



Project: PIMS 00081610

“Local Action for Inclusive Development” – Local Development Programme

2014 ANNUAL REPORT

Implementing Partner: UNDP

Government Counterpart: Ministry of Local Self-Government

Project start date: 01 September 2012

Project end date: 31 December 2015

Total budget of the project:

Planned: 51,351.00 USD (Year 3/2014)

Last revision: 106,986.00 USD

Reporting period: 01 January 2014 – 31 December 2014

TEXTUAL ASSESSMENT

1. *What are the major achievements of the programme or project vis-à-vis the expected results during the year under review? To the extent possible, include an assessment of the potential impact, sustainability and contribution to capacity development.*

The UNDP Local Development Programme promotes integrated territorial development and an area-based approach that encompasses a policy mix of employment generation, environmental protection and social cohesion measures, while supporting good governance processes at local and regional level.

This project specifically aims at:

- Enhancing local good governance mechanisms and processes and improving overall service delivery to citizens at planning region level;
- Applying innovative instruments for securing sustainable growth and
- Balancing the local and regional economic development by implementing effective social cohesion and environmental protection measures.

For the project initiation phase the Vardar Planning Region was selected as a pilot region and partnership was established with the Center of the Vardar Planning Region.

Output 1 – Enhanced good governance mechanisms and processes and improved overall service delivery performance of the institutional network at planning region level and in the selected municipalities

Support for the policy work in the area of decentralization:

The integral Report on the Status of the Implementation of the Decentralization Programme 2011 – 2014 was printed and disseminated. The e-version of the Report also contains: the 2013 Decentralization Conference proceedings; the 2013 Decentralization Round Tables proceedings; the Municipal Decentralization Survey Report and all applied research/surveying tools.

Municipal civil servants from the Local Economic Development (LED) units of 13 municipalities were supported to participate at the training course on LED of the Faculty of Economy in Skopje (delivered in November – December 2014) and gain corresponding certificates. In that way, the Project concretely responded to the expressed need of the local civil servants for gaining more specialized knowledge and skills for managing the LED. The training course was structured along four priority topics: 1) the roots and economic basis of the LED; 2) LED strategic planning; 3) IMC as an instrument for affirmation of LED and 4) the regional policy and LED in the country. As part of the training all participants prepared project concepts focused on LED and applicable to their municipality specific context.

Support for the policy work in the area of fiscal decentralization:

Two local experts were hired and the Ministry of Finance was assisted in undertaking policy research that contributed for the preparation of 2013 Annual and 2014 Semi-Annual report on the implementation of the fiscal decentralization process and a comparative review and analyses of the fiscal decentralization process and financing of the municipalities in the country, the SEE countries and selected number of EU member states. In addition, a workshop with the State Commission for Following the Municipal Financing was held on 22 December 2014 for presentation of the findings.

The purpose of the 2013 Annual and 2014 Semi-Annual report on the implementation of the fiscal decentralization process was to present and analyze fiscal data of the municipalities in the country and to compare it with the data from the previous year, 2012 and the first half of 2013. The adopted methodology for preparation of the Report is a continuation of the methodology used in the previous reports from 2011 and 2012, including segmentation of municipalities by type, in terms of rural/urban landscaping, where the data on urban and rural municipalities and the City of Skopje with its municipalities is separately addressed. More specifically, the 2013 Report has the following structure:

- LGUs' revenues in 2013
- Tax revenues
- Borrowing of municipalities in 2013
- LGUs' expenditures in 2013
- Expenditures by Programmes
- Transfers from central government
- Assessment of the situation of fiscal decentralization in the country
- Key indicators for decentralization assessment
- Comparative analysis with the EU-27 and Western Balkans countries
- Conclusions and recommendations

The key findings of the 2013 Annual Fiscal Decentralization Report were also presented in an infographics format.

The comparative review and analyses of the fiscal decentralization process and financing of the municipalities in the country, the SEE countries and selected number of EU member states was prepared for the first time (in an integrated manner) since the beginning of the decentralization process.

Regarding the country, data from 2008 to 2013 was provided by the Treasury of the Ministry of Finance. Additional data for completion of the review was collected from the IMF, World Bank, Eurostat and OECD.

The aim of the review was to analyze the dynamics of public finance at the local level in the country and to consider in more detail the municipal tax revenues in order to make appropriate comparisons with other countries. Hence, the focus of the review was put on the revenue side of local finances, and especially the part of the municipal own revenues.

Output 2 - Applied innovative instruments for securing sustainable growth

Provision of guidance and support for implementation of the 2014 – 2016 Programme of the Network for Inclusive Development of the Vardar Planning Region

During the session of the Network for Inclusive Development of the Vardar Planning Region held on 22 May, 2014, Amendment of the initial Project Cooperation Agreement with the Centre for Development of the Vardar Planning Region was signed. The amendment stipulated the mutual responsibilities for implementation of the priority activities in 2014 and the modes of financing from the project budget, the savings achieved by the CDVPR from the UNDP grant and the budget of the CDVPR for 2014.

During the meeting of the Network for Inclusive Development of the Vardar Planning Region held on 23 September, 2014 in Veles, a Letter of Agreement was signed with the Centre for Development of the Vardar Planning Region for the new activity "Design and Implementation of a Social Marketing Campaign for employing 5 best students from the region in the companies from the region". The implementation of the activity was supported with additional TRACK funds allocated to the LD Programme at the beginning of September 2014. One workshop and one creative session were held at the beginning of November 2014 for co-designing the Social Marketing Campaign with the students and the private sector representatives. Through a transparent process 23 best students from the region were identified and given the opportunity to present themselves (through a video recorded presentations) to the enterprises and other stakeholders¹ from the Region during the "Partners Day" of the Vardar Planning region, held on 3 December, 2014.

Preparation of the concept for the activity "Creation of electronic portal for youth in the Vardar Planning region" was initiated by the project team and the Centre for development of the Vardar Planning Region. Local IT expert (Web Developer) was recruited and the web portal "www.mladvpr.mk" (temporary hosted at <http://vpr.artistica.com>) was designed in December 2014. The electronic portal that is to be administered by the CDVPR contains information about institutional support for young people, as well as the participation opportunities for youth in the local governance.

Due to the allocation of additional TRACK funds in the project (September 2014), consultations were held with the Center for Development of the Vardar Planning Region and Mr. Slavcho Chadiev (President of the VPR Council and Mayor of Veles municipality) and it was agreed a concept for establishing a joint working body as a form of inter-municipal cooperation to provide care for the vulnerable groups in the municipalities of Veles, Kavadarci, Gradsko, Rosoman and Caska to be prepared and the intervention to be co-financed with identical funds provided by the municipalities of Veles and Kavadarci. The project team drafted a ToR and initiated a procedure for recruiting a local expert for collecting information on which vulnerable groups will be concretely targeted and the scope of the services addressed through this form of inter-municipal cooperation. During the "Partners Day" of the Vardar Planning region held on 3 December 2014 a Letter of Agreement was signed for realization of activities by the CDVPR for establishment of inter-municipal cooperation for provision of care to vulnerable groups in the municipalities of Veles, Kavadarci, Gradsko, Chaska and Rosoman and for addressing the priority needs of people with disabilities.

The reconstruction works of the seat of the Network of the VPR in Veles were completed and officially opened during the "Partners Day" of the Vardar Planning region. UNDP funds from the Local Development Programme and additional funds of the CDVPR were used to refurbish

¹ The 2014 "Partners Day" was attended by over 100 participants representing various ministries (local self-government, agriculture, economy, etc.), state agencies (regional development, energy, entrepreneurship, etc.); the chambers of commerce; mayors, presidents of municipal councils and municipal councilors, local private sector representatives and NGO's; donor community and UNDP staff.

the premises, renew its façade and providing greenery and pavement for the entrance area and to purchase furniture, and IT equipment. The right to use the ground floor of the former object of the Radio Veles was transferred to the Network with a decision of the Council of the Veles municipality.

The objective of the second (annual) "Partners Day" of the Vardar Planning region was to recognize the partnership initiatives and efforts of the regional stakeholders (mayors, local officials, civil society and the business sector), to praise the results achieved and encourage the partners to continue and further upgrade this approach. The vehicle for promotion are the achieved results in a period of 12 months since the establishment of the Network. So far, the Network succeeded to mobilize USD 150 000 from different sources, additional to the core funding of USD 150 000 provided by UNDP, the CDVPR and the municipalities from the VPR. 6 out of 26 collective actions listed in the Network Programme of Work are implemented, additional 3 are under implementation and project proposals were submitted for funding of two more actions. This event also aimed at helping the Network to continue mobilizing funds for implementation of the rest of the collective measures that directly or indirectly target the lack of service provision, stagnating economic development (the VPR is ranked at the 7th place among the eight planning regions in the country) and consequently high unemployment and migration rates, social exclusion and environmental challenges.

Provision of guidance and support for Joint Administrative Unit for Energy Efficiency of the Vardar Planning Region

Consultations were held with the Head of the Joint Administration for EE of the Vardar Planning Region and the Center for Development of the Vardar Planning Region and it was agreed as a priority activity for 2014 solar panels to be purchased from the project budget for several kindergartens and clones of primary schools in all nine VPR municipalities. Preparation of the concept for this intervention was initiated and 16 solar panels were purchased and installed in:

- Veles - Kindergarten "Dimce Mircev": clone 3 – "Todor Janev" str. and clone 5 – "Kiril and Metodij" str. (two collectors);
- Caska - Elementary school "Petar Pop Arsov" (one collector).
- Gradsko - Kindergarten "Dimce Mircev": clone 7 "Kokicinja" in Gradsko (two collectors);
- Lozovo - Kindergarten "Rahilka Goneva": clone in the municipality of Lozovo and elementary school "Metodija Milevski" (two collectors);
- Rosoman - Kindergarten "Praskicka" and the elementary school "Pere Tosev" (two collectors);
- Kavadarci - Kindergarten "Rada Poceva": clone "Detelinka" – "Nako Lazovski" str. and clone "Izvorce" – "Mosa Pijada" str. (two collectors);

- Negotino - Kindergarten "Femo Kulakov": clone "Majski Cvet" – "Kiro Krstev" str. and clone "Prolet" – "Leninova" str. (two collectors);
- Demir Kapija - Kindergarten "Boris Trajkovski" (one collector); and
- Sveti Nikole - Kindergarten "Rahilka Goneva": clone at the – "Koco Racin" str., no. 41 and clone at the "Veljko Vlahovic" str. (two collectors);

Output 3 – Balanced local and regional economic development through implementation of effective environmental protection and social cohesion measures

Support to capacity development and analysis related to the Chapters 11, 12 and 22 of the EU acquis and down streaming of the policy action

On 24 – 28 March 2014 a mission of a Croatian expert on the Chapter 12 was realized in close cooperation with the national Food and Veterinary Agency. The aim of the mission was to transfer, by means of learning by doing, specific Croatian experience and knowledge on compulsory notification of diseases. Analysis of Macedonian legislation in place were done jointly with the FVA staff and assistance was provided for drafting the national legislation according to Council Directive 82/894/EEZ on the notification of animal diseases with annexes for national purposes and the Epidemiological investigation check list in case of suspicion or confirmation of Tuberculosis occurrence

Training was delivered to the NID of VPR members by the UNDP experts from the CO in Zagreb on "EU funds – country context: How should municipalities prepare for EU funds and other investment funds (donor and domestic funds); and "Experiences and observations from filed work with the Croatian local authorities through years before after accessions – practices".

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Infographics of the most relevant achieved results of the Local Development Programme in 2013 was designed and printed.

Outcome 4: Monitoring, learning, adaptable interaction and evaluation

The Project Board (PB) was not established since the project is still in its initiation phase.

The rationale for extending the initiation phase is multipronged. On the one hand, the project remains in its initiation modality, as it manages relatively small amounts of funding (mainly UNDP TRAC) that arrive in the project in a number of slots that cannot be predicted in advance. At the same time, this initiation action proved to serve as an excellent vehicle to keep UNDP in the LD space and also trigger mobilization of additional funds. We have mobilized 2.3 mill EUR for an IPA funded project on Decentralization that is supposed to absorb the activities implemented through this initiation phase. With the IPA Procurement Plan of the CFCD (MF) the start-up date of the IPA project is set for the 4th quarter of 2015. Therefore, the continuation of

this initiation phase and its modus operandi will serve as a bridge till the above mentioned initiatives become operational and vibrant to absorb it.

In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project was monitored on a quarterly basis. Three quarterly reports were produced and provided a quality assessment that recorded the progress towards the completion of key results, based on quality criteria and methods captured in the Quality Management Module in ATLAS. Based on the initially identified risks, the risk log in Atlas was regularly updated by reviewing the external environment that may affect the project implementation.

Based on the above information recorded in ATLAS, the third annual/2014 Review Report and 2014 AWP were prepared by the Project Manager.

Project Evaluation will be undertaken one year after the end of the project.

Outcome 5: Project management

The project office was located in the UNDP CO in Skopje and strong local/regional presence and visibility of the project was secured by the Office of the CDVPR located in Veles.

The implementation of the Project was managed by in-house capacities, mainly through Decentralization and LD Initiatives Coordinator and the IMC specialists and in very close collaboration with the assigned staff of the Centre for Development of the Vardar Planning region, the Ministry of Local Self-Government and the Ministry of Finance.

The procurement of key services from other individual consultants and companies regarding the preparation of the key deliverables of the project went smoothly over the whole duration of the Project.

For this project, Direct Implementation Modality (DIM) was used including direct payment modality according to the activity at hand and the responsible party. The project had annual level of delivery of 97,71 % (Track funds) and 53,31% (VPR municipalities contribution - out of the available USD 16,986.30, USD 7,929.23 were spent and the rest of the funds was replenished for 2015) and it was fully completed in terms of its planned deliverables.

2. What major issues and problems are affecting the achievement of programme or project results?

The extraordinary parliamentary elections that were held in April 2014 caused delays in the implementation of the activities. New Minister of LSG and new Deputy Minister of LSG were appointed at the end of June 2014, staff changes were made in the Minister Cabinet and the the mandate of the MLSG State Secretary was confirmed in September 2014. Most of July 2014 was spent on introducing the new leadership of the Ministry in the objectives of the project and the planned activities as well as in presenting the achieved results and planning the forthcoming activities.

Regarding the administration of the electronic portal for youth in the Vardar Planning region "www.mladvpr.mk" the project team and the CDVPR made an attempt to identify COs from the region that are pro-active towards the needs of the young people and would be interested for co-administrating the portal. Until the end of the year positive response was not received and inviting the group of 23 best students to overtake part of the portal administration responsibilities on voluntary basis was considered as possible alternative.

The reconstruction works of the seat of the Network of the VPR in Veles were completed mainly with additional funds provided by the municipality of Veles and the CDVPR due to the lack of interest of the business community of the region to provide the full contribution, besides the fact that one of the offices was offered free of rent to the regional branch of the Chamber of Commerce.

Contributions for salaries of the two employees of the Joint Administration for EE of the Vardar Planning Region are mainly secured from the host municipality of Negotino and not from the rest of the municipalities that is a contractual obligation between the municipalities. This might negatively impact the sustainability of the operations of the unit.

The intensity of support to capacity development and analysis related to the Chapters 11, 12 and 22 of the EU acquis compared to the previous year significantly decreased due to the lack of funds and the closure of the project that supported the facility located in the UNDP Zagreb office. Additional factor are the prospects for opening of the negotiations of the country with the EU/EC that are still deadlocked.

3. How should these issues or problems be resolved? Please explain in detail the action(s) recommended. Specify who should be responsible for such actions. Also indicate a tentative time-frame and the resources required.

The CDVPR and the VPR municipalities as well as the Ministry of Local Self-Government and the Ministry of Finance designated permanent project counterparts thus enabling effective and efficient coordination of the project activities.

Throughout the process of implementation of the activities, the project team made all efforts to ensure full ownership on the process by the national and the local stakeholders. Various opportunities were provided to the national and local counterparts for providing their inputs.

4. What new developments (if any) are likely to affect the achievement of programme or project results? What do you recommend to respond to these developments?

Even being in its initiation phase, the successful implementation of the project activities in the year 1/2012 and year 2/2013 contributed for mobilization of additional USD 270,000.00 from the MLSG for 2015 that due to administrative reasons are implemented through a separate

project ("Innovative Solutions for Improved Access to Local Services") that has same objectives as the Local Development Programme. The previous MLSG allocation of funds in amount of USD 0,5 mil. (for 2014) was utilized for upscaling of the most of the activities from the Local Development Programme and in that way helped in achieving the planned project outcomes.

The project team in cooperation with the local and national project partners initiated several fundraising activities directed to the UNDP OSLO Governance Centre, the UNDP RBEC and the Czech Trust Fund, the SDC, the EUD/IPA and other funding sources including the State Budget.

**5. What are the views of the target groups with regard to the programme or project?
Please note any significant gender-based differences in those views.**

All project partners including the CDVPR, the VPR municipalities, the MLSG and the MF, manifested strong commitment to the project.

Evidence on the realized activities and achieved project results can be witnessed in the numerous published web stories on the key project activities.

6. To date, what lessons (both positive and negative) can be drawn from the experience of the programme or project?

Compared to 2013 the range of the project activities in 2014 was reduced mainly due to the start of the implementation of a separate project funded by MLSG that addressed the challenges of the decentralization process and the implementation of the local and balanced regional development policies.

Through the Local Development Programme in 2014 UNDP again demonstrated its capability to contribute to very sensitive topics such as the fiscal decentralization by providing the Ministry of Finance with analytical studies and annual progress reports on the status of the fiscal decentralization.

Introduction of two inclusive and partner-based entities in the VPR, namely a Network for Inclusive Development and a Joint Administrative Unit for Energy Efficiency contributed for a qualitative change of the approach towards the local and regional development in the country. These two innovative partnerships that were established with UNDP support have for the first time brought together municipalities, national agencies, economic chambers and civil society around a joint action for development. UNDP's 'branded' concept of inter-municipal cooperation (IMC) was applied in both cases. The Inclusive Development Network of the Vardar planning region was recognized by the Ministry of Local Self-Government as the best inter-municipal cooperation practice and therefore replicated in two more regions. The VPR Network in 2014 mobilized USD 150 000 on the top of the UNDP and MLSG contributions.

In 2014, innovative solutions for delivery of services at planning region level were demonstrated, this time focused on youth. A social marketing campaign for employing best students from the Vardar planning region in the companies from the region and an electronic

portal for youth were designed in a participatory way. These interventions bear huge scaling up and replication potentials. In addition, a concept for establishing the first ever in the country inter-municipal cooperation to provide care for people with disabilities was jointly developed with five municipalities of the Vardar planning region.

7. If the programme or project has been evaluated, what is the implementation status of the recommendations made by the evaluators?

Project Evaluation will be undertaken one year after the end of the project.

8. Do you propose any substantive revision to the programme or project document? If yes, what are they? State justification.

No

9. Provide any other information that may further support or clarify your assessment of the programme or project. You may include annexes as you deem necessary.

N/A



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2nd of April, 2015



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