UNITED NATIONS DEVELOPMENT PROGRAMME

PROJECT DOCUMENT
Former Yugoslav Republic of Macedonia

Project Title: **Supporting consolidation of the local self-government system in its capacities to ensure inclusive governance and growth**

Project Number: 00085502

Implementing Partner: UNDP

Start Date: 21.06.2017 **End Date:** 19.12.2017 **PAC Meeting date:** 16.03.2017

Brief Description

After two decades of institutional development, the country's local self-government units still struggle to deliver the services expected by their constituents in a transparent and accountable manner. The decentralization process initiated with the Ohrid Framework Agreement in 2001 has transferred abundant statutory responsibilities to the municipal level, including for primary and secondary education, culture, and most social and communal services. It has also provided an improved framework for inter-ethnic cohesion. However, the country's 81 units of local self-government (its 80 municipalities and the City of Skopje, which has special status) still find themselves lacking both sufficient funds and adequate human resources to satisfy the needs of local residents, with the shortcomings particularly pronounced in smaller, rural municipalities.

Municipalities 'challenges include: unclear and often unsustainable financial situation; often poor designand provision of public services; deficiencies in the normative framework for LSGUs and insufficient use of the current legal possibilities to share or outsource the public services.

This Project aims at systemically improving design and delivery of local services and thus contributing towards improved quality of lives of the citizens of the country.

This will be done by providing LSGUs with knowledge and tools for: securing sufficient funds and management of funds more efficiently and transparently; design and delivery of public services that are more responsive to citizens' needs; take on additional responsibilities to develop services that directly address the needs of vulnerable groups.

The project activities are designed to contribute towards consolidation of the local government reforms through inclusiveness, participation and ensuring equal access to services for all. By addressing persistent weaknesses in the local governance system, the project will also help the country meet some of the requirements for European Union (EU) accession. Indirectly, it will help to create a better investment climate at local level and promote sustainable growth. At strategic level, the project is expected to produce the following results:

- Increased effectiveness of the decentralization policies by contributing to more efficient coordination, monitoring and evaluation of decentralization policies, through capacity development of national and local authorities and CSOs;
- More inclusive local development planning and programming;
- More equitable local service delivery and more accountable public finance management and control; and
- Improved capacities of municipalities to obtain alternative sources of finances and attracting investments.

Empowered lives.
Resilient nations.

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Contributing Outcome (UNDAF/CPD, RPD or GPD): *By 2020, national and local institutions are better able to design and deliver high-quality services for all users, in an innovative, inclusive, transparent, cost-effective, non-discriminatory and gender-sensitive manner.*	Total resources required:		EUR 2,352,940.83
	Total resources allocated:	UNDP TRAC:	100,000.00
Indicative Output(s) with gender marker[2]: *Local governance institutions strengthened to deliver services efficiently and equitably (GEN2)*		Donor:	2,252,940.83
		Government:	/
		In-Kind:	100,000.00
	Unfunded:		

Agreed by (signatures)[1]:

UNDP	
Print Name:	*Louisa Vinton*
Date:	

I. DEVELOPMENT CHALLENGE

Decentralization is recognized as an important component of political and economic development, as well as an important criterion for the EU accession process of the country. By bringing governance, decision-making and implementation of basic services closer to the people, decentralization promises both greater efficiency and more responsive government based on more accurate information.

Until now, decentralization has had positive effects, however, municipalities in Macedonia, especially rural ones, face numerous challenges when it comes to the implementation of the responsibilities transferred to them with the decentralization process. The latest research shows that significant progress has been achieved in areas such as the legal and institutional framework for transfer of powers and resources, but many municipalities still struggle when it comes to improving the quality, efficiency and inclusiveness of public services. Main findings of many reports regarding decentralization in Macedonia confirm that the process is not yet complete. The 2015 and 2016 EU Progress Report noted that the central budget underfunding and low capacity of local tax collection compromise the capacity of some municipalities to carry out their obligations and that the legal framework for local-self-government needs to be reviewed.

This Project aims to remedy the identified shortcomings by providing LSGUs with the tools they need to secure sufficient funds and manage them more efficiently and transparently; design and deliver public services that are more responsive to citizens' needs; and take on additional responsibilities to develop social services that directly address the needs of vulnerable groups.

In all project activities, steps will be taken to ensure that the rights of minority communities and vulnerable groups (such as people with disabilities) are taken into account. Priority will be given to promoting local service delivery initiatives that address the needs of marginalized communities and vulnerable groups. These efforts will build on UNDP's extensive experience in promoting social cohesion and inter-ethnic cooperation at the local level.

II. STRATEGY

This Project aims at systemically improving design and delivery of local services and thus contributing towards improved quality of lives of the citizens of the country.

The project will work towards consolidation of the local government reforms through inclusiveness, participation and ensuring equal access to services for all. The project was designed and approved by three main partners: Ministry of Local Self-Governance, Ministry of Finance (and Central Financing and Contracting Department) as well as Municipalities. Other actors such as ZELS, AFO and local CSOs will be included in the implementation of the project. All partners were included in the process of identification of main challenges and in the design of response activities. This partnership will continue throughout the implementation of the project which increases the level of sustainability and effectiveness of the project and creates a sense of

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[1] Note: Adjust signatures as needed

[2] The Gender Marker measures how much a project invests in gender equality and women's empowerment. Select one for each output: GEN3 (Gender equality as a principle objective); GEN2 (Gender equality as a significant objective); GEN1 (Limited contribution to gender equality); GEN0 (No contribution to gender quality)

ownership. The methodology and instruments were based on assessments, consultative events, and technical advice from international and local experts that were used to draft the 2015-2020 Program and Action Plan for Sustainable Local Development and Decentralization.

The proposed Project activities are built around three main components. While each project component to be implemented in this phase will have its own objectives and indicators of achievement, the three project components will be implemented in a complementary and mutually reinforcing way so that capacities, tools and products can eventually be synchronized, systematized and institutionalized in sustainable systems and structures.

Given the abundance of needs that persist around local governance and decentralization, this Project proposes a coherent and demand-driven set of activities that are considered as priorities by the national and local authorities. All activities within the three project components will be mutually reinforcing and cross-referenced. Namely, by improving the financial independence of municipalities (Component C), the project will help address community needs, for example for improved local infrastructure and public services (Components A and B). By expanding citizen participation in setting local priorities, designing services and tightening civic oversight (Component A), it will also promote official accountability, social cohesion, and the inclusion of vulnerable and marginalized groups (Component B). These results will be measured by objectively verifiable indicators for the planned activities collected through a range of sources.

The project intends to address the identified challenges under the following three components:

Component A: Consolidation and effective implementation of transferred competencies and resources. *(Output 1: Effective implementation of the transferred competencies and resources improved)*

This component aims to consolidate the stability of the local government system in conditions where many responsibilities have been decentralized to the level of the municipality but often without sufficient funding or capacity to fulfil them adequately or consistently. In this context, the project will focus on increasing the effectiveness and efficiency both of local service delivery and transparency and accountability of the municipalities. It will address policy gaps in the decentralization process including in programming, monitoring and evaluation, coordination and capacity development. Specific attention will be paid to increasing the participation of CSOs and other non-state actors in local policy- and decision-making.

Component B: Facilitation of the transfer of additional competencies and resources aimed at ensuring smart, comprehensive and sustainable local development. *(Output 2: Municipalities are enabled to easily accept and smoothly incorporate the additional competences to be transferred by the central government)*

This component will increase the effectiveness and efficiency of local governments, by supporting national authorities, in cooperation with ZELS and other relevant bodies, to consolidate the corpus of competencies that are partially transferred, are transferred but not accompanied by appropriate resources, or are part of the Decentralization Program and have not yet been transferred. It will help to upgrade the existing local outsourcing framework (covering, among others, inter-municipal cooperation, concessions, deinstitutionalization and public private partnerships). The Project will support more inclusive local development planning and programming and encourage innovative and diverse models of service delivery.

Component C: Continuation of fiscal decentralization *(Output 3: Ministry of finance and selected municipalities are enabled to continue the fiscal decentralization process (by improving tax collection and financial performance)*

This component aims at further upgrading local capacities through interventions in fiscal decentralization policy. It focuses mainly on two critical topics: a) enhancing collection of local tax revenues; and 2) improving local public finance management and control. In addition, it aims to optimize the use of existing local revenue instruments and help introduce of new ones.

In addition, the project will address several issues:

Equal opportunities and non-discrimination

Gender considerations will be mainstreamed in all aspects of the preparation and implementation of the project including: development of the ToRs; project activity implementation and management; general operations and financial management and public information activities as well as stakeholder coordination. The Project will foster the participation of women in all activities, and also sensitize local stakeholders to the implications of gender in municipal policies and spending decisions. Specific gender-sensitization efforts will include training in gender-analysis tools and gender sensitive planning and budgeting. The aim will always be to promote equal rights and equal opportunities, with an eye to the differentiated impact of municipal policies

on men and women. Greater participation by women in the municipal public administration as well as in all municipal decision-making processes will be fostered through project activities. Indicators used to measure progress towards project goals will be disaggregated by sex.

Minorities and vulnerable groups

In all project activities, steps will be taken to ensure that the rights of minority communities and vulnerable groups (such as people with disabilities) are taken into account. Priority will be given to promoting local service delivery initiatives that address the needs of marginalized communities and vulnerable groups. These efforts will build on UNDP's extensive experience in promoting social cohesion and inter-ethnic cooperation at the local level.

Civil society/Stakeholders' involvement

Good governance principles will be systematically addressed in the delivery of all activities, with specific attention to creating a conducive space for participatory decision-making and for more accessible, responsive and effective institutions at the local level. The project assigns a special role for civil society in local service delivery in the sectors of social care (for children, the elderly and people with disabilities), environmental protection, education, culture, and sports and recreation. CSOs have a crucial role to play in the coordination of the implementation of the project as well as in oversight and monitoring. This system will be aligned with IPA Regulations and also will be defined in the project guidelines. In the process of involvement of CSOs in implementation of activities, this project will build synergies with the EU financed Regional Programme on Local Democracy in the Western Balkans (ReLOaD) which started in February 2017.

Environment and climate change

The project will indirectly foster environmental protection, through the implementation of activities that will help municipalities to invest in enhanced waste and wastewater management; monitoring and improving air quality; protecting biodiversity; and reducing greenhouse gas emissions and preparing for the impact of climate change. Project activities will also enable municipal officials to better assess the impact of development initiatives on the environment, and to factor this impact into the cost-benefit analysis behind municipal spending decisions.

The project will be implemented by a four-member project management staff that include governance specialists with extensive experience, fully proficient and experienced with the local context. The Project Office will draw on extensive in-house expertise on governance in general, and inter-municipal cooperation and decentralisation in particular for strategic purposes. In addition, eleven international and local experts will be recruited to implement several project activities.

Finally, the development of capacities of local governments and their communities to ensure the effective and efficient translation of public funds into public benefits is fully in the spirit of the 2030 Agenda for Sustainable Development and its Sustainable Development Goals. The new Global Goals, and the broader sustainability agenda, go much further than the MDGs, addressing the root causes of poverty and the universal need for development that works for all people. While the national agenda around the SDGs is only now emerging, the achievement of the project objectives will contribute to many Goals relating to sustainable development and democratic governance, including Goal 5 on gender equality, Goal 10 on reduced inequalities, Goal 11 on Sustainable Cities and Communities and Goal 16 on Peace, Justice and Strong Institutions.

III.   RESULTS AND PARTNERSHIPS

Expected Results

The **overall objective** of the Project is to support the consolidation of the country's local self-government system and its capacity to ensure inclusive governance and growth. This will be achieved by ensuring there is a strong link between decentralization and inclusive and sustainable local development processes, in a supportive context of fiscal decentralization. The Project also **aims** to shift the policy focus to providing equitable access to improved local services for all citizens, through the creation of an enabling legal and institutional environment.

To achieve these results, the project will undertake the following components:

Under **Component A** the project will work to improve the monitoring mechanisms of both the Ministry of Local Self-Government and all 81 municipalities. This goal will be achieved by providing assistance through international and local expertise that will work together with public servants in strengthening their capacities. The project will support the preparation of annual evaluation reports on the Implementation of the Program and Action Plan for decentralization through a deliberative process that will involve all relevant stakeholders. Annual Citizen Satisfaction Surveys will produce insight in the public opinion in regards to municipal competences. In addition, the project will improve the monitoring and evaluation capacities of municipal staff

through the preparation of quality of life reports. The monitoring will be supported by innovative IT solutions adapted to Ministry and Municipality needs. Better monitoring of local service delivery will improve the quality of local services. To achieve one of the results of achieving innovative and improved service delivery, the project will support 30 small and rural municipalities and 8 Inclusive Development Networks, through secondary procurement scheme, with small participatory projects that will address urgent needs. Municipalities will be encouraged to apply with small projects for establishment of partnerships with the private sector and civil society for enacting socially responsible initiatives and devising social innovation initiatives.

Component B aims to facilitate the transfer of the additional competencies and resources aimed at ensuring smart, comprehensive and sustainable local development. Comprehensive Assessment Report will be produced to analyse further improvements to the existing local social services and outsourcing framework enacted and subsequent legislative amendments supported through provision of expertise. These solutions will be encouraged by the design of Integrated and Inclusive Local Development Plans prepared by 30 Municipalities, with the support of International and Local Experts.

Component C aims to continue the fiscal decentralization process by assisting municipalities in generating new revenues and collecting taxes, as well as providing capacity building to finance officers from 81 municipalities. Public finances are vital not just for funding development initiatives but also as a vehicle for accountability and transparency. The quality of municipal public finance management (PFM) and oversight and audit of municipalities are key factors, both for reassuring potential investors and for increasing the trust of constituents.

Resources Required to Achieve the Expected Results

The project will provide a four-member team of a project manager, project specialist, project assistant and monitoring/communication specialist with 100% allocated time on the project. The team will generate expertise in local development and decentralization processes. In addition, the project will profit from support from the UNDP Country Office and from contracting external expertise to contribute to many of the project activities.

Partnerships

Strong partnership will be established with all involved parties. An objective of the project is to strengthen the relationship between the Ministry of Local Self-Government and the Ministry of Finance, build a better relationship with the Ministries and Municipalities, and the relationship between local government and the public. The project will involve all key stakeholders especially the key political decision makers in the project implementation from its beginning.

The Ministry of Local-Self Government (MLSG, the lead institution) and the Ministry of Finance (MF) are the chief institutional beneficiaries of this Project at national level. The ultimate beneficiaries are the municipalities and their constituents in local communities.

NDP as an international organization will ensure that the project benefits from donor coordination and coordination of institutions involved in related projects implemented at local level. Coordination mechanisms will be used to ensure systematic and regular exchange of information between different projects, and also appropriate substantive advice and guidance.

UNDP entertains partnerships and longstanding cooperation with all relevant actors in the field of decentralization, i.e. the municipalities (mayors, administration, councils), MLSG, the MoF, including civil society actors, such as ZELS, AFO, etc.

Risks and Assumptions

External risks related to the political and economic environment/context

The country is experiencing a prolonged political crisis that may pose a risk in terms of persistent instability and protest. Institutional counterparts may change frequently and decision-making may slow or halt entirely. Central and local government officials will also engage directly in the election campaigns for the early parliamentary elections and also the regular local elections scheduled for March 2017. These factors may cause delays and require flexibility in project management, particularly if it is necessary to establish working relations with new national and local officials.

Risks related to institutional and human capacities at national and local level

The lack of integrated institutional framework to deal with the demand side of capacity needs represents one of the key challenges of the decentralization process in the country. In order to achieve sufficiently focused and productive dialogue and cooperation, efforts shall be invested in building of capacities of all stakeholders to engage in local governance and decision-making structures. National and local institutions still need capacity development assistance to engage fruitfully in the decentralization process and translate recommendations into policy results.

Organizational risks

Individual disaggregated data on each municipality may not be available, or may be outdated or need to be approximated.

Sustainability risks

National institutions may withdraw their commitment for further reforming the system of local self-government.

In order to address the above identified risks, UNDP's risk **mitigation methodology** includes the following measures:

External risks related to the political and economic environment/context

Project activities will be safeguarded from political conflicts without inhibiting the natural expression of political affiliation at the local level. In this regard, UNDP's impartial status will be an important risk mitigation factor and the national and local institutions have often utilized UNDP as an honest broker for policy dialogue. Careful monitoring and oversight will be implemented and if deemed necessary the schedule of activities will be revised in close consultation with the Project Board members. UNDP will also mitigate risks by leveraging its non-partisan stance to build relationships of trust and providing evidence-based arguments about development priorities and expected results.

Some of these risks will be mitigated through capacity-building efforts and the promotion of good governance principles.

Risks related to institutional and human capacities at national and local level

The project will work on building trust among the key beneficiaries. The capacity-development activities will address all the identified capacity gaps of the beneficiaries and will be closely integrated with the other project activities such as the comprehensive assessment of the local services, the "Quality of Life" monitoring, the preparation of the integrated and inclusive local development plans and the "small grants scheme" to ensure synergies and identification of integrated solutions to address any institutional and human capacity gaps that may be within the mandate and purview of this project.

Organizational risks

All sources of data and information will be assessed, requests for data collection will be communicated both by the project and the national/local institutions and all relevant publicly available data will be collected.

Risks related to sustainability

A visibility and communication plan will secure communication of the project objectives, actions that are to be implemented, expected results and high visibility and awareness among beneficiaries. Awareness raising and stakeholders' involvement activities will create a sense of ownership of the Action.

The project is designed to allow for upscaling and, where relevant, wider application of practices and models born within its lifecycle. When implementing the activities improvements of the relevant legal/policy frameworks will be initiated, which would altogether enable a more effective and transparent local governance and decentralization process in the country.

The project will involve all key stakeholders especially the key political decision makers in the project implementation from its outset. Only a strong feeling of ownership of the policy and regulatory action can guarantee that the key political decision makers will do the necessary trade-offs and support the proposals.

Based on the initial risk analysis, UNDP will activate a risk and issue log in ATLAS which will be updated by the Project Manager to track and resolve potential problems or requests for change.

The external environment will be reviewed regularly to capture issues that may affect project implementation. Close collaboration with other related projects will be maintained in order to achieve complementarity and multiplier effects and in the same to avoid duplication of efforts and investments.

Stakeholder Engagement

The project will involve all key stakeholders especially the key political decision makers in the project implementation from its outset. Only a strong feeling of ownership of the policy and regulatory action can guarantee that the key political decision makers will do the necessary trade-offs and support the proposals.

At the national level, the key stakeholders are the state administrative bodies responsible for policies on local government and decentralization (including fiscal decentralization):

- Ministry of Local Self-Government (leading institution); and
- Ministry of Finance

The project has a range of **secondary national stakeholders** such as:

- Ministry of Environment and Physical Planning;
- Ministry of Transport and Communication; and
- Other ministries/agencies (that play a role in the decentralization process)

On the local level, key project stakeholders include:

- Municipalities (Local Self – Government Units);
- Municipal Administration; and
- Mayors

Other relevant stakeholders include:

- The Association of Local Government Units (ZELS);
- Regional and municipal Chambers of Commerce and other private-sector associations;
- Planning Region Development Centres;
- Municipal NGOs active in, among others, promoting transparency and accountability; inter-ethnic relations; equal opportunities of women and men; and local social services.
- Academic institutions and research centres;
- The media and media organizations; and
- Other professional associations and foundations

These stakeholder groups will participate in the project and are potential beneficiaries of the outputs resulting from its implementation. They are structurally related in accordance with their respective missions and responsibilities and the manner in which they can engage in supporting consolidation of the local self-government system in its capacities to ensure inclusive governance and growth.

South-South and Triangular Cooperation (SSC/TrC)

The project will review and replicate good practices from neighbouring countries and from the wider region. It will also rely on expertise available in the region to support the implementation of envisaged activities.

Knowledge

To meet expressed needs, the Project will develop specific, needs-based packages of software-based products, adaptable to the needs and capacity of the users. Such packages could include: solutions for municipal administrations to improve the efficiency of horizontal program monitoring; document management systems; digitalized services of the Mayor's Office, etc. The software will be made available to all municipalities and will be owned by the MLSG after the project ends, thus sustaining its impact.

E-Services for the municipal administration

E-horizontal program management and monitoring will allow municipal officials to monitor closely the progress of different programs under implementation by local government. This will enable the municipality to know for any program the current status, the next steps to be taken, and the financial implications of the program implementation for the municipal budget.

A unified Document Management System (DMS) will provide a way for municipalities to improve efficiency while also increase the transparency and accountability towards citizens.

E-Services for the Mayor's Office

The Project will support the creation of an IT system that will support the Mayor's functions in relation to the municipal administration with the purpose of improving executive management and oversight and help to accelerate administrative procedures and service-related solutions.

This will complement a similar activity aimed at designing e-services for municipal councils, implemented under the SDC-funded UNDP project on "Empowering Municipal Councils."

The software-based products will be designed in a user-friendly manner and adapted to needs and capacities of the users. A user-friendly manual will be prepared. "On the job" training will be provided to all municipalities and awareness-raising activities about the benefits of the software will be conducted. Modest hardware needed for uninterrupted use of the software will be provided to all municipalities.

The project will also support the development of an easy-to-use online info-sharing platform (Content Management System – CMS) for users to acquire accurate data, information, skills and knowledge that will also serve as a repository to store databases (on implementation of the Decentralization Programme/Activity A.1, Quality of Life and Citizens Satisfaction reports/Activity A.2, case studies of innovative practices/Activity A.3, integrated and inclusive local development plans/Activity B.2, etc.) and codify the knowledge products generated during the Action. It will build on the achievements of the "Building Effective and Democratic Local Government" project implemented by ECORYS and it will be housed in a user-friendly portal hosted by the MLSG.

In practice, the CMS on Local Development will function as an interactive information, knowledge sharing and feedback collecting system that will serve different types of users and offer the functionality to host chats and forums. The platform will include a calendar of events that can be used to track developments not limited to the project implementation and will enable messaging and other interactive communication functions to facilitate communication and learning.

The platform will be designed in a way as to be easily adapted and configured to user needs. It will also be able easily to accommodate new users and new features. The design will allow for the creation of an organizational base of electronic data, information, reports, policy papers, case studies and knowledge products (for example, training presentations and manuals) by adding and updating resources, making them always available as latest materials

Sustainability and Scaling Up

The project is fully aligned with the measures and activities in the Program for Sustainable Local Development and Decentralization for 2015-2020, and this is crucial to the sustainability of the Action and its expected results as well as the programming of future IPA assistance.

Another key to sustainability are the main partnerships that will be established through the implementation of the Action. The Ministry of Local Self-Government, the Ministry of Finance and the Association of the Municipalities (ZELS) actively participated in the preparation of the Description of the Action and their membership in the Project Board will ensure that project work is anchored in wider policies. This will enhance impact and sustainability.

The planned awareness raising and stakeholders' involvement activities will create a shared sense of ownership which is crucial for the sustainability of the project results.

During the project, and in cooperation with the main partners, the products and experiences will be translated into standards and induction guidelines to be used by all stakeholders in the future and made available through the MLSG, MF and ZELS. If and where relevant, these tools and documented experiences will be used for improving national policies, laws and by-laws, as part of the project sustainability strategy.

IV.   PROJECT MANAGEMENT

Cost Efficiency and Effectiveness

Project implementation will be governed by the Agreement which will be signed between the Ministry of Local Self-Governmente/CFCD and the UNDP Country Office in Skopje, and will be in line with UNDP's Programme and Operations Policies and Procedures and the PAGODA agreement between the EU and International Organizations.

The project will be implemented under the Direct Implementation Modality (DIM). The UNDP Country Office will be responsible for developing and managing the project, and ensuring that the project results are delivered as planned and that the project resources are used efficiently and effectively. the course of project implementation, UNDP will maintain close collaboration and coordination with the EU Delegation and the key national stakeholders, particularly the Ministry of Local Self-Government, the Ministry of Finance, the ZELS and involved local governments.

A Project Board (PB) will be established as the main body responsible for the overall direction and management of the project. It will consist of representatives from the Ministry of Local Self-Government, the Ministry of Finance, the ZELS, the CFCD, the EU Delegation in Skopje, and the UNDP Country Office.

The Project Board is the group responsible for making management decisions by consensus when guidance is required by the Project Manager, including approval of project work plans and revisions. In order to ensure UNDP's ultimate accountability, Project Board decisions are made in accordance with standards that ensure management for development results, best value for money, fairness, integrity, transparency and effective competition. In case a consensus cannot be reached within the Board, the final decision shall rest with the UNDP Resident Representative.

The Project Board approves the Annual Work Plans (AWP). It also reviews and approves quarterly project plans when required, and authorizes any major deviation from the agreed quarterly plans. The Project Board has authority to sign off on the completion of each quarterly plan and start the next quarterly plan.

During project implementation, the Project Board assumes the following specific duties:

- Overall guidance and direction to the project;
- Review of each stage and approval of progress to the next; and
- Review and approval of work-plans and any exception plan.

At the end of the project, the PB will:

- Assure that all expected outputs have been delivered in a satisfactory manner;
- Approve the Final Project Report; and
- Approve the Lessons Learned Report.

The representatives of the Beneficiaries in the Project Board represent the interests of those who will ultimately benefit from the project. Their primary function within the Board is to ensure the realization of project results from the perspective of project beneficiaries.

Project Assurance: Project Assurance is the responsibility of each Project Board member; however, the role can be delegated. The project assurance role supports the Project Board by carrying out objective and independent project oversight and monitoring functions. This role ensures that project management milestones are met. Project Assurance must be independent of the Project Manager; therefore, the Project Board cannot delegate any of its assurance responsibilities to the Project Manager. A UNDP Programme Analyst holds the Project Assurance role on behalf of UNDP. She/he ensures that funds are made available to the project and are managed efficiently and in line with their stated purpose; ensures that the project makes progress towards intended outputs; and performs regular monitoring activities, such as periodic monitoring visits and "spot checks."

The role of UNDP Deputy Resident Representative is to ensure that: resources entrusted to UNDP are utilized appropriately; the project makes progress towards intended outputs; and national ownership, ongoing stakeholder engagement and sustainability are addressed appropriately.

V. RESULTS FRAMEWORK

Intended Outcome as stated in the UNDAF/Country [or Global/Regional] Programme Results and Resource Framework:

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

Outcome indicators as stated in the Country Programme [or Global/Regional] Results and Resources Framework, including baseline and targets:

Indicator 1. Citizen satisfaction with the quality of municipal services (*Baseline* (2014): 3.34 on a scale of 1-5 *Target* (2017): 3.45; (2018): 3.5; (2020): 3.6); **Indicator 2.** Country score in World Bank global governance effectiveness index (*Baseline* (2014): 0.07342 on a scale from minus-2.5 to +2.5 *Target* (2020): +0); **Indicator 3.** Share of municipalities using gender-responsive budgeting tools (*Baseline* (2014): 4/81 *Target* (2020): 15/81); **Indicator 4.** Share of young people (under 29) who see their future outside the country (*Baseline* (2016): TBD, disaggregated by sex *Target* (2020): TBD, disaggregated by sex)

Applicable Output(s) from the UNDP Strategic Plan: Output 2.1: Local governance institutions strengthened to deliver services efficiently and equitably

Project title and Atlas Project Number: Supporting consolidation of the local self-government system in its capacities to ensure inclusive governance and growth 00089220

EXPECTED OUTPUTS	OUTPUT INDICATORS[2]	DATA SOURCE	BASELINE		TARGETS (by frequency of data collection)					DATA COLLECTION METHODS & RISKS
			Value	Year	2017	2018	2019	Year ...	FINAL	
Output 1 Effective implementation of the transferred competencies and resources improved	*1.1. The index of citizens' satisfaction from local services delivered improved*	*Citizens' satisfaction survey*	3.34	2014	3.34	3.45	3.50		3.1	*Citizens' survey* *Project reports* **Risk:** *Lack of integrated institutional framework to deal with the demand side of capacity needs*
	1.2. The index of citizens' satisfaction with the access to information provided by the local authorities increased	*Citizens' satisfaction survey*	3.3	2014	3.3	3.5	3.6		3.6	*Citizens' survey* *Project reports* **Risk:** *Lack of integrated institutional framework to*

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[2] It is recommended that projects use output indicators from the Strategic Plan IRRF, as relevant, in addition to project-specific results indicators. Indicators should be disaggregated by sex or for other targeted groups where relevant.

Output	Indicator	Source of data	Baseline value	Baseline year					Means of verification / Risk
	1.3. Number of municipalities preparing the Quality of life reports	*Municipalities, Project reports*	*10*	*2014*	*10*	*81*	*81*	*81*	*Quality of life reports, project monitoring reports* **Risk:** *- Lack of information - Lack of human resources i.e. institutional capacities*
	1.4. Number of municipalities participating in the grant scheme (design and delivery of innovative local services)	*Municipalities, Project reports*	*0*	*2017*	*0*	*38*	*38*	*38*	*Project monitoring reports* **Risk:** *- Lack of institutional capacity*
	1.5. Number of municipalities that will have automated management system in place	*Project reports Municipalities*	*0*	*2017*	*0*	*Design n and dev't of the system*	*Deployed in all 81*	*All 81*	*Project monitoring reports* **Risk:** *- Lack of institutional capacity*
Output 2 *Municipalities are enabled to easily accept and smoothly incorporate the additional competences to be transferred by the central government*	*2.1. Number of municipalities that have developed Integrated and Inclusive Local Development Plans which incorporate implementation of the additional competences*	*Project reports Municipalities*	*0*	*2017*	*0*	*30*	*30*	*30*	*Project monitoring reports* **Risk:** *- Lack of institutional capacity*
	2.2. Number of project stakeholders (municipalities, CSOs, business community) that actively use the knowledge platform	*Project reports, Knowledge platform/dash board*	*0*	*2017*	*0*	*Knowl edge platfor m deplo yed*	*50 project stakehold ers*	*50 project stakeholders*	*Project reports, Knowledge platform/dashboard; questionnaires* **Risk:** *- Lack of institutional capacity*
Output 3 *Ministry of finance and selected municipalities are enabled to continue the fiscal decentralization process (by*	*3.1. Increase of the basic (own revenues) budget of the municipalities (in absolute numbers)*	*Annual budget's revenue, Municipality, Project reports*	*MKD 13.5 bil.*	*2015*	*/*	*/*	*MKD 16.5 bil.*	*MKD 16.5 bil.*	*Project monitoring reports* **Risk:** *- Lack of institutional capacity*

improving tax collection and financial performance)	3.2. Share of municipal revenues from borrowing out of the total revenues of the municipalities	Annual budget's revenue, Municipality, Project reports	1,69% (of the total revenues)	2015	/	/	2,6%	2,6%	Project monitoring reports **Risk:** *- Lack of institutional capacity*

VI. MONITORING AND EVALUATION

In accordance with UNDP's programming policies and procedures, the project will be monitored through the following monitoring and evaluation plans: *[Note: monitoring and evaluation plans should be adapted to project context, as needed]*

Monitoring Plan

Monitoring Activity	Purpose	Frequency	Expected Action	Partners (if joint)	Cost (if any)
Track results progress	Progress data against the results indicators in the RRF will be collected and analysed to assess the progress of the project in achieving the agreed outputs.	Quarterly, or in the frequency required for each indicator.	Slower than expected progress will be addressed by project management.		
Monitor and Manage Risk	Identify specific risks that may threaten achievement of intended results. Identify and monitor risk management actions using a risk log. This includes monitoring measures and plans that may have been required as per UNDP's Social and Environmental Standards. Audits will be conducted in accordance with UNDP's audit policy to manage financial risk.	Quarterly	Risks are identified by project management and actions are taken to manage risk. The risk log is actively maintained to keep track of identified risks and actions taken.		
Learn	Knowledge, good practices and lessons will be captured regularly, as well as actively sourced from other projects and partners and integrated back into the project.	At least annually	Relevant lessons are captured by the project team and used to inform management decisions.		
Annual Project Quality Assurance	The quality of the project will be assessed against UNDP's quality standards to identify project strengths and weaknesses and to inform management decision making to improve the project.	Annually	Areas of strength and weakness will be reviewed by project management and used to inform decisions to improve project performance.		

Review and Make Course Corrections	Internal review of data and evidence from all monitoring actions to inform decision making.	At least annually	Performance data, risks, lessons and quality will be discussed by the project board and used to make course corrections.
Project Report	A progress report will be presented to the Project Board and key stakeholders, consisting of progress data showing the results achieved against pre-defined annual targets at the output level, the annual project quality rating summary, an updated risk long with mitigation measures, and any evaluation or review reports prepared over the period.	Annually, and at the end of the project (final report)	
Project Review (Project Board)	The project's governance mechanism (i.e., project board) will hold regular project reviews to assess the performance of the project and review the Multi-Year Work Plan to ensure realistic budgeting over the life of the project. In the project's final year, the Project Board shall hold an end-of project review to capture lessons learned and discuss opportunities for scaling up and to socialize project results and lessons learned with relevant audiences.	Twice a year	Any quality concerns or slower than expected progress should be discussed by the project board and management actions agreed to address the issues identified.

Evaluation Plan[3]

Evaluation Title	Partners (if joint)	Related Strategic Plan Output	UNDAF/CPD Outcome	Planned Completion Date	Key Evaluation Stakeholders	Cost and Source of Funding
e.g., Mid-Term Evaluation						

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[3] Optional, if needed

VII.   MULTI-YEAR WORK PLAN [45]

All anticipated programmatic and operational costs to support the project, including development effectiveness and implementation support arrangements, need to be identified, estimated and fully costed in the project budget under the relevant output(s). This includes activities that directly support the project, such as communication, human resources, procurement, finance, audit, policy advisory, quality assurance, reporting, management, etc. All services which are directly related to the project need to be disclosed transparently in the project document.
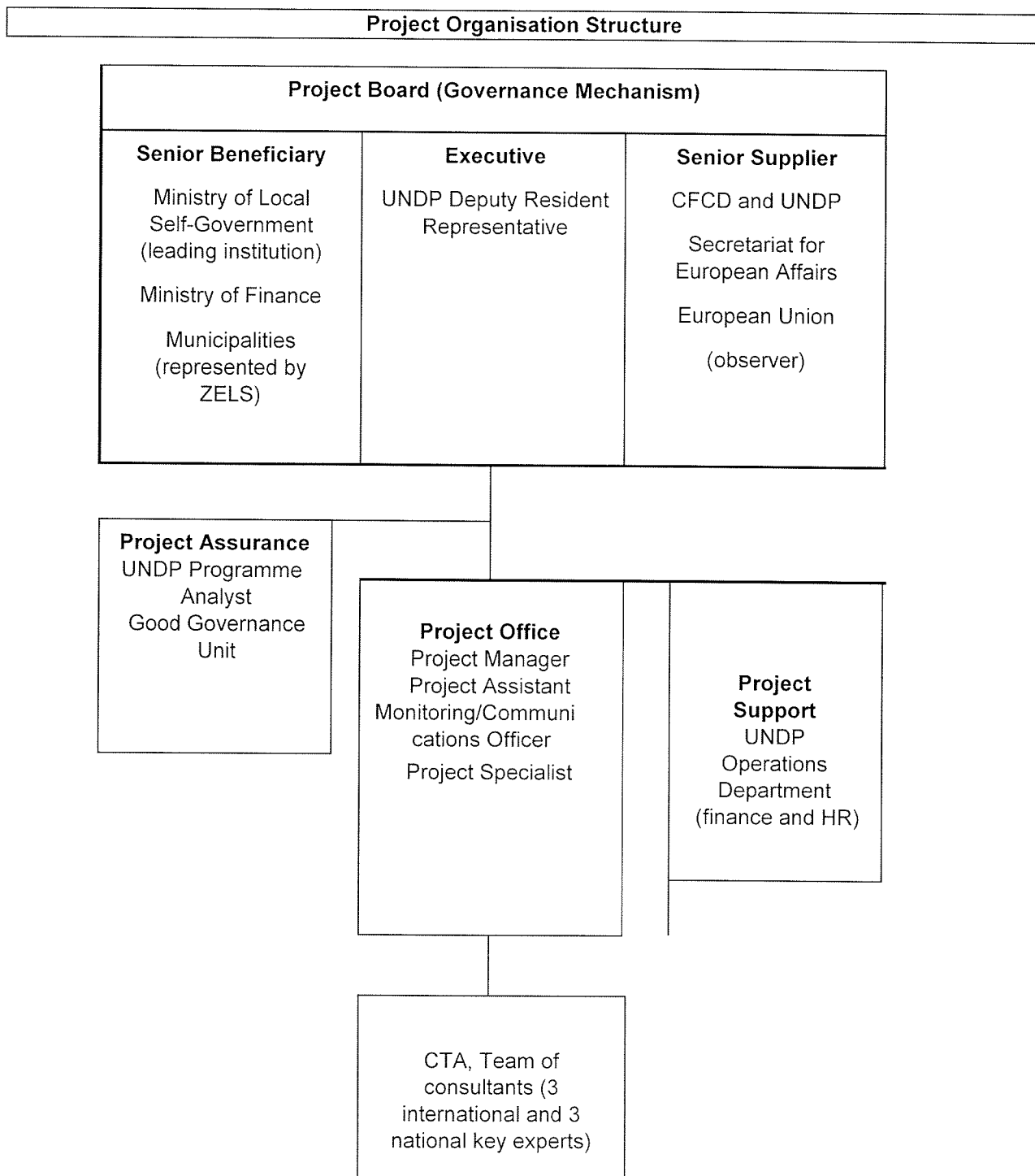
EXPECTED OUTPUTS	PLANNED ACTIVITIES	Planned Budget by Year			RESPONSIBLE PARTY	PLANNED BUDGET		
		Y1	Y2	Y3		Funding Source	Budget Description	Amount
Output 1 *Effective implementation of the transferred competencies and resources improved* *Gender marker: GEN2*	1.1 Activity: Monitoring and evaluation of the implementation of the 2015-2020 Program and Action Plan for Sustainable Local Development and Decentralization	x	x	x	UNDP MLSG	EU GOV UNDP	Expertise, translation, services, conference, consultative events, workshops	$93,223.76
	1.2 Activity: Monitoring and evaluation of local service delivery	x	x	x	UNDP MLSG Municipalities	EU GOV UNDP	International& local expertise, translation costs, travel costs	$151,758.80
	1.3 Activity: Innovative and improved service delivery by LSGUs	x	x	x	UNDP MLSG Municipalities	EU GOV UNDP	Secondary procurement, reports	$1,303,246.86
	1.4 Activity: IT solutions for local administrative procedures and processes	x	x	x	UNDP MLSG Municipalities	EU GOV UNDP	Software, hardware	$112,034.52
	MONITORING	x	x	x	UNDP	EU GOV UNDP		
	Sub-Total for Output 1							**$1,660,263.93**

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[4] Cost definitions and classifications for programme and development effectiveness costs to be charged to the project are defined in the Executive Board decision DP/2010/32

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

Output	Activity			Implementing Partners	Funding	Description	Budget
Output 2 *Municipalities are enabled to easily accept and smoothly incorporate the additional competences to be transferred by the central government* *Gender marker: GEN2*	2.1 Activity: Preparation of a comprehensive Assessment Report and enacting further improvements to the existing local social services and outsourcing framework (covering, among others, inter-municipal cooperation, reinventing the role of the neighbourhood units, concessions, deinstitutionalization and public private partnerships)	x	x	UNDP MLSG Municipalities	EU GOV UNDP	expertise per-diem, travel, translation	$98,175.97
	2.2 Activity: Support to establishment of local integrated and inclusive development frameworks	x	x	UNDP MLSG Municipalities	EU GOV UNDP	Expertise, translation	$75,428.06
	2.3 Activity: Integration of all generated training materials, best practices and information on project activities into an e-Knowledge Platform on Local Development	x	x	UNDP MLSG	EU GOV UNDP	Software, hosting	$32,654.55
	MONITORING	x	x	UNDP	EU GOV UNDP		
Sub-Total for Output 2							**$206,258.58**
Output 3 *Ministry of finance and selected municipalities are enabled to continue the fiscal decentralization process (by improving tax collection and financial performance)* *Gender marker: GEN2*	3.1 Activity: Enabling the Ministry of Finance and selected municipalities to issue municipal bonds to finance priority capital investment projects	x	x	UNDP MF Municipalities	EU GOV UNDP	Expertise	$86,140.69
	3.2 Activity: Preparation and delivery of a comprehensive capacity development Program for all 81 LSGUs, covering efficient tax collection, stable financial management and internal financial control	x	x	UNDP MF Municipalities	EU GOV UNDP	Expertise, training, workshops, travel	$208,975.08
	3.3 Activity: Comparative Analysis of Local Revenue Systems in EU Countries and Feasibility Study on New and Applicable Municipal Revenue Instruments in the Country Context	x	x	UNDP MF Municipalities	EU GOV UNDP	International and local experts, translation	$42,537.51
	MONITORING	x	x	UNDP	EU GOV UNDP		
Sub-Total for Output 3							**$337,653.28**

Output 4	4.1. Activity: Equal opportunities and non-discrimination; Environment and climate change; Minorities and vulnerable groups; Civil society/Stakeholders Involvement	x	x	x	UNDP	EU GOV UNDP	Salary, office costs, equipment	$472,662.13
Cross-cutting								
Gender marker: GEN2	MONITORING	x	x	x	UNDP	EU GOV UNDP		
	Sub-Total for Output 4							$472,662.13
TOTAL								$2,676,837.83

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VIII. GOVERNANCE AND MANAGEMENT ARRANGEMENTS

Project Organisation Structure

Project Board (Governance Mechanism)		
Senior Beneficiary Ministry of Local Self-Government (leading institution) Ministry of Finance Municipalities (represented by ZELS)	**Executive** UNDP Deputy Resident Representative	**Senior Supplier** CFCD and UNDP Secretariat for European Affairs European Union (observer)

Project Assurance
UNDP Programme Analyst
Good Governance Unit

Project Office
Project Manager
Project Assistant
Monitoring/Communi cations Officer
Project Specialist

Project Support
UNDP Operations Department (finance and HR)

CTA, Team of consultants (3 international and 3 national key experts)

The Project's day-to-day implementation will be carried out by the Project Office composed of a Project Manager, Monitoring and Communications Officer, Project Specialist (Local Government and Decentralization), and a Project Assistant, supported by programme and operational teams.

UNDP's direct staff costs will be charged, as outlined in the project document and budget, for the time directly attributable in the implementation of action. Financial transactions and financial statements shall be subject to the internal and external auditing procedures laid down in the Regulations and Rules of UNDP.

The Monitoring and Communication Officer will ensure proper visibility of the action in line with the Joint Visibility Guidelines for EC-UN Actions in the Field.

Additional support shall be provided by the individual consultants (key and the non-key experts) who will be hired to additionally strengthen project implementation capacities of UNDP.

Ownership of equipment, supplies and other properties financed from the contribution shall vest in UNDP. Matters relating to the transfer of ownership by UNDP to the national partners shall be determined in accordance with the relevant policies and procedures of UNDP.

The project will be implemented in the period of 30 months which is considered as optimal for completion of all project activities.

IX. LEGAL CONTEXT

This project document shall be the instrument referred to as such in Article 1 of the Standard Basic Assistance Agreement between the Government of Former Yugoslav Republic of Macedonia and UNDP, signed on 30th October, 1995. All references in the SBAA to "Executing Agency" shall be deemed to refer to "Implementing Partner."

This project will be implemented by UNDP in accordance with its financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP. Where the financial governance of an Implementing Partner does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, the financial governance of UNDP shall apply.

X. RISK MANAGEMENT

Option b. UNDP (DIM)

1. UNDP as the Implementing Partner will comply with the policies, procedures and practices of the United Nations Security Management System (UNSMS.)

2. UNDP as the Implementing Partner will undertake all reasonable efforts to ensure that none of the [project funds][6] [UNDP funds received pursuant to the Project Document][7] are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

3. Social and environmental sustainability will be enhanced through application of the UNDP Social and Environmental Standards (http://www.undp.org/ses) and related Accountability Mechanism (http://www.undp.org/secu-srm).

4. UNDP as the Implementing Partner will: (a) conduct project and programme-related activities in a manner consistent with the UNDP Social and Environmental Standards, (b) implement any management or mitigation plan prepared for the project or programme to comply with such standards, and (c) engage in a constructive and timely manner to address any concerns and complaints raised through the Accountability Mechanism. UNDP will seek to ensure that communities and other project stakeholders are informed of and have access to the Accountability Mechanism.

5. All signatories to the Project Document shall cooperate in good faith with any exercise to evaluate any programme or project-related commitments or compliance with the UNDP Social and Environmental Standards. This includes providing access to project sites, relevant personnel, information, and documentation.

6. UNDP as the Implementing Partner will ensure that the following obligations are binding on each responsible party, subcontractor and sub-recipient:

    a. Consistent with the Article III of the SBAA *[or the Supplemental Provisions to the Project Document]*, the responsibility for the safety and security of each responsible party, subcontractor and sub-recipient and its personnel and property, and of UNDP's property in such responsible party's, subcontractor's and sub-recipient's custody, rests with such responsible party, subcontractor and sub-recipient. To this end, each responsible party, subcontractor and sub-recipient shall:

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[6] To be used where UNDP is the Implementing Partner

[7] To be used where the UN, a UN fund/programme or a specialized agency is the Implementing Partner

i.   put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;

ii. assume all risks and liabilities related to such responsible party's, subcontractor's and sub-recipient's security, and the full implementation of the security plan.

b.   UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of the responsible party's, subcontractor's and sub-recipient's obligations under this Project Document.

c.   Each responsible party, subcontractor and sub-recipient will take appropriate steps to prevent misuse of funds, fraud or corruption, by its officials, consultants, subcontractors and sub-recipients in implementing the project or programme or using the UNDP funds. It will ensure that its financial management, anti-corruption and anti-fraud policies are in place and enforced for all funding received from or through UNDP.

d.   The requirements of the following documents, then in force at the time of signature of the Project Document, apply to each responsible party, subcontractor and sub-recipient: (a) UNDP Policy on Fraud and other Corrupt Practices and (b) UNDP Office of Audit and Investigations Investigation Guidelines. Each responsible party, subcontractor and sub-recipient agrees to the requirements of the above documents, which are an integral part of this Project Document and are available online at www.undp.org.

e.   In the event that an investigation is required, UNDP will conduct investigations relating to any aspect of UNDP programmes and projects. Each responsible party, subcontractor and sub-recipient will provide its full cooperation, including making available personnel, relevant documentation, and granting access to its (and its consultants', subcontractors' and sub-recipients') premises, for such purposes at reasonable times and on reasonable conditions as may be required for the purpose of an investigation. Should there be a limitation in meeting this obligation, UNDP shall consult with it to find a solution.

f.   Each responsible party, subcontractor and sub-recipient will promptly inform UNDP as the Implementing Partner in case of any incidence of inappropriate use of funds, or credible allegation of fraud or corruption with due confidentiality.

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

g.   *Choose one of the three following options:*

Each responsible party, subcontractor or sub-recipient agrees that, where applicable, donors to UNDP (including the Government) whose funding is the source, in whole or in part, of the funds for the activities which are the subject of the Project Document, may seek recourse to such responsible party, subcontractor or sub-recipient for the recovery of any funds determined by UNDP to have been used inappropriately, including through fraud or corruption, or otherwise paid other than in accordance with the terms and conditions of the Project Document.

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

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

h. Each contract issued by the responsible party, subcontractor or sub-recipient in connection with this Project Document shall include a provision representing that no fees, gratuities, rebates, gifts, commissions or other payments, other than those shown in the proposal, have been given, received, or promised in connection with the selection process or in contract execution, and that the recipient of funds from it shall cooperate with any and all investigations and post-payment audits.

i. Should UNDP refer to the relevant national authorities for appropriate legal action any alleged wrongdoing relating to the project or programme, the Government will ensure that the relevant national authorities shall actively investigate the same and take appropriate legal action against all individuals found to have participated in the wrongdoing, recover and return any recovered funds to UNDP.

j. Each responsible party, subcontractor and sub-recipient shall ensure that all of its obligations set forth under this section entitled "Risk Management" are passed on to its subcontractors and sub-recipients and that all the clauses under this section entitled "Risk Management Standard Clauses" are adequately reflected, *mutatis mutandis*, in all its sub-contracts or sub-agreements entered into further to this Project Document.

XI.   ANNEXES

1. **Project Quality Assurance Report**

2. **Social and Environmental Screening Template** [English][French][Spanish], including additional Social and Environmental Assessments or Management Plans as relevant. *(NOTE: The SES Screening is not required for projects in which UNDP is Administrative Agent only and/or projects comprised solely of reports, coordination of events, trainings, workshops, meetings, conferences, preparation of communication materials, strengthening capacities of partners to participate in international negotiations and conferences, partnership coordination and management of networks, or global/regional projects with no country level activities).*

3. **Risk Analysis**. Use the standard Risk Log template. Please refer to the Deliverable Description of the Risk Log for instructions

4. **Capacity Assessment:** Results of capacity assessments of Implementing Partner (including HACT Micro Assessment)

5. **Project Board Terms of Reference and TORs of key management positions**