by. The Annex to the State Programme and the related Action Plan specifically identify the need for provision of training at local level related to the issues of ensuring transparent governance, including specific thematic areas (such as financial management) and general anti-corruption.

As to the issue of provision of training, a Center for Continuing Education was formed in March 1999, as non-government institution, under the umbrella of the Macedonian Judges Associations. The Center primarily focuses on continuing education and training of judges, law clerks and other personnel. The Center program and operations targeted at enhancing the competence, professionalism, and ethical behavior of judicial cadre, ultimately contributes to the promotion and straightening of judicial independence and public trust and respect in the judiciary, and rule of law.

In spite of the number of non-governmental organisations present in Macedonia and their ever increasing role in terms of alerting to and addressing the problems of society, only few CSOs have been engaged in researching and debating the problem of corruption. The public role and the greater “watch-dog” function of civil society in terms of affirming the importance of prevention, monitoring and combating corruption leaves much to be desired. The civil society sector fails to mobilize public action for locating the roots for corruption and initiate public support for making pressure on the central and local authorities to confront this problem in a very decisive and open manner. For that reason, and despite the important role of civil society in initiating and analyzing the consequences of the corruption practices, some of them have been criticized by the public and the media for not complying with the political structure.
established standards of good governance and full control on the use of funds, along with the obstinacy of competent officers from the non-governmental sector, have left little hope among the public that the non-governmental sectors can competently play its "watch-dog" functions.

A number of media in Macedonia have been attempting to play a role in revealing corruption-related scandals and portray corruption as a barrier for democracy, economic development and access to the European Union. There has been coverage of public dialogue, interviews with various experts, studies and analysis pertaining to the corruption, along with specific examples of corruption practices. However, media has not been always pro-active in following up the allegations and demanding accountability for transparency and corruption-related cases.

II. Problem to be addressed

With the determination to join the European Union, Macedonia has committed itself to address the necessity of combating the organized crime, including corruption and implementing international standards. With the Stabilisation and Association Agreement signed by the Government, Macedonia is obliged not only to adopt and implement anti-corruption legislation, but the adoption of the international practices in combating corruption should be considered as a long-term strategy for political confidence and attraction of investments. In other words, the EU accession of Macedonia is seen as an engine for reform of state and local institutions and for promoting a modern, democratic and market-based society, respectful of the principles of human rights and ethnic diversity. The formal accession process was initiated with the submission of an application for EU candidacy in March 2004. In 2005, Macedonia submitted the answers to the EU questionnaire and is awaiting for the response of the EU.

UNDP Macedonia stands firmly on the position that the issues relating to corruption and lack of transparency weaken the democracy, governance and institutional practices and restrain economic growth, thus causing increased human rights violations and a lack of ethical and moral values in society. This has resulted in a vindication of local practices, as a means to remedy the existing inequalities, improve democracy, redistribute power, achieve efficiency and effectiveness in public services and create new strategies to eradicate poverty. However, it should be noted that serious problems experienced at national level tend to reproduce at the local level. From this perspective, corruption control, and especially the prevention of corruption are badly required in order that local governments may provide quality public services, develop a management system where all resources are optimized and used in accordance with the needs of the population, and to perform their work with transparency. Such practices are also needed for Macedonia to meet the EU accession requirements.

Taking the momentum of the ongoing decentralization process and the increased competences, there is the need to forge transparent municipal management and raise the awareness of local officials and administration that corruption is a limiting factor to development of the municipalities and hinders the social, economic and political development processes at local level. This could seriously impede the democratic processes and slow down economic growth, and lead to non-transparent, non-efficient and non-trusted local government.

III. Project Strategy

Building on the extensive experience in working at local level with municipalities on a variety of decentralization issues, UNDP is proposing a capacity-building project to fight corruption with the aim to improve local governance by tackling the causes, implications and consequences of corruption, including political, legal, economic and cultural. Through this project, UNDP will also support the provision of tools for social accountability such as: participatory budgetary processes; transparency and accountability practices; integrity, communications and information.
In that regard, this project has the objective of supporting the capacity-building efforts about ethical norms, regulatory and conceptual transparency issues, which will serve as a guide for the work and activities performed by local governments and their communities. It also intends to contribute in developing local policies and practices aimed at obtaining a transparent and responsive municipal management. Capacity building activities will be based on an initial assessment and regular monitoring of the corruption index at local level so that activities can be tailor-made to municipal needs. The first assessment will serve as a baseline for the level of corruption at the local level, which will then be regularly reassessed through established methodology and monitoring system.

The capacity-building activities will be targeted towards local authorities and public companies to enhance their knowledge and organizational culture in transparent governance, while civil society and private sector will be sensitized and familiarized with best practices for pro-active monitoring of the level of transparency and accountability of the municipalities. One of the expected results of this project is to establish a “watch-dog” network of civil society organizations to work closely together on improving the transparency of the municipalities. Numerous behavioral studies have found women to be more trustworthy and public-spirited than men and possessing great potential to be particularly effective in promoting honest government, World Bank Development Research Group, 1999). To strengthen and multiply this potential, the capacity building activities will particularly target women councilors, members of gender equality commissions and women groups. Public fora and information and publicity activities will be organized to give visibility and raise public awareness on the issue.

The training at local level will be provided through the Training Support Facility for Local Administration, established by UNDP, and supported by the Government of Norway.

IV. Project Beneficiaries

Municipal authorities and officials (including women councilors, members of gender equality commissions), private sector, local civil society organizations (including women groups) and media will be direct beneficiaries of the project.

In the long run, the general public at local level, particularly socially excluded will benefit from improved governance practices, including greater transparency and accountability towards citizens.

Partnerships will be established with International and experienced NGOs and think tanks, which will be involved in designing methodology of assessment as well as the analysis of the causes and level of corruption.

V. Objectives

The main objective of the project will be to promote accountability and transparency as indispensable pillars of local democratic governance that compel the local authorities, private sector and civil society to focus on results, seek clear objectives, develop effective strategies and monitor and report on performance while constantly preventing, combating and sanctioning corruption practices.

This project will also contribute to:

- Reinforcing the importance of corruption control under circumstances of expanded local competences and taking the opportunity for the transparency to become even more important with the advancement of the ongoing decentralization reform, which represents both a risk and opportunity for ensuring good governance for effective development;
- Building an inclusive society, which encourage healthy debate at community level essential elements in ensuring social development;
VI. Project outputs and activities

Output 1: Strengthened capacities of local actors to effectively monitor and address corruption practices

This output will include the following activities:

- Organize public discussions to map out the main concerns of local actors related to the issues of transparency and accountability at local level;
- Development of customized training modules including information, resources and advocacy materials for local level officials and administration to improve their understandings of the existing legal framework but also to help them broaden the local policy debate on anti-corruption and facilitate local action to eliminate corruption;
- Identification of resource persons/trainers, best practices and methodologies for training delivery;
- Workshops and training of local government officials of the existing legal regulation, codes of conducts dealing with anti-corruption issues, and raising their awareness of the importance of the principles of transparency and accountability for improved local governance;
- Provision of training for civil society (including media) on monitoring and requesting accountability (including good and bad practices);
- Evaluation of effectiveness of conducted training.

Output 2: Establishment of monitoring system for tracking the level of corruption at local level

This output will include the following activities:

- Adapting existing methodologies for assessing the level of corruption to be used at local level;
- Development of tools (questionnaires, focus groups, interviews etc);
- Conducting comprehensive baseline and periodic (on six-month basis) assessments for measuring the corruption index at local level;
- Regular monitoring of additional indicators for measuring corruption;
- Organisation of public dialogue fora on the issue of transparency and accountability to better understand the issue and obtain broader consensus on the principles of good governance;
- Strengthening the capacities of relevant actors (institutions, media and civil society groups) in tracking of corruption cases and ensuring due process;
- Establishment of a local “watch-dog” network to enhance civic control in the fight against corruption.

Output 3: Replicable model for anti-corruption at local level created.

- To prepare a “tool kit” (model) for local governments and civil society containing replicable elements that can be used as a guide of how to fight against corruption, and improves government levels and increases the quality of democratic
VI. Implementation arrangements

The project will be implemented under Direct Execution Modality (DEX) in accordance with UNDP rules and regulations as contained in the UNDP Programming Manual.

The State Commission for Prevention of Corruption will be the principal partner of the project. However, the Steering Committee, which will serve as a main coordinating body for implementation of project activities will also include from pilot municipalities and a representative from civil society. The procedure for selection of representatives to the Steering Committee will be agreed between the project partners.

The duties and responsibilities of the Steering Committee will include:

- To facilitate and support the institutional arrangements that are necessary for effective project implementation;
- To provide policy guidance and recommendation regarding project strategy and project objectives;
- To promote the project and mobilize resources to expand project activities;
- To approve work plans and ensure they adhere to projects' priorities;
- To endorse Terms of Reference and the selection of project staff and project contracts;
- To periodically review and oversee the financial and programme achievements;
- To review monthly brief reports and quarterly financial and progress reports and provide comments.

The Steering Committee will meet every three months. Extraordinary meetings with a shorter frequency may be organized if and when required.

Project partners will appoint project counterparts from the ranks of their senior officials.

VII. Monitoring and evaluation

At the very outset baseline data will be collected, describing the existing practices. Indicators will need to be worked out in detail. Monitoring systems need to be established at the very outset, and then standard monitoring and evaluation procedures established for UNDP programmes and projects should be followed in order to implement the principles of Results Based Management. Principal responsibility for establishing the monitoring and evaluation systems will lie with the project.
### VIII. Budget

Initial budget: 800,000.00 NOK (ca 107,272.00 EURO)

<table>
<thead>
<tr>
<th>Budget Description</th>
<th>NOK</th>
<th>Ca EURO</th>
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<tbody>
<tr>
<td><strong>Output 1</strong> - Strengthened capacities of local actors to effectively monitor and address corruption practices</td>
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<tr>
<td>Development of training curricula</td>
<td>74,580.00</td>
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<td>Participants training manual and other training materials (printing, editing, translation, coping etc.) in MKD, ENG and ALB</td>
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<td>Conducting workshops and trainings for local stakeholders</td>
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<td><strong>Sub-total 1</strong></td>
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<td><strong>Output 2</strong> - Establishment of monitoring system for tracking the level of corruption at local level</td>
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<td>Adapting the methodology for measuring the level of corruption</td>
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<td>Field assessments</td>
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<td>Monitoring of indicators</td>
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<td>Public fora at local level</td>
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<td><strong>Output 3</strong> - Replicable model for anti-corruption at local level created</td>
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<td>Development of the toolkit</td>
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<td><strong>Sub-total 3</strong></td>
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<td>Monitoring, Review and Evaluation</td>
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<td>Project management (including 1% communications costs)</td>
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<td>Operational Costs</td>
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<td>GMS (7%)</td>
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<td><strong>Grand Total</strong></td>
<td>800,000.00</td>
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The total budget for all activities and the full duration of the project would amount to: EURO 415,374.00
Country: Former Yugoslav Republic of Macedonia

UNDAF Outcome(s)/Indicator(s):
Expected Outcome(s)/Indicator(s):
Expected Output(s)/Indicator(s):
Implementing partner: UNDP

Other Partners: State Commission for Prevention of Corruption, relevant local government institutions, NGOs

Programme Period: 2005-2009
Programme Component: Fostering Democratic Governance
Project Title: Fighting Corruption to Improve Governance
Project Duration: 2006-2007
Management Arrangement: DEX

Initial budget: 800,000.00 NOK
Total budget: EURO 415,374.00
General Management Support Fee
GMS 7,015.00 (initial budget)
GMS 27,174.00 EURO (total budget)

Allocated resources:
• 800,000.00 NOK Government of Norway (initial budget)
• 50,000.00 US$ (UNDP TTF)
• In kind contributions -
• Un-funded budget:

Agreed by:
Agreed by UNDP:
Mr. Frode Mauring, Resident Representative