



2015 - 2020

PROGRAMME

FOR SUSTAINABLE LOCAL DEVELOPMENT

AND DECENTRALIZATION

IN THE REPUBLIC OF MACEDONIA

2015 - 2020

P R O G R A M M E

**FOR SUSTAINABLE
LOCAL DEVELOPMENT
AND DECENTRALIZATION**

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The "2015 - 2020 Programme for Sustainable Local Development and Decentralization in the Republic of Macedonia" has been developed in the frame of the Ministry for Local-Self Government's project "Innovative Solutions for Improved Access to Services at Local Level", implemented by the United Nations Development Programme (UNDP).



Lirim Shabani,
Minister of Local Self-Government

Ladies and Gentlemen,

Behind us is a decade of effective implementation of the decentralization process, in which, in addition to the continuous address of challenges, many new lessons have been learned. Local authorities, the administration and civil society are initiators and implementers of a number of projects within local communities, where they are establishing themselves as major drivers of development in the communities in which they operate.

Taking into account the results achieved and challenges perceived, the 2015-2020 Program for Sustainable Local Development and Decentralization in the Republic of Macedonia ensures a continuous, smart and inclusive approach to the implementation of policies for economic, social and democratic development at the local level in the coming five-year period.

In this programming period, the main goal is to create economically stronger, development-oriented and inclusive Local Government Units able to provide comprehensive, innovative and sustainable local growth and development.

The principles of subsidiarity and participation are even more pronounced as a guarantee that the citizen is going to be not only the user of services, but also an active participant in decision-making at the local level.

Good governance, integrated knowledge-based development through strengthened local competitiveness and innovation, equal access to local services for all citizens, as well as social welfare and responsible use of natural resources are the four key pillars of the Program, which will determine the measures and activities for realization of the progress planned in the next programming period.

This Program, sixth in a row, is mainly oriented towards the support of policies for development of a local knowledge-based economy, reduction of poverty and social exclusion, promotion of environmental protection and sustainable local development.

At the same time, it acknowledges the need for further strengthening of local authorities and institutions' capacity as an important factor in the achievement of national priorities and objectives and in meeting the EU accession standards.

In the next programming period, the benefits of the decentralization process implementation will also be fostered and promoted, particularly the democratic practices and maintenance of good community relations as a key government priority.

The first four planning documents were dedicated primarily to the establishment of both legal and institutional frameworks in which the local government system operates, and to the transfer of responsibilities and resources from the state to municipalities. The fifth programming document put its main emphasis on the harmonization of economic and social development at the local level through the implementation of local development policies coordinated with those at the national level.

The current 2015-2020 Program for Sustainable Local Development and Decentralization in the Republic of Macedonia places its emphasis on the coordinated interaction between both national and local policies in the implementation of integrated development projects adapted to local needs and conditions, which should lead to a territorially more balanced local development and thus, to satisfied citizens.

As during the preparation of the Program, I expect its implementation to include all stakeholders such as ministries, local authorities, the administration, civil society and the business sector, all within their competences, powers and capacities to contribute to a more dynamic, inclusive economic and social development.

Lirim Shabani,
Minister of Local Self-Government

The 2015-2020 Programme for Sustainable Local Development and Decentralization in the Republic of Macedonia (hereinafter: the Programme) is the main planning document for further development of local self-government in the country for the next five years. It puts into operation the commitment of the Republic of Macedonia to continue to foster sustainable local development, good local governance and creation of conditions for a more active, more effective and innovative role of local authorities in the achievement of national growth and development goals.

Since 1999 up to the present, this Programme has been the sixth consecutive planning document devoted to the further development of decentralized power in the country, showing the continued interest of the Macedonian State in the constant development of local government as a level of government closest to the people.

The first four planning documents were primarily dedicated to the establishment of legal and institutional framework under which the local government system operates and also to the transfer of responsibilities and resources from the State to the municipalities. With the fifth Programme document, which referred to the 2011-2014 period, a new stage in local government reform began, in which the main emphasis was placed on the harmonization of economic and social development at the local level through the implementation of local development policies coordinated with those on a national level. This approach was based on the need for adjustment of national policies to local needs and the application of the multilevel governance model as one of the mechanisms for creation of conditions for the Republic of Macedonia's EU integration.

In the new 2015-2020 Programme, local government sustainable development continues to be a tool for addressing the challenges of local impact on policies relating to the improvement of quality of life, protection and use of natural and cultural heritage, and strengthening the economic, social and territorial cohesion. The basic idea is that better vertical and horizontal coordination of national and local policies and implementation of integrated development projects tailored to local needs and conditions will lead to more balanced, territorially focused local development.

The Programme focuses primarily on supporting the policies for: knowledge-based local economy development, reduction of poverty and social exclusion, environmental protection and sustainable local development promotion. Also, it emphasizes the need to further strengthen local authorities and institutions' capacity as an important factor in the achievement of national priorities and objectives and in meeting the EU accession standards. It will foster and promote the decentralization process implementation benefits, especially in terms of fostering democratic practices and maintaining good relations between communities.

In drafting the Programme, account was taken of the specificity of Macedonian local government system in terms of size and type of municipalities (urban and rural areas), the quality of infrastructure and services, characteristics of socially marginalized communities, specifics of the labour market, trends associated with population aging and other demographic changes, protection and use of cultural, natural and landscape heritage, climate change impact, the use and limitations of land resources, institutional and administrative features, and the availability and links between rural and urban areas.

In the preparation of this Programme, consideration was also taken of the findings and recommendations of the document of the Council of Europe's Congress of Local and Regional Authorities entitled "Local Democracy in Macedonia" of 26 February, 2013, and the European Commission's 2014 Report on the Republic of Macedonia which identified the need in the coming period to provide:

- ▣ adequate resources to support local development;
- ▣ transparent allocation of capital grants to municipalities; and
- ▣ financial sustainability for the performance of responsibilities devolved to municipalities.

Local Government Organization and Operation - Current Situation



Local government is one of the fundamental values of the constitutional order in the Republic of Macedonia. The Constitution contains a set of provisions that define the concept of local government, ensure the independence of municipalities in the exercise of their powers, and the specific status of the City of Skopje as the capital city of the country.

The Republic of Macedonia has a single level local government. Under the Law on Territorial Organization of Local Government in the Republic of Macedonia («Official Gazette» no. 55/04; 12/05; 98/08; 106/08; 149/14), local government in the Republic of Macedonia is territorially organized into 80 municipalities and the City of Skopje as a separate Local Government Unit, which results from the character of the City of Skopje as the capital city of the Republic of Macedonia. 34 Local Government Units are based in cities, while the remaining 46 are based in villages. All municipalities, except a few, cover areas with several settlements. Municipalities perform their responsibilities through bodies elected directly by the citizens for a term of four years. Municipal bodies include: the Council and the Mayor. The Municipality may establish forms of local government, such as: in cities - urban communities; in villages - local communities.

According to the State Statistical Office's population estimates in 2013, the total population in the country is 2,064,032¹. Demographic indicators show significant differences suggesting disparities in the population's territorial distribution. 57.8% of the overall population lives in cities, where the largest concentration is seen in the City of Skopje and 13 other cities across the country inhabited by more than 50,000 people. Quite a few of rural settlements have a distinctively small population and soon, due to their unfavourable age structure (elderly population), the likelihood of their remaining without a single resident will be rather high.

Municipalities are responsible to perform activities in the following areas: urban (urban and rural) planning, the issuance of permits for construction of buildings of local importance established by law, landscaping and

¹ The population is calculated based on the results of the 2002 Population Census, i.e. the data on both natural growth and mechanical growth.

construction land development; environment and nature protection; local economic development; utilities; culture; sport and recreation; social welfare and child protection; primary and secondary education; health care; protection and rescue of citizens and goods; fire protection; and other statutory duties. Data from the Survey on Local Governance and Local Service Delivery conducted by the Ministry of Local Self-Government at the end of 2013 indicates that some municipalities do not provide all public services specified by law, which is especially pronounced in the area of the so-called utilities².

Municipalities perform their responsibilities through their municipal administration by establishing local public enterprises and public institutions, and they can also delegate the performance of certain activities to other legal entities or individuals, based on a contract for execution of works in the public interest, in accordance with the law. For more efficient and cost-effective performance of their powers and in order to achieve their common interests and goals, two or more municipalities can establish inter-municipal cooperation.

The total number of employees in the municipal administration in 2013 was 3427, which is by 635 employees or 8% more than in 2011.

According to the data on municipalities' expenditures in 2013 (accounting for 6% of GDP), the Republic of Macedonia has joined the group of decentralized countries. Today, compared to 2005, total municipalities' revenues are increased five times (in 2005, 5.9 billion denars were realized, while in 2013, there were 28.2 billion denars). In the same period, tax revenues which the Municipality has the autonomy to collect³ more than doubled. The 1% share of local taxes of GDP in 2006 increased to more than 1.5% in 2013. During 2014 and in the medium term, municipalities are expected to continue the trend of improved own revenue collection, capacity building in terms of policy-making on municipal funding and

² Those are primarily the services of: collection and treatment of wastewater and storm water; public cleaning; cemeteries; public markets; public parking lots; local public passenger transport; regulation of traffic regime; construction and maintenance of street traffic signs; and chimney sweeping.

³ Own sources of income for the Municipality include local taxes, charges and fees determined by law, disposed of by the Municipality independently. Municipalities are financed by grants from the State and other sources of income in accordance with the law, and also they have the right to borrow from domestic and foreign capital markets under the law.

financial management capacity building. In the 2016-2018 period, additional revenue for municipalities will be provided (from the VAT grant, some part of the lease of agricultural land owned by the Republic of Macedonia, and some part of the fee charged for the issuance of concessions for power generation from the use of water resources).

The results of the Survey of Citizens' Satisfaction with the services provided by local governments, conducted in November 2014, indicate that citizens are generally satisfied with the services provided by local authorities, especially in the areas of: fire protection as an area with highest scores; primary and secondary education; culture; and sports and recreation. Lower scores were received for services in urbanism and urban planning; utilities⁴; social welfare; environmental protection; and health care. The lowest scores were given to:

- ▣ local economic development, particularly in the area of activities to increase employment;
- ▣ democracy, transparency and work accountability, especially in the field of information on Municipal Budget spending, tackling corruption and citizen participation in making strategic decisions of local importance.

According to the findings of the Survey of Satisfaction of Mayors, Council Members and Municipal Administration conducted in 2013, most of the Local Government Units surveyed have not adopted integrated Programmes and Action Plans for Local Development, which is a limiting factor for the future development of local government and its joining the achievement of country's macroeconomic objectives, as well as the quality and quantity of local services delivered to citizens.

⁴ Water supply, sewerage, waste management (collection, transport and disposal), local roads and street traffic signs, public street lighting, parking space, traffic regulation and public transport, parks and green areas, consumer markets (green markets), cemetery maintenance, maintenance of river beds, maintenance of irrigation/drainage canals, and dealing with stray animals.



Goals, Priorities and Activities in Programme Implementation

1. Process of Identification of Goal and Objectives and Priorities

The identification of this Programme's main goal and priority axes has been made based on the results of the consultation process⁵ implemented by the Ministry of Local Self-Government, through which the main challenges faced by Macedonian municipalities today were identified. As part of this process the following were organized:

- ▣ Ten thematic roundtables and workshops with representatives of 51 national institutions (ministries, agencies, institutes), both Government Working Bodies related to the decentralization process (the Working Group on Decentralization and the Commission for Monitoring of the Municipal Financing System Development), the 13 committees of the Association of Local Government Units and 15 domestic and foreign experts;
- ▣ Research on the aspects of local governance and local service delivery and the implementation of the 2011-2014 Programme for Decentralization and Local Government Development and its 2012-2014 Action Plan, conducted in 52 municipalities (65%) and the City of Skopje;
- ▣ A Survey of Citizens' Satisfaction with Local Services based on a statistically representative population sample (1,000 respondents), conducted through direct face-to-face interviews;
- ▣ Regular annual surveys of the implementation of the 2011-2014 Programme for the Decentralization Process Implementation and Local Government Development in the Republic of Macedonia for the years of 2012, 2013 and 2014;
- ▣ A regular survey of local authorities' financing in the Republic of Macedonia in 2013 by the Commission for Monitoring of the Development of Municipalities' Financing System;
- ▣ Research of the existing situation with the delivery of local e-services (in 33 municipalities and through on-line monitoring of all municipalities' websites);

⁵ Conducted in accordance with the Methodology for Monitoring the implementation of the 2011 - 2014 Programme for Decentralization and Local Government Development (adopted by the Government of the Republic of Macedonia in November 2012)

- Two conferences on “Decentralization and Local Development through the Perspective of Future EU Membership” organized by the Ministry of Local Self-Government and ZELS as a final annual event to complete the qualitative aspects of the comprehensive research regarding the priority aspects of the decentralization process.

Based on all activities implemented, it was found that Local Government Units are faced with a series of challenges which have different impact on the efficiency and effectiveness of their operations. On the one hand, those are the great social challenges facing the Republic of Macedonia, the wider region of Southeast Europe and the European Union, and before all, the global economic crisis, demographic changes and migration, environmental degradation, climate change and energy use. On the other hand, those are the challenges set by the extent and nature of the decentralization implemented (in all its dimensions), which determines the “space” for municipalities’ action, their ability to act on a local level, their role vis-à-vis other national and international actors and the resources available to them. Ultimately, it is the capacity of each individual municipality, which depends on its specific development potential in terms of human, physical and natural capital, knowledge and institutions.

In determining the goal and objectives of the Programme, the provisions of the following mid-term and long-term national level planning documents have been taken into account:

- The 2015-2017 strategic priorities of the Republic of Macedonia,
- The Government’s 2014-2018 Work Programme,
- The 2015-2017 Fiscal Strategy of the Republic of Macedonia,
- The 2014-2016 Pre-accession Economic Programme,
- The Regional Development Strategy of the Republic of Macedonia (2009-2019),
- The National Strategy for Agriculture and Rural Development (2014-2020),
- The National Strategy for Reduction of Poverty and Social Exclusion in the Republic of Macedonia (2010-2020),
- The 2012 - 2017 Strategy for Culture Development in the Republic of Macedonia,
- The National Strategy for Sustainable Development in the Republic of Macedonia (2009-2030),
- The National Strategy for Protection and Rescue (2014-2018),

- ▣ The Waste Management Strategy of the Republic of Macedonia (2008-2020),
- ▣ The Strategy for Public Administration Reform in the Republic of Macedonia (2010-2015),
- ▣ The 2011-2014 National Water Strategy,
- ▣ The 2009-2020 Industrial Policy of the Republic of Macedonia,
- ▣ The 2012-2020 Innovation Strategy of the Republic of Macedonia,
- ▣ The Strategy for Energy Development in the Republic of Macedonia by 2030,
- ▣ The Strategy on Energy Efficiency Promotion in the Republic of Macedonia by 2020,
- ▣ The Strategy for Utilization of Renewable Energy Sources in the Republic of Macedonia by 2020,
- ▣ The Strategy for Environmental Investments (2009-2013),
- ▣ The Strategy for Environment and Climate (2014-2020),
- ▣ Other mid-term and long-term planning documents for the development of individual sectors.

The definition of priority areas in the Programme is in accordance with the provisions of:

- ▣ The EU 2020 Strategy for achieving “sustainable, smart and inclusive growth”,
- ▣ The Regional 2020 South East Europe Strategy: Jobs and Prosperity in the EU Perspective, and
- ▣ The Instrument for Pre-Accession Assistance (IPA II) - Strategic Indicative EC Document on Macedonia (2014-2020).

2. Goals, Priorities, Expected Results and Indicative Activities

Based on the conditions established, and starting from the fact that strengthening of local authorities and improvement of local economic development in accordance with the principles of subsidiarity and participatory development support social cohesion, democratic development and good inter-ethnic relations, the **main goal of the Programme was identified as follows:**



Creating economically stronger, development-oriented and inclusive Local Government Units able to provide comprehensive, innovative and sustainable local growth and development in their areas of activity”

Activities to achieve the main goal are grouped into four priority axes:

1. Good governance and development of an institutional framework for integrated local growth and development.
2. Encouraging knowledge-based growth through strengthening local competitiveness and innovation.
3. Fostering inclusive growth by providing equal access to local services for all citizens.
4. Promoting sustainable growth through local development based on social welfare and responsible use of natural resources.

These four priority axes are interconnected. Activities towards the objectives of one of the axes will affect the achievement of the objectives of other axes and hence the need for synchronized implementation of this Programme.

The specific objectives, expected outputs and indicative activities for each of the priority axes are elaborated below.

Priority Axis 1: Good Governance and Development of an Institutional Framework for Integrated Local Growth and Development

From a systemic point of view, a particular focus in this Programme is put on improving local service delivery, financial sustainability of municipalities and transparency and accountability in their operations.

Only strong and credible local public institutions can contribute to the prosperity and integration of the Republic of Macedonia into the European Union. In this regard, of particular importance are the activities that support the transformation towards citizen and private sector-oriented local administration that is capable of fully incorporating itself into the European Administrative Space.

Specific objectives:

- ▲ Increase the capacity of local public administration and strengthen the rule of law at the local level, including reducing corruption.
- ▲ Provide adequate own revenues by municipalities, together with predictable and adequate grants, consistent with the principles set out in the EU Charter of Local Self-Government.
- ▲ Ensure a high degree of respect for the principle of subsidiarity through more clear definition of the scope of authority of various levels of government, taking into account municipalities' comparative advantages.
- ▲ Create strong integrative links between the key stakeholders in local growth and development, establish vertical and horizontal synergies and ensure smooth data exchange and mutual information.
- ▲ The measurement of local service providers' performance shall be prevailed by meritocratic criteria and thus a high degree of professionalism and de-politicization of the local administration, public enterprises and institutions shall be achieved.

Expected results:

- ▲ Increased coherence between the laws regulating certain sectors and systemic local government laws,
- ▲ Greater fiscal autonomy and financial sustainability of local governments,
- ▲ Accountable, depoliticized public administration that respects the principle of merit and provides more efficient and better quality public services for citizens and businesses in a transparent and participatory manner,

- ▲ A multilevel governance model established as a prerequisite for integrated programming and planning of local growth and development.

Indicative activities within the priority axis:

- Encouraging more efficient participation of citizens in the local level planning and decision-making process through:
 - ▣ Developing the capacity of local administration to implement mechanisms for proactive communication with citizens and ensuring their continued participation in decision-making on issues of local importance;
 - ▣ Introducing formal procedures regarding the so called “Participatory Budgeting” at the local level and information about the spending of public funds at the local level;
 - ▣ Adequate budgeting for the participatory process by municipalities;
 - ▣ Encouraging the mechanisms for citizen information, especially on issues related to: the delivery of services provided by the Municipality, citizens’ rights to social protection and employment, their obligations under the right of legalization of illegal buildings, etc.;
 - ▣ Encouraging citizens’ direct participation in decision-making on issues of local importance;
 - ▣ Encouraging the work of the Council’s Advisory Bodies (the Commission for Inter-Ethnic Relations and Consumer Council).
- Strengthening the municipal administration’s good governance capacity through:
 - ▣ Introducing procedures and tools for continuous improvement of competencies by local state and public officials through a gradual shift towards e-learning;
 - ▣ Optimal use of the technical and spatial possibilities of ZELS Training Centre by supporting the preparation and delivery of priority thematic trainings according to the knowledge and skills needs assessment of municipal employees.
- Promotion and support for further introduction of integrity systems in all Local Government Units.

- Providing consistent application of the principle of subsidiarity through:
 - ▣ Ensuring a high level of respect for the subsidiarity principle in the distribution of powers between the central government and municipalities in the Republic of Macedonia;
 - ▣ Improving the legal framework for the implementation of “shared” competences (water management, local economic development, social protection and addressing the needs of vulnerable groups, sport and recreation, etc.) and further clarification of the scope and extent of inspection.

- Introducing integrated multi-annual programming and planning of local development through:
 - ▣ The establishment of mechanisms for integrated local development planning as an approach that includes institutions and actors of both levels of government (national and local) and facilitates the feasibility of such policies at the local level (community-driven development);
 - ▣ Strengthening the capacity of the municipal administration and staff in local institutions and public enterprises for integrated local development planning and preparation and implementation of integrated projects in order to strengthen municipalities’ absorption capacity;
 - ▣ Strengthening the capacity of municipalities for medium-term planning of their revenues and expenditures, and implementation of budgets based on multi-annual integrated programmes and plans.

- Programming effective transfers targeted to local priority needs through:
 - ▣ Increasing transparency and improving coordination of local infrastructure projects’ financing through capital grants and Ministries’ investment programmes, taking into account the Planning Regions’ Development Ratio;
 - ▣ Creating optimal statistical and information databases in order to define precise and objective factors/elements of transfer equalization to reduce disparities of revenues for funding of local services in municipalities with lower incomes.

- Providing financial stability for Local Government Units by:
 - ▣ Improving the management of assets and liabilities (collection of own revenues, earmarked spending, internal financial control), as well as managing the municipal debt (municipality borrowing and issuance of guarantees);
 - ▣ Introduction of ISO/CAF standards and standards for obtaining municipalities' international credit rating;
 - ▣ Initiating the process of amending the Law on Enforcement in order for the execution of funds from Local Government Units' accounts not to be made from the funds allocated for employees' salaries and benefits.

- Optimal use of local sources of revenue by:
 - ▣ Improving the records of taxpayers (legal and natural persons) up to a full range of tax base and extending it to include: infrastructure of mobile operators and operators of gas, electric, and warm-water installations;
 - ▣ Consolidating some of the local revenue sources by further clarifying the actions and procedures (the share of street lighting fee collection; funding of fire protection, etc.);
 - ▣ Minimizing municipalities' costs regarding the use of data from records and registers of state administration bodies and other state institutions;
 - ▣ Assessing the justification for the introduction of new tools for local revenue collection;
 - ▣ The utilization of municipal bonds as an alternative and effective form of financing for local services and municipalities' capital infrastructure because of the longer period of repayment compared to bank loans and lower cost of borrowed funds compared to long-term loans.

Priority Axis 2: Encouraging Knowledge-Based Growth through Strengthening Local Competitiveness and Innovation

In order to achieve knowledge-based local growth, it is necessary to provide concrete and continuous support for applied research and innovation in municipalities, both in terms of business activities and local services.

The scope of local responsibilities allows to implement complementary activities for capital infrastructure development, business micro-climate improvement, attracting investment and increasing local economy competitiveness based on comparative advantages and characteristics of each Local Government Unit.

This Programme identifies specific actions to strengthen the role of municipalities in terms of building the innovation capacity of enterprises and supporting entrepreneurship at the local level, as well as to further develop digital society and cultural and creative industries in municipalities in the Republic of Macedonia.

Specific objectives:

- ▲ Enable broad, well-organized and open local level access to education and training of high quality and applicative value in terms of the economic market and the labour market.
- ▲ Create local conditions for the creation of new products/services that generate growth and jobs and help in solving social challenges.
- ▲ Increase local capacity for innovative and more efficient delivery of services of general interest.

Expected results:

- ▲ Education, skills and mobility of young people and adults improved, especially among marginalized and vulnerable population groups in Local Government Units,
- ▲ Applied research and innovation increased in terms of business activities,
- ▲ Innovative and significantly improved services, communication methods, processes and organizational models created in the public sector at the local level,

- ▲ ICT possibilities used to provide timely information for development planning and service provision to citizens and businesses,
- ▲ Transformation of municipalities into single points of contact with citizens in terms of local and other services of state administration bodies,
- ▲ Cultural and creative industries developed in municipalities according to their comparative advantages and characteristics,
- ▲ The number of foreign direct investments increased as a result of the increased involvement of municipalities in the process of attracting such investments,
- ▲ Territorial attractiveness, protection and development of municipalities' territorial capital increased,
- ▲ Profitable business activity volume and sustainability of SMEs and their clusters increased as a result of municipalities' support,
- ▲ More economical and efficient delivery of local services through the application of alternative mechanisms (inter-municipal cooperation, concessions, public-private partnerships, and the devolution of powers to civic associations and foundations).

Indicative activities within the priority area:

- Improving education and skills in Local Government Units through:
 - ▣ The establishment of their closer cooperation with competent national authorities in order to:
 - ▣ exchange information and make assessments of local labour market needs,
 - ▣ design appropriate programmes for development of professional profiles in scarce occupations, and
 - ▣ conduct joint activities for the promotion of programmes for citizens' education and mobility.
 - ▣ The utilization of existing capacities of professional institutions providing adult education, including the establishment of appropriate forms of IMC;
 - ▣ Encouraging people of all ages to acquire new skills, adapt to the changing labour market and make a successful career change;
 - ▣ The promotion of education of young people and disadvantaged groups in the labour market, particularly through the introduction of labour market situation records in their areas and joint implementation of the measures of the Action Plan for Youth Employment.

- Supporting applied research and innovation at the local level through:
 - ▣ Finding the proper productive role for municipalities regarding the implementation of Innovation and Technological Development Fund's programmes and supporting the private sector business activities and encouraging innovative, better quality and more efficient public services at the local level in cooperation with NGOs and the private sector;
 - ▣ Supporting the establishment of functional partnerships between central government and local stakeholders, particularly universities and the private sector for the purpose of applied research, innovation and creation of a local knowledge-based economy;
 - ▣ Increasing the number of municipalities' surveys focused on the advantages of municipalities/functional regions;
 - ▣ The establishment of forms of IMC for the purpose of research and development (innovation).

- Supporting Strategies for Smart Local and Regional Development and gradual transformation of local services into e-services through:
 - ▣ Stimulating innovation and competitiveness through local authorities' customized solutions for e-inclusion, e-transparency and e-governance;
 - ▣ Simplification of processes and procedures for the preparation of local services as a prerequisite for their transformation into e-services;
 - ▣ Providing a high level of institutional interoperability, especially in terms of citizen data provision from official records maintained at both central and local levels;
 - ▣ Creating functional municipal service centres as single points of contact with citizens in terms of local and other services of state administration bodies;
 - ▣ Developing an e-municipality and encouraging the use of digital technologies at the local level (internet portals, data-sharing platforms, i.e. dashboards, creating and updating electronic and publicly available data catalogues generated by municipalities, i.e. the big/open data concept, mobile phone applications connected to local services and utilization of social media for improved local service delivery);
 - ▣ Demonstrating the concept of "smart cities" in major urban centres with an emphasis on local service integration and modernization (digitization and networking);

- ▣ Strengthening the capacity of employees in the municipal administration, local institutions and public companies for the preparation and delivery of e-services;
 - ▣ Developing a methodology for measuring the cost/benefit ratio of the introduction of local e-services, including regular measurement of user satisfaction with municipal services, those delivered in a traditional way and e-services, in order to evaluate the usefulness of such services for citizens against the investment made;
 - ▣ Expanding the ongoing activities to support the opening of publicly available and free internet points for using e-services in rural municipalities, and improving digital literacy and skills for ICT and Internet use, particularly among vulnerable groups;
 - ▣ Gradual digitization of priority local services in accordance with the needs expressed by municipalities.
- ▣ Developing cultural and creative industries in municipalities through:
 - ▣ Mapping and preparation of registers on the potential for rural tourism development and economic development of rural areas with the aim to make them attractive for rural population to remain and migrated persons and families to return;
 - ▣ Establishing partnerships and territorial networks in municipalities with rural character to promote comparative advantages of rural areas by including municipalities, central government institutions, tour-operators and rural tourism facility owners;
 - ▣ Promoting innovative local rural development concepts by supporting the implementation of integrated projects and activities for the development of rural tourism;
 - ▣ Continuous support for the establishment of Local Action Groups and the implementation of priority rural development activities under Rural Development Strategies;
 - ▣ “Environmental labeling” of facilities as an opportunity to increase the attractiveness of tourist sites.
 - ▣ Strengthening investment activities and attracting FDIs at the local level by:
 - ▣ Supporting municipalities to develop industrial and “green” development zones and promote them, including support for the collaboration between Technological and Industrial Development Zones (TIDZ) and municipalities through:
 - ▣ Developing joint programmes to attract both foreign and domestic investors;

- ▣ Identifying comparative business advantages and investment marketing in the areas around the Zones.
 - ▣ Supporting the certification of municipalities as “favourable business environments” (a process coordinated by ZELS);
 - ▣ Simplifying the procedure for obtaining approval from the central government and streamlining municipal costs for the preparation and participatory adoption of Urban Plans (as a starting point to accelerate local economic development);
 - ▣ Completing the processes of land restitution and legalization of informal buildings;
 - ▣ Strengthening the capacity of local administration to manage spatial and numerical data and forecasting spatial and socio-economic trends, in accordance with the requirements of the EU INSPIRE Directive;
 - ▣ Improving municipalities’ territorial attractiveness and territorial capital protection and development.
- ▣ Increasing the capacity of municipal administrations and elected representatives regarding issues related to the implementation of effective policies for support of industrial and innovative clusters, entrepreneurship, competitiveness and innovation;
- ▣ Encouraging innovative mechanisms for the provision of public services at the local and regional level through:
 - ▣ Raising the awareness of the importance and role of innovation in creating new innovative ways of local service provision/delivery;
 - ▣ Facilitating cooperation between municipalities by supporting the creation of a new generation of forms of inter-municipal cooperation aimed at achieving smart, integrated and inclusive local development;
 - ▣ Improving the legal framework for inter-municipal and international cooperation of municipalities, and continuous support and promotion of inter-municipal cooperation benefits for the purpose of accelerated local development;
 - ▣ Optimizing the opportunities for outsourcing of local services for more efficient and economical performance of competences by municipalities through concessions, public-private partnerships, and the devolution of powers to civic associations and foundations.

Priority Axis 3: Fostering Inclusive Growth by Providing Equal Access to Local Services for All Citizens

Achieving inclusive local growth and development is a priority axis of this Programme because of the need for the development benefits to be felt by all citizens, regardless of their socio-economic status, gender, ethnicity and religion, especially the marginalized and vulnerable groups.

In accordance with the EU standards and best practices, the existing normative solutions in the Republic of Macedonia provide for complementary involvement of local governments in the social security system, because conditions have been created for the establishment of institutional and non-institutional forms targeted to the specific needs of vulnerable individuals and groups. Hence the need to strengthen the role of local authorities in tackling poverty and social injustice, i.e. build local capacities and resources aimed at building social cohesion and a high degree of tolerance and solidarity in the local community.

Specific objectives:

- ▲ Achieve a high level of social and territorial cohesion, reduce disparities between and within municipalities and raise the quality of life of all citizens,
- ▲ Create an efficient local level public sector capable of dealing with poverty and social injustice, and provide stable and predictable services to citizens and businesses.

Expected results:

- ▲ Sustainable financing of municipal responsibilities in the social sphere and equal access to quality social services (primary and secondary education, social and child welfare, culture, sports, recreation and health care),
- ▲ Unemployment rates reduced and entry to the labour market, especially by young people, improved
- ▲ Physical access to all local institutions for persons with disabilities (physical disabilities) secured,
- ▲ Systematic cooperation between central government and local government established to solve all social challenges,
- ▲ Innovative social partnerships and forms of inter-municipal cooperation established,

- ▲ Full coverage of children of preschool and school age in local institutions and forms of non-institutional child care,
- ▲ Juvenile delinquency rates reduced,
- ▲ Gender responsive budgeting introduced in all municipalities,
- ▲ Equitable representation in employment in municipal administration and public services in all municipalities,
- ▲ The role of local government strengthened,
- ▲ The role of municipalities strengthened in the design of national culture supporting programmes,
- ▲ An integrated institutional system established to support young people in municipalities,
- ▲ Property issues related to sport and recreation infrastructure in municipalities resolved,
- ▲ Equal access for all citizens to quality services provided by Local Government Units,
- ▲ Utility companies reformed and financially sustainable,
- ▲ Traffic safety in municipalities increased.

Indicative activities within the priority area:

- ▣ Overcoming the problems with the financing of municipal responsibilities for fire protection, primary and secondary education, social welfare, protection of the elderly, culture, sports, traffic safety, environment and nature protection by:
 - ▣ An in-depth analysis of the sufficiency of funds from block grants in the field of primary and secondary education, child care and care for the elderly and culture, and the effectiveness of factors in respective methodologies, taking into account the specifics of some Local Government Units;
 - ▣ Developing a standardized Methodology for the allocation of grants to Municipality schools;
 - ▣ Adoption of bylaws for more precise regulation of mobility (transport) of students from one city to another, or in another Municipality;
 - ▣ Establishing partnerships (with the private sector and civil society organizations) to perform delegated activities related to child protection, care for the elderly and culture in municipalities where there are no institutions in the respective areas;
 - ▣ More effective funding of fire protection through precise definition of the criteria for allocation of earmarked grants for

employees' salaries and increased predictability of the allocation of mandatory insurance companies' funds;

- ▣ Improving the sources of funding for Territorial Fire- Fighting Units (TFFUs) in order to facilitate their sustainable operation and establish TFFUs in the municipalities that are more than 20 km away from the Municipality currently providing fire services.

- ▣ Strengthening the role of municipalities in reducing unemployment in the Republic of Macedonia by mapping the needs for employment in the private sector in their territory (structure of the employed and unemployed, training opportunities, supply and demand and other issues important to make a needs assessment in terms of knowledge and skills), and implementing innovative active employment measures in coordination with relevant ministries and agencies;

- ▣ Investing in social infrastructure by increasing the number of public institutions and other forms of service provision in the area of social and child protection (kindergartens, early childhood development centres, nursing homes for the elderly, centres for children with special needs, centres for street children, etc.);

- ▣ Providing physical access to institutions for persons with disabilities (physical disabilities);

- ▣ Comprehensive and inclusive organization of social care in municipalities and transition from institutional to community-based services through:
 - ▣ Adopting a bottom-up approach to co-designing local services together with end users, i.e. citizens, and especially with vulnerable groups of the population;
 - ▣ Adopting local programmes for social welfare, reduction of poverty and social exclusion, and juvenile delinquency prevention;
 - ▣ Establishing systematic cooperation between Social Work Centres, Employment Centres, NGOs, schools, police stations and other organizations in order to solve certain social issues;
 - ▣ Strengthening the existing ones and creating new partnerships of civic associations and foundations with local authorities and the private sector, including innovative social partnerships and forms of inter-municipal cooperation focused on youth, persons with disabilities and vulnerable groups;

- ▣ Strengthening the administrative capacity of municipalities and establishing forms of inter-municipal cooperation and enhanced cooperation with the Centres for Social Work;
 - ▣ Ensuring the full coverage of preschool children in the Municipality and supporting functional forms of non-institutional care for children, the elderly and vulnerable groups;
 - ▣ Designing efficient municipal mechanisms and tools for identification (mapping) and inclusion of the poor and vulnerable groups;
 - ▣ Providing sustainable funding sources for activities in the area of social protection at the local level;
 - ▣ Allowing municipalities to have a stock of housing units in order to provide housing for families and individuals who lost their housing space due to natural disasters (fire, flood, etc.) or if the housing space does not provide basic conditions for a dignified life.
- ▣ Comprehensive and inclusive organization of child protection in primary and secondary education through the direct participation of parents, communities and local institutions in the implementation of activities to reduce the rates of dropouts in primary and secondary schools and juvenile delinquency;
- ▣ Preventing discrimination and promoting equal opportunities at the local level through:
 - ▣ Strengthening the structural links between Equal Opportunities Commissions and Municipal Councils;
 - ▣ Introducing the concept of gender-responsive budgeting and budgetary policies at the local level;
 - ▣ Participatory design and implementation of programmes for social cohesion, non-discrimination and equal opportunities at the local level and strengthening the Local Government Units' capacity to implement them.
- ▣ Fostering good relations between communities at the local level by:
 - ▣ Strengthening the structural relationship between Commissions for Inter-Community Relations and Municipal Councils and the preventive role of this body by supporting the implementation of preventive activities;
 - ▣ Further promotion of the principle of equitable representation in employment in municipal administration, local institutions and public companies;

chimney sweeping; maintenance and use of parks, green spaces, forest parks, and recreational areas; regulation, maintenance and use of river basins in urban areas; passenger public transport;

- ▣ Reforming the utility companies in order to provide cheaper and better utility services available to all citizens, organized in a way that ensures a high level of respect for consumers and users' rights;
- ▣ Increasing traffic safety in municipalities;
- ▣ Introducing a Life Quality Index in municipalities as a tool for periodic quantitative and qualitative assessment of the quality of life within municipalities.

Priority Axis 4: Promoting Sustainable Growth through Local Development Based on Social Welfare and Responsible Use of Natural Resources

Sustainable local development and growth means sustainable use of local resources for economic purposes, and energy and transport infrastructure development without compromising the quality of the environment and nature. Basically, it aims at achieving the highest possible degree of synergy between policies for environmental protection and socio-economic development.

Local government scope of responsibilities in the Republic of Macedonia allows municipalities to improve their local transport and water and waste management, and also to implement concrete measures for energy efficiency enhancement and use of renewable energy sources, concretely contributing to environment and nature preservation.

Investments in environmental infrastructure and other environmental protection measures simultaneously generate extremely positive economic effects both in terms of reviving the specific market segments (construction and application of new technologies) and increasing the added value in the content of locally produced goods and services, thus enhancing local economy's competitiveness. It is the greater competitiveness with the so-called "green" products and services that can facilitate the transition towards an exports-based economic development model.

In conjunction with the development of human capital through the acquisition of specific knowledge and advanced skills for application of “clean” technologies, the sustainable local growth model also results in opening of new and quality jobs. Also, the overall energy efficiency improvement creates significant savings of funds along with environmental benefits and climate change effects prevention.

Specific objectives:

- ▲ Protect the environment and promote efficient use of natural resources at the local level;
- ▲ Adaptation of local communities to climate change;
- ▲ Encourage local and regional competitiveness by promoting green growth as a new approach to economic growth.

Expected results:

- ▲ Reducing the intensity of natural resources use,
- ▲ Mitigating the risks of climate change and the effects caused by it,
- ▲ Diversified and sustainable use of municipalities’ natural and cultural heritage,
- ▲ Performance of municipalities’ responsibilities in the area of environment and nature protection with regard to water supply and disposal of urban waste water, collection and transportation of municipal waste and removal of illegal landfills improved,
- ▲ Investments in environmental and utility infrastructure implemented and the number of users of the relevant services increased,
- ▲ Quality of all environmental media (air, water, soil) improved.

Indicative activities within the priority area:

- ▣ Increasing the capacity of both the municipal administration and elected persons regarding issues related to strengthening the green growth through:
 - ▣ Adequate internal organization and capacity building of the municipal administration and public utilities to implement their responsibilities, programmes and projects in the area of environment and nature protection, and also in terms of climate change, energy management and urban planning;

- ▣ The establishment of effective forms of inter-municipal cooperation for issuance of B-Integrated Environmental Permits in order to overcome the shortage of skilled staff.
- ▣ Improving the financing of environmental protection and investments in adequate infrastructure (sewage treatment, establishing systems for regional waste management, remediation of contaminated areas, etc.);
- ▣ Encouraging horizontal cooperation between Local Government Units for the realization of sustainable growth and development;
- ▣ Supporting municipalities to absorb the available IPA 2014-2020 funds, especially for the construction of infrastructure related to utilities, environment and mobility;
- ▣ Undertaking activities to promote energy management and energy efficiency within municipalities⁷ through:
 - ▣ The establishment of joint municipal administration bodies for energy management/efficiency (pursuant to the Law on Inter-Municipal Cooperation) in order to ensure continuous monitoring and analysis of energy demand and energy consumption in local institutions' buildings, coordinate the preparation of programmes and the implementation of energy efficiency projects, including enhanced promotion of this concept in the local community;
 - ▣ Digitization of energy management systems at the local level in all municipalities;
 - ▣ Taking advantage of borrowing through multi-annual soft credit lines in order to improve the energy efficiency of local institutions' public buildings and capital infrastructure in municipalities (because of the short period of return on investment as a result of energy savings), and using renewable energy sources.
- ▣ Improving the quality of ambient air in municipalities through:
 - ▣ Implementing projects for ambient air quality improvement;
 - ▣ Developing a new traffic and transport policy, particularly in urban centres, as a set of administrative measures for prevention and management of traffic congestion, better use of existing infrastructure and reduction of ambient air pollution.

⁷ Most municipal obligations arising from EE regulations are not met. Energy efficiency programmes are completed in a very small percentage.

- ▣ More efficient waste management by municipalities, enhanced cooperation at the Planning Region level, and implementation of regional projects;
- ▣ Better handling of hazardous materials from industrial facilities in municipalities (adopting municipal plans and taking other measures on the part of municipalities);
- ▣ More efficient water management at the local level through projects for improvement of infrastructure and efficiency of water service provision and sustainable water use (business plans with costs for water service delivery);
- ▣ Taking protection measures against noise;
- ▣ Taking measures of climate change adaptation, and protection and rescue at the local level through:
 - ▣ Improving standards for spatial and urban planning in terms of the use of renewable energy sources, climate change mitigation and adaptation, establishment of green economic/development zones and tourist zones, and improving the management of agricultural land, forests and pastures in cooperation with local government;
 - ▣ Proactive approach to reducing the risk of fires and natural disasters and the effects caused by such events;
 - ▣ A strengthened role of municipalities in managing forests and pastures;
 - ▣ Raising public awareness of the problems associated with climate change in order to increase the adaptive capacity of the local population and local economy, especially in the sectors of agriculture and stock-farming, biodiversity, forestry, health, tourism, cultural heritage, water resources and socio-economic development.
- ▣ A stronger role for municipalities in terms of nature conservation and management of lower categories of protected areas (parks and monuments of nature and protected landscapes);
- ▣ Involving municipalities in the active protection of their resources (declaration of the so-called clean areas) through appropriate action

plans, emphasizing the protection measures and the wider promotion of amenities at their disposal;

- Sustainable use of natural, cultural and landscape heritage of the Municipality for its economic development through the development of tourism, and encouraging sustainable and authentic industries and services performed by municipalities;
- Encouraging the consumption of «green products», i.e. products, technology or services that have a positive impact on the environment and human health and wildlife in the Municipality;
- Raising environmental awareness among citizens of the environment importance which directly affects their health and the surrounding environment;
- Raising public awareness of the problems associated with climate change in order to increase the adaptive capacity of the local population and local economy, especially in the sectors of agriculture and stock-farming, biodiversity, forestry, health, tourism, cultural heritage, water resources and socio-economic development;
- Increasing the capacity of the municipal administration and elected persons regarding issues related to green growth strengthening;
- Introducing an Index of Local Growth and Development as a tool for periodic quantitative and qualitative assessment of local government contribution to local development.

Programme Financing **IV**

The specific operational implementation of the Programme will be performed through three-year Action Plans. In the first half of 2015, an Action Plan for the implementation of the Programme within the period by the end of 2017 will be adopted. The second Action Plan for the implementation of the Programme will be prepared for the 2018 - 2020 period.

Action Plans will be made up of integrated project concepts relating to a given municipal competence or part of such competence, designed in a way that will cover the basic aspects of its sustainable implementation by municipalities (political, financial and administrative). In determining the project concepts, in addition to the competent state administration bodies' representatives, local government representatives and other stakeholders will also be included.

Financing and co-financing of Projects identified in Action Plans (either individually or by combining them), will be performed through the following resources:

- The budgetary allocations from the State Budget for the Ministry of Local Self-Government and other state authorities responsible for the implementation of certain project activities,
- Programmes for development of sectoral policies of ministries/agencies funded from the State Budget,
- Earmarked funds from various sectoral and thematic Funds and Financial Instruments at the national level,
- Budgetary allocations from the Budgets of Local Government Units for the implementation of certain sectoral policies related to the goal of the Project,

- ▣ Resources based on donations and sponsorships,
- ▣ International donor support,
- ▣ Funds from the EU Pre-Accession Assistance (IPA 2014-2020) for the respective components and sectors, within which significant funding is envisaged to support:
 - ▣ The process of decentralization and strengthening of the local government system, including the implementation of relevant policies and laws⁸,
 - ▣ Local and regional competitiveness through the implementation of integrated projects in the area of tourism,
 - ▣ Cross-border cooperation of municipalities,
- ▣ Other sources of funding.

⁸ It is envisaged that municipalities shall receive adequate support to strengthen their capacity to improve local service delivery to citizens and the private sector. Means for enabling the financial sustainability of Local Government Units are also provided through the implementation of projects for better collection of their own revenues and increased coordination between them for the purpose of a more equitable distribution of resources. One of the priorities in terms of municipalities' funding through IPA is to maintain good relations between communities based on the principles of mutual tolerance and respect.

Programme Implementation (Authorities and Bodies)

V

Regarding the coordination of all authorities and bodies involved in this Programme's implementation and the presentation of progress and shortcomings of policies aimed at the accomplishment of both the general goal and specific objectives of this Programme, the Ministry of Local Self-Government shall be responsible before the Government of the Republic of Macedonia. For this purpose, it is necessary to strengthen the system of horizontal and vertical communication and coordination, and provide the committed participation of a number of stakeholders, including Local Government Units and ZELS.

The implementation of the Programme and both Action Plans shall be monitored in the manner determined in a Methodology to be adopted by the Government of the Republic of Macedonia by the end of June 2015. The Methodology shall establish the following:

- ▣ Authorities and bodies to be involved in Programme's implementation monitoring,
- ▣ Methodological framework for the systematic, timely and comprehensive information on the implementation of Projects,
- ▣ Functional mechanisms for interaction between Government Working Bodies related to local governance⁹,
- ▣ The involvement of Local Government Units by organizing:
 - ▣ Conferences for sustainable, inclusive and smart growth of local government, where representatives of ministries and the Association of Units of Local Government will discuss topical issues related to the implementation of the policies outlined in the Programme and identify activities to be undertaken in the future;

⁹ Currently, those are: the Working Group on Decentralization formed by the Government Decision No. 51-6491/11 of 30 October 2011 ("Official Gazette of the RM" no.164/11) and the Commission for Monitoring of the Development of a Local Government Units' Financing System established under the provisions of the Law on Financing of Local Self-Government ("Official Gazette of the RM" no. 61/04; 96/04; 67/07; 156/09; 47/11).

- ▣ Thematic workshops in which members of the Working Group on Decentralization, representatives of institutions at both national and local levels, representatives of ZELS Working Groups, external observers and experts will debate on the manner of implementation of specific sectoral policies at the local level;
- ▣ Satisfaction surveys of Council Members and Mayors with regard to the implementation of Programme activities;
- ▣ The involvement of citizens and individuals in the process of Programme's implementation monitoring by conducting regular annual surveys of citizens' satisfaction with the work of municipal authorities and the provision of certain services by Local Government Units.

Success in achieving the general goal and specific objectives of the Programme will be evaluated based on a List of Indicators to be defined additionally.

