

# QUARTERLY REPORT



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MACEDONIA MAKE DECENTRALIZATION WORK

# Quarterly Report

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## EXECUTIVE SUMMARY

The Quarter was a very active period for the Project as local officials settled into office after the recent elections. The turnover of over eighty percent of all mayors presents significant challenges as the decentralization process moves forward.

In a meeting with the Managing Board of ZELS, the Prime Minister accepted several key Association positions including the proposed formula for distribution of the VAT to local governments. The Policy Team also continued to provide important technical assistance to the Ministry of Education and Science on the distribution of grants and the 2006 budget. The Team also assisted ADKOM in developing important policy positions.

The Citizen Participation Team was active in support of various Municipal Management tasks. An information Package was delivered to each mayor. A business survey was completed for the Business Improvement District (BID) project in Kavadarci. The Team also participated actively in the regional presentations of the Municipal Good Governance Fund (MGGF).

ZELS held its organizing General Assembly and chose a new Board and new officers. ADKOM largely completed its reorganized startup with a general assembly, a website, new board structure and By-Laws. AFO showed a clean audit and adopted new By-Laws.

On the municipal side, the Finance and Budget training was delivered to all 84 municipalities. Tax administration training and manuals were completed in the Quarter. The training on Organizational Structure and Human Resource Development was completed in partnership with UNDP. MDW signed a Memorandum of Understanding with the EAR/TRAIN project for cooperation on Urban Planning and One-Stop Permitting.

## ADMINISTRATION

New positions were created to manage the MGGF and six experienced staff members of the Community Self-Help Initiative. A new position of Information Officer was also established to meet new responsibilities in public communication that arise from the MGGF and also from USAID's policy of heightened public posture.

A fourth vehicle and much office equipment were received from CSHI as it closed, sparing MDW resources.

All administrative systems continue to provide effective, efficient support to the program activities.

## SUCCESS STORY

**Although only a couple of months in office, the Mayors demonstrated capacity to truly lead their Association**

### **Robin Hood Mayors**

The analyses of MDW Policy Team show that with Decentralization, the Capital - Skopje would be a “big winner” under the new municipal finance system, as projected per capita revenues of Skopje are three times higher than the average for the rest of the country. In spite of this, the Ministry of Finance Proposed that Skopje (and its municipalities) gets 14% of the municipal share of the VAT proceeds.

The process of Decentralization is one when the Central Government devolves decision making and revenue raising authority to the local level, bringing the government closer to the citizens. A successful decentralization process requires sound management, and most importantly, sufficient funding.

The role of a municipal association becomes more and more significant as these processes move forward.

The Macedonian Municipal Association (ZELS) is constituted in back the 1972. With the assistance of the USAID Local Governance Program (LGRP 1999-2004, and MDW presently) ZELS’s capacity has evolved a great deal. The Law on Local Self-Government of the Republic of Macedonia provides for the Municipal Association “...cooperating with the Government on issues of importance to municipalities...” ZELS will be playing a major role in presenting and lobbying for the interests of the municipalities before the national government.

With the process of Decentralization in Macedonia officially beginning on 1 July, 2005, the growing Association will face many challenges. One hurdle has just been crossed.

Immediately after the constitution of the “new” ZELS (after the municipal elections held in April 2005) - the Management Board of ZELS was faced with the decision on the allocation of the 3% VAT revenue to the municipalities, for the period 1 July - 31 December 2005.

Ideally, the VAT funds would be used as an equalization fool. The purpose is to alleviate the fiscal disparities between the municipalities, and to assist the poorer ones in the provision of basic municipal services.

Faced with numerous uncertainties about the system as a whole, as well as of the fiscal capacities of their municipalities, many of the Mayors consider the VAT proceeds as significant source of stable revenue, especially during this first 6 month period of decentralization. A greater share of the pie would come in handy for any municipality.

The analyses of MDW Policy Team show that with Decentralization, the Capital - Skopje would be a “big winner” under the new municipal finance system, as the projected per capita revenues of Skopje are three times higher than the average for the rest of the country. In spite of this, the Ministry of Finance proposed that Skopje (and its municipalities) gets 14% of the VAT proceeds.

ZELS’ management board, supported with the information from MDW, voted for an option that allocates 10% instead of 14% to Skopje. With this vote, the Mayors of Skopje Municipalities, which comprise a third of the membership of the Management Board of ZELS, gave up a portion of their share (proposed by the Ministry of Finance) of the proceeds (around 15 mil. denars MKD or c.250.000EUR).

Although the Minister of Finance strongly opposed ZELS’ decision, ZELS kept a firm position and did not give in to the pressures of the Government. This finally resulted in the Government of Macedonia issuing the “Methodology for the distribution of the revenues from VAT to the municipalities for 2005” on June 30, 2005 (Official Gazette no.54/05) allocating the VAT proceeds as per ZELS’ decision.

Although only a couple of months in office, the Mayors demonstrated capacity to make decisions which take into consideration the interests of the whole local government system, rather than the individual interests of the municipalities represented in the various committees. This is one of the greatest assets of a serious organization.

Such capacity and seriousness is particularly important as the decisions facing ZELS come at a particularly difficult time. The new territorial organization of the country, transiting from the old system of caps of municipal budgets to the new financial system, the lack of data, the initiation of the process of decentralization in mid-budget year - all create a climate of uncertainty in which semi-informed decisions have to be made. Also, this situation is additionally complicated by the large municipal debt and a lack of a Municipal Debt Resolution Plan which has prompted large creditors in blocking some municipalities’ accounts.

There is a proverb in Macedonia - you know the day by its morning. If this is true in ZELS’ case, than we are looking forward for fruitful years ahead.

## IR 2.3.1. - “Local Governments Have Increased Responsibility and Financial Resources”

### Summary of Quarterly Accomplishments

- Methodology for distribution of 3% of VAT proceeds for 2005 proposed by ZELS was accepted and issued by GoM.
- A round-table discussion on the positions and conclusions of the ADKOM Policy Working Group was held.
- ADKOM submitted the proposals and comments on the proposed changes on the Law on Public Enterprises to the Ministry of Economy.
- ADKOM finalized the Model-Decision on the Conditions and the Manners of Potable Water Supply and Outflow of Urban Waste Waters and proposed to ZELS to publish the Model Decision on its WEB site.
- Action plan on preparation and submission of amendments for amending legislation regarding the communal activities was prepared by MDW and was sent to ADKOM Managing Board for consideration and approval.
- A Draft Proposal of the Allocation of the 2006 Education Categorical Grant was submitted to the Ministry of Education and Science.
- A policy paper titled *Preparing for Budget Negotiations for 2006* was submitted to the Minister of Education and Science, at his request for assistance.
- Continuation of facilitating the discussions for the financial monitoring procedures between the MoES and MoF Treasury Department.
- Study Tour on Management of Decentralization of Primary and Secondary Education organized for the MoES representatives.
- A policy note on Conditions in Schools was drafted by MDW PR Team for the MoES.

### Activities' Implementation

July 1, 2005 marked the official beginning of the decentralization process in Macedonia. On that account, the Minister of Local Self-Government was very visible

in all media. Generally, his position has been that the beginning of decentralization will not bring about drastic changes at once. He realizes that there are issues unresolved and maintains his stance that the Ministry of Local Self-Government and ZELS are jointly going to work towards resolving the issues as they arise.

The Minister of Education and Science echoed this sentiment in the first joint meeting of the Ministry with ZELS on July 19, 2005. Minister Polozani stated that he does not view the process of decentralization as one through which the central government would get rid of its problems, but as one through which the level of responsibility (before the citizens) in the provision of services would increase, and the resolution of problems will be a joint effort of both the central and local governments.

## Support Fiscal Decentralization

**Sub-activity: Assist the Ministry of Finance in Developing Secondary Regulations Necessary for the Implementation of the Law on Local Government Finance**

### *Equalization Formula - The Methodology for the Allocation of the Revenues from VAT*

The Methodology for the distribution of the 3% VAT proceeds among the municipalities for the period of July 1 - December 31, 2005 was issued by the GoM at the beginning of July.

Before its issuance by the GoM, it was subject to discussion of the Management Board of ZELS, and the Committee for Monitoring the Municipal Finance System.

The initial proposal for the Methodology was drafted by the Working Group (WG) of the Ministry of Finance (comprised of representatives of MoF, MoLG, ZELS and MDW). The proposal of the WG did not include Skopje and Skopje Municipalities, as projections of the municipal revenues of the new municipalities prepared by MDW Policy Team, showed that there are large differences in per capita revenues between the City of Skopje and the rest of the municipalities. The VAT distribution would serve as an equalization mechanism to decrease these differences. The Ministry of Finance did not accept the proposal and allocated Skopje and its Municipalities a share of 14% of the proceeds.

ZELS discussed the new proposal and considered the simulations of the various allocation scenarios by MDW Policy Team. The Management Board, a third of which is comprised of Mayors of Skopje Municipalities finally decided to decrease the share of Skopje and its municipalities from 14 % to 10%.

This position was challenged by the Minister of Finance, but ZELS firmly kept its stance in the Committee for Monitoring of the System of Local Government Finance. Finally, the Government confirmed this position at its session just before the official start of Decentralization (June 30, 2005).

The Methodology for the distribution of the 3% of VAT proceeds among the municipalities for 2005 is the following:

- 10% for the City of Skopje and the Skopje municipalities,
- 2% for a reserve fund,

- 88% for the rest of the municipalities to be distributed as per the proposal of the Ministry of Finance - 60% population, 27% area and 13% number of settlements.

#### **Sub-activity: Support the Development and Implementation of a Municipal Debt Work-Out Plan for all Local Governments**

The Ministry of Finance turned down the options regarding municipal debt restructuring proposed by MDW in April, and instead, promoted open discussions between municipalities and creditors for each municipality individually. In practicality, this did not result in any plan that will assist the vast majority of municipalities in resolving this very sensitive issue. MDW had no choice but to postpone indefinitely the May Mission of the Municipal Debt Specialist Michael De Angelis.

While some of the municipalities have been able to negotiate with creditors (Kavadarci, Strumica, Skopje), the donor community is virtually unanimous in the strong belief that the Government must play a true leadership role in resolving this issue on a collective basis. The Minister of Finance has agreed to take the lead in organizing meetings between municipalities and creditors that would facilitate the process of finalizing the negotiations for the debt servicing.

The “old” MoF plan has, in the meantime, resurfaced:

- expropriation debt would be covered by GoM,
- creditors and donors would be asked to forgive/fund the interest,
- municipalities would pay the principal over as many years as it takes for them to clear the debt.

It is the view of MDW Finance Experts that in the long run, the burden from this kind of a “plan” will fall onto the poorest municipalities, and it will make their situation even worse. Investments in such municipalities could not take place many years from now and as a result, they will be totally dependent on the central government money for any type of an investment. Around 30 municipalities will take longer than seven years to pay their debt.

This was explained in a Policy Note on the “Problem of a Municipal Debt Workout Plan” drafted by MDW Policy Expert Anthony Levitas for the IMF Mission. The Note outlined the legal background for the designing of the Plan, the status of the municipal payment arrears, discussed the municipalities’ ability to pay, gave an overview of the MDW options put forward for the Ministry of Finance, outlined the problems with the “Proposed Plan” by the Ministry, and urged the IMF to give a strong recommendation to the GoM to adopt a viable municipal debt work-out plan that includes both financial contributions from the national government and the orchestration of a set of legally binding agreements between the national government, municipalities and creditors.

Sub-activity: Define the Most Problematic Regulatory Obstacles to Sound Management and Good Service Provision

**Round Table Discussion on the Positions and the Conclusions of the ADKOM Working Group, with reference to the Legislation that Regulates the Operation of the Communal Enterprises in the Republic of Macedonia, June 23, 2005**

MDW supported ADKOM in presenting their positions on key regulatory obstacles for public communal enterprises before a wide number of stakeholders at a Round Table held in Skopje, on June 23, 2005. A total of 45 participants attended the round table including the members of the Government Working Group on Communal Issues (four out of eight), representatives of other stakeholders (ZELS, Chamber of Commerce of Macedonia), donors (USAID, GTZ, KfW, SECO) and ADKOM members.

It is the goal of ADKOM to provide an understanding and build consensus in the process of finding solutions to overcome the identified regulatory obstacles by using the real problems in the functioning of Communal Enterprises under the system, and comparing the legislation from other countries (especially EU member states).

The participants had a unique opportunity to discuss the ADKOM positions directly with the Government representatives and explain the negative impact caused by specific legislation and regulations.

**Round Table Discussion on the Law on Amendments to the Law on Public Enterprises, June 21, 2005**

MDW was invited to participate at the Round Table organized by the Ministry of Economy and co-sponsored by the EU-Funded Program on "Approximation of Trade Legislation" for the purpose of discussing the proposed changes on the Law on Public Enterprises. The main purpose of amending the existing Law was to include the EU directive on financial transparency. The Ministry of Economy used this opportunity to propose some changes in the part of the Law which covers the corporative governance issues.

All CPEs in the Republic of Macedonia were provided with the proposed changes and they submitted their comments through ADKOM. During the round table discussions, MDW representative emphasized the importance of considering the remarks from the communal public enterprises while drafting the changes on the existing Law on Public Enterprises, as with the completion of the process of transformation of the State owned Public Enterprises, the new Law on Public Enterprises will be limited to regulating the operations of the Communal Public Enterprises.

**Model-Decision on the Conditions and the Manners of Potable Water Supply and Outflow of Urban Waste Waters**

ADKOM's Committees on Water Supply and Legal-Normative Issues reviewed the proposed model decisions - Decision on the Conditions and the Manners of Potable Water Supply and Decision on the Conditions and the Manners of Outflow of Urban Waste Waters, which were prepared by the Government Working Group on

Communal Issues chaired by the Ministry of Local Self-Government. As ADKOM Committees provided numerous suggestions on the above mentioned model-decisions, ADKOM drafted a combined model-decision (combining the two proposed) - Decision on the Conditions and the Manners of Potable Water Supply and Outflow of Urban Waste Waters. ADKOM will suggest to the Local Government Units to review and consider this combined model-Decision before their City Councils finally adopt such a decision. The model-Decision will be published on ADKOM's web site. Also, this model-Decision will be communicated to the respective ZELS Committees, and if agreed, it will be published on ZELS' web page, also.

#### **Methodology for Determining the Price for Potable Water and for Urban Waste Water Outflow**

In order to facilitate the process of drafting of the Methodology for Determining the Prices of Water, MDW and GTZ have agreed to jointly prepare a draft-Methodology that will be discussed with the Ministry of Transport and Communication, before it is submitted to ADKOM for review and comments. The finalized proposal containing ADKOM suggestions will be submitted to the Ministry of Transport and Communication. The work on this Methodology is expected to take place in August and September. The deadline for issuance of the Methodology by the Minister of Transport and Communication is October 2005.

#### **Coordination with GTZ project**

MDW and GTZ met to coordinate the activities of the two programs in providing assistance in regulations drafting to ADKOM. More specifically, the MDW and GTZ representatives agreed on the following:

- All three model-“Decisions on the conditions and manners of drinking water supply and outflow of urban waste waters” (two prepared by the Government Working Group on Communal Issues, and one by ADKOM) to be proposed to the units of local self-government, which are to choose one that most fits their needs;
- GTZ and MDW will prepare a draft-Methodology for Determining the Price for Potable Water and for Urban Waste Water Drainage, which will be delivered to ADKOM for their consideration;

GTZ and MDW will work together on the preparation of the draft-Contract which is to be signed between the Providers (CPEs) and the Customers, and delivered to all CPEs in the country through ADKOM.

## **Support for Education Decentralization**

### **Sub-activity: Develop Implementing Regulations That Transfer Responsibilities**

#### **Assisting the MoES to Adopt an Objective Formula for the Allocation of Education Funds**

A Draft Proposal for the Allocation of the 2006 Education Categorical Grant was prepared by MDW Policy Team, and presented before the Minister and a wider group of Ministry officials. The 2006 Categorical Grant will be a part of the State and Municipal budgets for 2006. It would be the first real formula-based allocation since the start of decentralization.

The proposal discussed the following issues: historical costs, the structure of the formula, importance and use of the buffers in the formula. It also provides an overview of open issues and next steps.

The finalization of the formula, which is to take place in August, will require a more intensive communication among MoES sectors and the Analytical Unit. The Ministry staff requested assistance from the MDW in facilitating this communication.

During June, the Minister of Education and Science asked for MDW's assistance in building MoES' capacity to negotiate the education budget with the Ministry of Finance, i.e. the amount of the categorical grants for Primary and Secondary Education for 2006. For that purpose, MDW PR Team prepared a policy paper titled *Preparing for Budget Negotiations for 2006*, where the following topics are discussed:

- the total value of education allocation for salaries and for maintenance,
- the resolution of the debts of schools,
- the calculation of historical costs,
- the number of separate categorical grants in education,
- the allocation of categorical grants for maintenance,
- the legal and monitoring issues related to the new role of municipalities.

#### **Assisting the MoES to Adopt Clear and Transparent Budgeting Procedures for Schools**

MDW had made the Ministry of Education and Science aware of the preconditions for introducing a new financial monitoring system so that the monitoring of the performance of decentralized functions is possible. For this purpose, MDW facilitated the discussions between the MOES and the MoF Treasury Dept.

The Policy Reform Team initiated a brainstorming session with the core personnel of the MoES Finance Department in an attempt to have an exchange of ideas on the main principles of financial monitoring that the MoES Finance Department would be performing in the decentralized education system. The discussions were focused on the type of data that would be used and the sources of such data. The general consensus was that the MoES would need to have full access to all the individual transactions in the education programs (primary education, secondary education, student transport, dormitories), for all accounts (budget, own income, donations, rent). Moreover, the school financial plans and the current dues must be accessible. The MoES would be required to make the municipalities and schools aware of its transaction tracking capacity, so that they are understand that their activities would be closely monitored.

Following these initial clarifications of the MoES' positions with respect to these issues, on behalf of the MoES, the MDW PR Team drafted a letter for the MoF Treasury Department outlining: a) data the MoES is interested in, b) presentations and seminars for the MoES staff for the best use of the treasury data, and c) reports with the historical data.

A meeting between the MoF Treasury Dept, the MoES Analytical Unit (AU) and MDW followed in June. The Treasury agreed to work on adjusting the software module so that transactions could be overviewed according to the municipality the transaction

refers to. With this, the MoES would be able to monitor the spending of the money from the categorical grants for education by municipalities.

For the regular needs of the AU/MoES, the Treasury can define standard reports to be submitted in regular periods of time, as well as the possibility to produce special reports as required by the MoES.

Regarding the budgeting procedures, which were also discussed at the meeting, MDW suggested to have the money of each categorical grant under one account instead of the sub-accounts used now, so that flexibility in managing the funds will be given to the municipalities. In reply to that, it was made clear to us that the Sector for Local Government in the MoF was included in designing the structure of the so called “programs” (flow of money for a sector, for example- education) and that it would be difficult to make any changes at this point in time.

**Assisting the MoES to Define Standards to be Maintained by Municipalities to Ensure the Continuity and Safety of the Education Process**

Following a meeting with the coordinator of the sub-group working on the new regulation on conditions in schools, a draft Policy Note on this issue was produced by MDW PR Team in May.

The aim of this Policy Note was to review the main issues related to the transfer of school founding body rights from the MoES to the municipalities, in the area of ensuring proper conditions for teaching and learning. The MoES needs to define clearly the new responsibilities of the municipalities, but at the same time it cannot impose on them a burden which they would not be able to finance.

The core of the problem is that the standards, as defined by various ordinances, are not presently met in many of the Macedonian schools. The Ministry assesses this to be a very widespread phenomenon, although detailed information is not available. Therefore, the first question that arises is in what way to move towards an enforceable and realistic system of norms regulating teaching conditions in schools. Failure to take action and to redefine the roles and the duties of the municipalities would make it very difficult to position them as responsible and accountable owners of schools, and may lead to further perpetuation of the present, largely fictitious system of school norms and requirements.

The paper also proposes recommendations for the MoES, broken into two sets of issues: one related to the need to understand better the factual situation in the schools, and another one related to possible actions of the Ministry in preparing and publishing the new version of the ordinance on school equipment. The Ministry must have a much better understanding of the current situation in schools, to be able to define a long term strategy to improve equipment provision in the schools, especially in rural and minority schools and in small satellite schools.

**Sub-activity: Improve Capacities for Decentralization Management in the MoES**

**Assisting the MoES to Strengthen the Capacities of the Analytical Unit to Perform Data Analysis, Simulations and Prognosis**

The members of the Analytical Unit were included in the most important activities in the Ministry with regard to the process of decentralization. They were among the key people working on the extraction and calculation of the historical costs, performing various simulations for the purposes of 2006 Categorical Grants Allocation, defining the procedures for the financial monitoring etc.

During this period, MDW provided them with an ongoing guidance, assistance and training.

### **Study Tour on Management of Decentralization of Primary and Secondary Education**

The Decentralization Management and IC Integration Study Tour organized by World Learning took place in two countries (Hungary and Czech Republic) that have undergone the process of decentralization of education functions.

The participants in the Study Tours to Hungary (May 15-22, 2005) and the Czech Republic (May 21-28, 2005) were the Ministry of Education and Science staff from the Finance Department, the Analytical Unit, Heads of the Sectors for Primary and Secondary Education, the Bureau of Development of Education, the Inspectorate, representative of the Ministry of Local Government.

The participants were presented with the systems of education in both countries, the functions of the central bodies and the ones of the local government bodies.

Although the management of the decentralized functions in Macedonia will, during the first phase of decentralization, be mainly focused on monitoring the finances allocated to the schools and the performance of the decentralized functions using the allocations, it is really a multifaceted issue.

The participants had the opportunity to discuss the roles of the schools, the Local Governments, the Regional Governments and the Ministry in the whole process of providing the education function. In this regard, the study tour to the two countries increased the understanding of the participants of the benefits as well as issues in the process of decentralization of education, and provided them with ideas of how to improve the activities of the respective institutions and sectors.

## **Other PR Team Activities**

### **Cooperation with the Embassy of the Kingdom of the Netherlands**

Representatives from the Embassy of the Kingdom of the Netherlands, Mr. Guido Tielman and Ms. Beti Bakovska approached MDW to discuss possible cooperation in the area of preparing Macedonian municipalities for decentralization in the form of implementing a program of the Embassy in supporting new municipal administrations in their new tasks in the education sector.

There is a universal agreement that as Macedonia begins education decentralization, one of the important areas not covered by donor assistance is It is expected that the project should begin before the end of 2005, and completed in 2008. With its experience of working with the municipalities, and with its work on education policy reform, MDW is well placed to become the implementer of the proposed project.

**Presentation and Discussion of Decentralization and the New System of Municipal Finance before Students and Faculty of the CEU - Department of Public Administration, June 15, 2005**

In the spirit of learning more on decentralization and the new legislation that provides the framework of the system, the CEU invited MDW CoP, Mr. Althaus and the PR Team Leader to talk to the students and Faculty on this issue.

The presentations both of the concept of decentralization for good governance and financing of the new local government system resulted in a lively discussion among students and faculty, for better understanding of the process.

It was concluded that this is the beginning of the cooperation between CEU and MDW, and that should the University need more insights of the system, and generally on decentralization issues - MDW will try to be of assistance.

### **Next Quarter Activities**

- Assisting the MoF in finalizing preparations for the Debt Relief Plan on an as needed basis.
- Working with the MoF and ZELS on allocation of VAT proceeds (equalization formula) for 2006.
- Assisting ZELS in identifying and resolving policy issues and obstacles to the process of decentralization.
- Preparing the Methodology for Determining the Price for Potable Water and for Urban Waste Water Outflow with joint efforts of ADKOM, MDW and GTZ.
- Action planning on preparation and submission of amendments to legislation regarding the communal activities will be reviewed and accepted by the ADKOM Management Board.
- Supporting amended legislation and lobbying campaign.
- Assisting the Ministry of Education and Science in finalizing allocation formula for decentralized education functions for 2006.
- Customizing trainings for Advanced Microsoft Excel and Advanced Microsoft Access organized for the members of the MoES Analytical Unit.
- Continuing activities on defining procedures for financial monitoring over spending the categorical grants by municipalities.
- Continuing activities to Define Standards to be maintained by Municipalities to Ensure the Continuity and Safety of the Education Process.

## IR 2.3.2. - “Effective Relationship between Citizens and Local Government Exists”

### Summary of Quarterly Accomplishments

- The information packet was distributed to the newly elected mayors at the ZELS General Assembly on May 18, 2005. It contained a congratulations letter, one-page information on MDW, a briefer on USAID in Macedonia, a summary on ZELS. Additional information on the MGGF was prepared and included in the packet, as well as the USAID/LGRP legacy CD.
- Ten out of seventeen CICs have provided their bi-monthly reports, including data on the number of citizens asking for their services disaggregated by related issues.
- The survey of citizens' priorities for e-local government services has been conducted, data have been analyzed, and draft version of the Catalogue of Local Government Electronic Services has been developed.
- The two surveys -- for the Shopkeepers and the Shoppers' Survey - were conducted in the pilot Municipality of Kavadarci.
- A regular CIC Network meeting took place on June 22, 2005 at MDW offices.
- CP Team took part in the series of regional presentations of the Municipal Good Governance Fund (MGGF) and has been a part of the series of municipal site visits.

### Activities' Implementation

#### Freestanding CP Activities

#### Sub-activity: Expand and Enhance the CIC Network

The twice-postponed meeting of the CIC Network took place on June 22, 2005 in the MDW office in Skopje. Representatives from eight municipalities participated at the event. Although information and invitations had been sent both to the mayors' cabinets and to the CICs, not all of them received the information on time. Also, given that most of the mayors in the CIC municipalities are newly elected, only few of them are aware of

the CIC Network and its activities. However, we are being reassured that as from the next meeting, more CIC representatives will attend.

As it was the case in the past several meetings of the CIC Network, there was a ZELS representative at this session as well.

After the opening remarks by the MDW CoP, Bill Althaus, about the importance of CICs in establishing and maintaining open links with the citizens of Macedonia, the meeting continued according to the set agenda.

The first part of the meeting was dedicated to presentations and discussions regarding the activities of the CICs and what the newly transferred competencies will mean to their scope of work. Also, there was an extensive discussion and exchange of experiences on the subject of the place of the CIC and its staff within the organizational structure of the municipalities.

The second part of the meeting was dedicated to the MGGF. For this section, MDW Association Development Specialist, Kelmend Zajazi made a presentation on the fund and how it will be managed. Other MGGF Team members also attended this part of the meeting. The role of the CICs will be to have all necessary information and serve as a link between the NGO sector/community groups and the local government, who is the only eligible entity to apply to the MGGF.

In the meantime, more than half of the CICs have submitted their bi-monthly reports on the number of citizens that have visited the centers.

#### **Sub-activity: Capacity Building of Neighborhood Units and Strengthening Relations with Core Municipality**

An analysis of the questionnaires that the municipalities have filled out and sent to MDW regarding citizen participation in decision-making, has served as basis for making a shortlist of potential candidate municipalities, out of which two will be selected for conducting this activity. The prerequisites were that the municipality has a working CIC and has outreach activities to neighborhood units and remote areas.

### **Activities Providing Cross- Cutting Support**

#### **Sub-activity: Analysis of Citizens' Priorities for e-Local Government Services**

After the final version of the questionnaire had been agreed on by both sides (MDW and Metamorphosis) incorporating all the suggestions and remarks from the last meeting, the survey was conducted by the Brima-Gallup polling agency during the month of May.

The agency which conducted the survey was chosen among three major local agencies that participated in a bidding process. The research was conducted with strict adherence to the terms previously determined by Metamorphosis and MDW. It covered statistically a significant sample of 850 adult citizens from ten municipalities, and was conducted in Macedonian and Albanian language, according to the preference of the surveyed citizens.

These ten municipalities were chosen as typical representatives of the several different kinds of local communities found in the Republic of Macedonia, according to several criteria such as size (city, town, large and small village), region (mountain, valley, plain), identity (ethnic, religious and linguistic representation) and prevalent economical activity (agriculture, services, industry).

The following municipalities were included in the survey (with number of surveyed citizens):

- 1) Karposh (100)
- 2) Chucher Sandevo (51)
- 3) Prilep (101)
- 4) Krivogashtani (50)
- 5) Debar (100)
- 6) Gostivar (98)
- 7) Veles (100)
- 8) Kavadarci (100)
- 9) Zrnovci (50)
- 10) Strumica (100)

The research was conducted in the second half of May 2005, with 850 adult respondents (aged 18 and over) chosen by random selection of households and the "next birthday method" for selection of individual respondents. Gender representation: 395 males (46.5%) and 455 females (53.5%).

The collected survey data was cross-tabulated and submitted to Metamorphosis in the form of SPSS files and exported versions in Word and Excel format respectively, and a paper copy with detailed reports on each municipality.

The data formats enable further cross-tabulation, enabling the interested parties (Metamorphosis and MDW) to have a further detailed analysis according to gender, age, ethnicity, educational level, profession and place of residence. This analysis is ongoing and will lead to customizing the overall project to the needs of the citizens of the respective types of local government units.

The goal of the research was to find out the opinions of the citizens on which municipal services should be first made available electronically.

Initial review of the Catalogue shows that the top three issues for which the citizens most often go to the municipality are:

- to obtain identification/travel documents;
- to report and to pay different taxes and fees; and
- to obtain different permits and licenses.

The results also show how many of the interviewed citizens are acquainted with the services that the municipality is providing, what ways/methods the municipality is using to inform them, as well as what services they would like to have accessible through the Internet. The survey also contained a question regarding how often the interviewed citizens use the Internet.

It is expected that the final version of the catalogue will be ready in early August, after which it will be translated into English. The document would be further considered by USAID regarding its usage and target audience.

#### **Sub-activity: Public Hearings on Municipal Budget**

A draft version of the budget brochure for the citizens has been prepared by MDW's Financial Management Coordinator Gjorgji Josifov, and shared with the CP Team. The next step will be to review the draft-text and provide input from a citizen participation perspective.

#### **Sub-activity: Raising Public Awareness on Business Improvement District (BID) in the Municipality**

The BID survey took place on June 16 - 17, 2005 in the pilot Municipality of Kavadarci. The five interviewers that were trained in April by MDW staff conducted both surveys (the Business Attitude Survey for the Shopkeepers and the Shoppers' Survey) in Kavadarci area that had been chosen as a BID zone.

With the Shopkeepers' Survey, a total of 52 businesses, i.e. business owners or managers, that are a part of the BID zone, were covered. These include shops, cafes, a post-office, a bank, etc.

The Visitors' (shoppers) Survey encompassed a total of 200 randomly chosen citizens that either live in the area or shop/visit the shops that are situated there. The Municipality of Kavadarci offered assistance with representatives of their LED office that spent time with the interviewers during the survey, helping them to approach the citizens and explaining the concept to them.

Generally, the citizens that were interviewed were very cooperative and eager to share their views and opinions with the interviewers. The business owners and managers were also helpful.

The data gathered through the questionnaires has been synthesized and will be further analyzed by MDW BID expert.

### **Other CP Team activities**

#### **Information Packet for New Mayors**

The information packet for the new mayors was completed and distributed to them at the ZELS General Assembly that took place on May 18, 2005. Out of 84, only seven or eight mayors did not receive this package, simply because they did not attend the Assembly.

The packet contained a congratulations letter and a briefer on USAID's activities in Macedonia; one-page information on MDW, including a short description of its teams and contact details; a summary on ZELS' structure and functions; and an introductory text on the Municipal Good Governance Fund (MGGF). The packet also contained a CD-rom of the USAID/LGRP Legacy products, which will hopefully give the new

mayors a good overview of what has been done under LGRP, and serve as a useful tool in similar undertakings that they plan.

### **Meeting with Peace Corps Volunteers**

MDW's COP, William Althaus, James Gordon, Matthew Buzby, and Ana Pejova, had a meeting with the Associate Peace Corps Director, Mr. Michael Radman and two Peace Corps volunteers: Ian Croward from Struga Municipality and Michael Bogdan from Sveti Nikole Municipality. The purpose of the meeting was to present general information about MDW's Municipal Good Governance Fund (MGGF) and find out how the Peace Corps volunteers can help in promoting the concept as well as assist communities in identifying projects and involving citizens in the process.

The term of the current set of Peace Corps volunteers in the country ends in November 2005, but the new group will arrive in September 2005. Even though there will be no volunteers directly working with the municipalities, they are all community based - working in education, with NGOs, on environmental issues, with the business community, etc. Their involvement at the grassroots level could help formulate the priorities of the communities and in concert with the local authorities complete an application for the MGGF.

The Peace Corps volunteers will shortly provide us with a list of how many volunteers from the current group would be interested in taking part. Also, it was generally agreed to make a presentation of the MGGF to the new set of volunteers arriving this fall.

### **MGGF Outreach Activities**

Preparatory activities have taken place for a series of MGGF presentations that happened during the month of July. As planned, the CP Team took part in a total of eleven presentations (in Bitola, Kicevo, Tetovo, Kumanovo, Debar, Struga, Stip, Strumica, Negotino, Pehcevo and Skopje), at which representatives from these municipalities, as well as from the neighboring ones, were present. Two sessions were held in each town: the morning one was intended for representatives from the local governments, and the afternoon one for representatives from NGOs and other community groups. The purpose of these sessions was to present the concept of the MGGF, explain its mechanisms and encourage municipalities to participate in it, by making it a tool, which would help them show their citizens visible signs of improvement. The municipalities were urged to consult their citizens in identifying the priorities and seek cooperation with them, and at the same time, the community groups were encouraged to push from the bottom up and lobby for projects that will improve life in the community.

### **Site Visits**

The CP Team has been included in the series of municipal site visits scheduled for the end of July and beginning of August. Until the end of this quarter, the municipalities of Vranestica, Drugovo, Zajas, Oslomej, as well as Valandovo, Gevgelija were covered. Meetings were held with the mayors, at which the priorities and problems of the individual municipalities were discussed in the context of the new decentralized competencies. The teams visiting the municipalities also provided the mayors with copies of the publications that have been prepared and issued both under LGRP and MDW projects. These publications refer to different aspects of

municipal management and can be a useful tool for the everyday work of both the mayor and the municipal staff.

The site visits will continue during the month of August.

### **Next Quarter Activities**

- The final version of the catalogue of citizens' priorities for e-local government services will be developed.
- Site visits to municipalities will be completed.
- Year 2 CP activities will start with the implementation phase.

## IR 2.3.3. - “Municipal Associations Satisfactorily Serve the Interests of Their Members”

### Summary of Quarterly Accomplishments

- The ZELS General Assembly elected new leadership. The new President is Mayor of Karposh, Mr. Andrej Petrov, and the two Vice Presidents are: Mayor of Gazi Baba, Mr. Koce Trajanovski and Mayor of Gostivar, Mr. Nevzat Bejta.
- MDW AD Team delivered two-day Workshop on Association Governance and a Policy Development Workshop to the members of the new ZELS Governing Board.
- ZELS Governing Board established new committee structure.
- MDW assisted ADKOM in organizing a round table for reaching a joint position on the positive legal provisions in the communal sphere.
- ADKOM Assembly verified the new ADKOM Board structure.
- ADKOM organized three-day training on Project Cycle Management for the PCEs' staff.
- ADKOM launched their web site and each ADKOM member was provided with a unique e-mail address on the [adkom.org.mk](http://adkom.org.mk) domain.
- ADKOM Committees on Water Supply and Legal-Normative Issues finalized model-Decision on the Conditions and Manners for Water Supply and Outflow of the Urban Waste Water.
- The GoM adopted the Decision on the equalization formula which ZELS proposed (instead of allocating 14% of the VAT to Skopje, a decision of the Ministry of Finance, MDW provided ZELS with simulations of various scenarios and based on these they proposed 10% for Skopje - in fact 30 million denars were saved for the poor).
- AFO adopted its new by-laws and elected the new leadership of the Association at its Seventh Annual Assembly.
- AFO's Audit Report resulted with a clean opinion.
- Ernst&Young commenced the audit of ZELS' financial records.

## Activities' Implementation

### Sub-activity: Strengthen Policy Committee Structure

In this quarter, the AD Team continued working with the ZELS' staff and the leadership in resuming their policy development process and creating new committee structure. These activities included training sessions for the new Governing Board and direct technical assistance to the newly created committees.

As part of the training for the newly elected members of the ZELS Governing Board, the AD Team delivered a workshop session to the newly appointed ZELS Board members. This session was integrated in the Association Governance Workshop that addressed the roles and responsibilities of the Board members (for more details on this, see Workshop on Association Governance under Other AD Team Activities with ZELS). The session covered several crucial things, including: 1) the consolidation of the committee structure, 2) revision of the committee membership criteria and selection process, as well as 3) the roles and responsibilities of the committee members and the ZELS staff.

During the Workshop the AD Team provided ZELS President Andrej Petrov with options for establishment of a more inclusive and efficient committee structure. Our suggestion was to expand the size of each policy committee from 5 - 15 persons to create more opportunities for participation and to include council representation. The AD Team also proposed consolidation of policy committees. A scenario of six working committees and realignment of subject areas to incorporate newly decentralized activities was presented.

Besides our recommendations and discussions, Mr. Petrov still came up with a list of ten committees (Finance; Sports and Culture; Education; Urban and Spatial Planning and Environment; Community Planning; Public Administration, Health and Social Care; Communal Issues; E-Government; Rural Development) and a plan to chair some of them with mayors outside the Board, so that other mayors not participating in the leadership structure have a chance to at least run a policy committee. We argued that for ZELS to have the most effective policy development process it would be desirable to select Board members to head the committees so there is a link between them and the ZELS decision-making body.

While Mr. Petrov appeared to agree with the MDW position in principal, he faced pressure from the opposition members of the Board and made decisions that had probably been agreed in advance with the ZELS vice presidents. For example, he selected the Mayor of Kisela Voda (who is not on the Board) to run the most important Finance Committee.

At the June Governing Board meeting begin the negotiations for committee chairs and leadership resulted in the establishment of twelve policy committees:

1. **Committee on Finance** (chaired by George Arsov, Kisela Voda. Members: Ace Kocevski, Dzelal Ramadani, Bervenica, Lubomir Janev, Kocani, Marjan Risteski, Prilep)
2. **Committee on Municipal Administration** (chaired by: Zoran Zaev, Strumica)
3. **Committee on Culture** (chaired by Vladimir Talevski, Bitola)

4. **Committee on Education and Sports** (chaired by: Lefkie Gadzoska, Krusevo)
5. **Committee on Communal Issues** (Aleksandar Petreski, Ohrid)
6. **Committee on Rural Development** (Stojan Lazarev, Konce)
7. **Committee on E-Governance** (Rami Kerimi, Tearce)
8. **Committee on Community Development** (Izet Medziti, Cair)
9. **Committee on Urban and Spatial Planning** (Zoran Damjanovski, Kumanovo)
10. **Committee on Environmental Protection** (Ljubomir Janev, Kocani)
11. **Committee on Health and Social Welfare** (Robert Velkov, Radovis)
12. **Committee on Inter-Municipal, Regional and International Cooperation** (chair to be appointed at the next meeting)

After the new committees had been established, the AD Team organized a Workshop on Policy Development held in Bitola on July 1-2, 2005. The Workshop was attended by 16 participants including both Board members and the committee chairs appointed from outside the Board. This Workshop was intended to help ZELS i.e. policy committees' chairs advance the policy development process and structure for getting the ideas, views and commitment of the membership on the important legislative issues ZELS should pursue with the central government.

To help the participants better understand the policy process development an exercise on the newly decentralized functions of spatial planning and building permits to examine organizational issues and identify problems in the legislation were given as a task to three working groups.

Also, during the Workshop scopes of work for each of the committees were developed.

The AD Team offered ZELS assistance by giving a short presentation of the committee and chair responsibilities at each of the initial committee meetings to help them start and also offered technical expertise that our colleagues could provide for some of the areas, education and urban planning for example.

In the course of these three months, ZELS' members undertook two successful advocacy endeavors.

One of the successes happened at the meeting the Governing Board of ZELS had with the Prime Minister of the Republic of Macedonia, the ministers and their deputies from the line ministries which are responsible for the implementation of the decentralization process held on July 1, 2005 on the occasion of the start of the decentralization process.

The Prime Minister of the Government of the Republic of Macedonia informed that at their last session the Government verified the Methodology for Allocation of Revenues to Municipalities from VAT in a manner which was proposed by ZELS, i.e. 10% for the City of Skopje and the municipalities of the City of Skopje, and 90% for the other municipalities.

The other issues that ZELS successfully advocated for was decreasing the number of employees from the Ministry of Transport and Communications (MoTC) that had to be transferred to the municipalities from 387 to 200-220. The Prime Minister and the

Government representatives accepted this proposal and the PM tasked the MoTC to offer a solution for the remaining 167-187 employees.

In addition to this, there were many other topics discussed and the meeting was evaluated as a successful one as it was concluded that the major issues were closed and it was agreed that the representatives from ZELS and the Government of RM would meet every three months. The following meeting was scheduled for September 1, 2005.

## Realign ZELS Financial and Management Structure

### Sub-activity: Strengthen ZELS Financial Management Capacity

#### ZELS Audit

At the session of the ZELS Standing Committee that took place on February 3, 2005 in Skopje, it was unanimously decided that the Auditor Ernst&Young would be engaged to undertake the Audit of the financial operations of ZELS for the fiscal 2004. Accordingly, at ZELS' request, Ernst&Young submitted their offer together with the ZELS Audit Engagement Letter.

After having selected Ernst&Young, a contract was signed between Ernst&Young and MDW/USAID outlining the payment schedule, the time frame of the audit operations and the final product that is to be delivered by the Auditor.

The draft audit report and management letter, as regulated by the contract, are due by the beginning of the next quarter.

## Other AD Team Activities with ZELS

The AD Team provided technical assistance to ZELS in several important areas of organizational development:

#### ZELS General Assembly

The AD Team's focus at the beginning of the reporting period was assisting the ZELS Nominating Committee and staff in arranging the meeting of the General Assembly. For that purpose working procedures were developed and with certain changes adopted by the committee. Materials for the voting process were also prepared.

The General Assembly meeting took place on May 18, 2005. Seventy-eight (78) out of 85 mayors were present. The donor community and media representatives also attended. Goran Angelov, now former President of ZELS, presided with the five-member-working presidency selected at the very meeting.

The meeting started with a ceremony of awarding the former members of the Standing Committee with plaques for their work and commitment in building ZELS in the real representative of the local government.

The selection of a verifying committee which was charged with confirming the number attendees followed. Last in the process of selection for the new Board was appointing a committee that was responsible for proposing a list of candidates for

the new Governing Board. The five-member committee negotiated a list that was unanimously voted for by all the present mayors.

The new ZELS leadership i.e. Governing Board (former Standing Committee) consists of 15 mayors.

The new President is **Andrej Petrov - Mayor of Karposh** and the two Vice Presidents are: **Koce Trajanovski - Mayor of Gazi Baba** and **Nevzat Bejta - Mayor of Gostivar**.

Other members of the Board are:

- **Ace Kocevski**- Mayor of Veles
- **Imer Selmani**- Mayor of Saraj
- **Violeta Alarova**- Mayor of Centar
- **Lefkija Gadzoska**- Mayor of Krusevo
- **Marjan Risteski** - Mayor of Prilep
- **Rami Kerimi**- Mayor of Tearce
- **Zoran Zaev** - Mayor of Strumica
- **Aleksandar Petreski**- Mayor of Ohrid
- **Izet Medziti** - Mayor of Cair
- **Vladimir Talevski** - Mayor of Bitola
- **Dusko Jovanovski** - Mayor of Probistip
- **Nikolce Curlinovski**- Mayor of Valandovo.

Andrej Petrov addressed the attendees immediately after his election stating that ZELS would continue to follow the path of the previous leadership. He stressed that the new leadership would be the proofreader of the government and we will represent the local self-government interests. He expressed his gratitude to the former President and to the Standing Committee members for the establishment of ZELS. The new President and members' term of office will be two years.

#### **Workshop on Association Governance**

To facilitate fast integration of new ZELS leadership into the organization's operations, the AD Team organized a Workshop on Association Governance, on May 27 - 28, 2005 in Skopje.

The Workshop was a two-day event covering the most important topic related to managing of ZELS. It was divided into three sessions on:

- roles and responsibilities of the ZELS Governing Board;
- organizational issues for 2005 including main activities, budget and finances, membership dues, audit; and
- policy committees and policy development.

#### **ZELS Governing Board Meetings**

The ZELS Governing Board held four meetings in this quarter. Our team provided technical assistance with some of the issues that were discussed during these sessions. Several important issues were covered and crucial decisions were made by the Governing Board members.

Some of the most important ones included:

- Discussion and development of positions regarding the Ministry of Finance proposal on the criteria and methodology for allocation of funds for the local governments on the basis of the collected funds from Value Added Tax.
- Review of the Methodology for Determining of the Real Estate Market Value.
- Policy Committees' appointment and election of the chairs.
- Discussion of the surplus redistribution issue resulting in the request to the Ministry of Finance that the realized surplus from own revenues of the units of the local self-government is reallocated to the municipalities with consent and coordination by ZELS.
- Appointment of the new member (Mayor of Gostivar) to the Trilateral Committee for trainings.
- Election of the Mayors of Kisela Voda, Cair and Ohrid as members of the committee for negotiating the municipal debts with the representatives from the Group for Constructions.

#### Sub-activity: Strengthen AFO Governance Process

##### AFO Executive Board Meeting

On July 6, 2005, the AFO Executive Board convened to plan the AFO Annual Assembly which after several postponements was finally scheduled for July 9, 2005. The AFO Executive Board members reviewed and adopted the agenda for the Annual Assembly.

The Chairman of the Executive Board, Mr. Riste Nikolov invited the Executive Board members to provide their comments regarding the documents that were to be given for adoption at the Assembly which are: 1) the *new by-laws*, 2) the *2005 Work Plan and 3) 2005 Budget*. The Executive Board members unanimously decided that there is no need to further review and/or revise the mentioned documents since they already had discussed them on several occasions during the previous Executive Board meetings. Special appreciation and thanks was expressed for the extensive efforts and the technical assistance provided by MDW AD Team in the drafting of the new By-laws of the Association. The main changes made in the by-laws in accordance with the AD Team recommendations relate to the issues regarding the term of office of the President and the Executive Board members and eligibility for the membership in the Association.

After this, the Executive Board appointed the members of the Working Presidency to chair the Annual Assembly, including: the Acting President of AFO, Evgenija Gramatikova; the Executive Director of AFO, Zoran Jankulovski; and one of the members of the current AFO Executive Board, Ilija Kostoski. The next step was to appoint the members of the Nominating Committee. It is crucial to mention that the Executive Board closely followed the guidelines that the AD Team provided to them after the last Executive Board meeting which took place on April 1, 2005. These guidelines were not only taken into consideration with regard to the establishment of the working bodies for the Annual Assembly but also with the tailoring of the agenda and planning the entire process of nomination and election of the new AFO leadership. Members of the Nominating Committee were the Acting President of AFO, Evgenija Gramatikova, AFO's Executive Director, Mr. Zoran Jankulovski, and the President of the Executive Board, Riste Nikolov.

### **AFO General Assembly Meeting**

The Association of Finance officers had their seventh General Assembly meeting on July 9, 2005. The Verification Committee reported that a total of 28 regional coordinators were invited to the General Assembly, out of which 17 are present and therefore there was quorum for the Annual Assembly to be able to work and adopt decisions (in accordance with the old by-laws the regional coordinators are members of the Annual Assembly). In accordance with the new by-laws a total of 75 members were invited out of which 35 were present (again over 25%) which means there was quorum for the work of the Assembly according to the new by-laws as well.

The members of the Assembly unanimously adopted the 2004 General and Financial Report presented by the Executive Director and the Association's accountant. The presentations highlighted that the past period had been very fruitful both in terms of the services that the Association was able to provide to the members and the revenues that were generated. The accountant of AFO gave an outline of the financial operations of the Association for the past year and pointed out that the expenditures, and therefore also the in-flowing funds of the Association in 2004 show a mark up of 30% if compared to 2003 and a mark up of 96% if compared to 2002. The 2005 Work Plan and Budget were then proposed and unanimously adopted.

However, the most significant issues on the agenda were adoption of the new by-laws, election of the new President and Executive Board members.

The members of the Assembly unanimously voted for the new organization's by-laws which had previously been adopted by the Executive Board. As a result, the election process of the Board and the President and Vice President was done in accordance with the newly adopted by-laws. The three-member nominating committee proposed the candidates for President and Vice-President of the association and also gave lists with proposed members of the Executive Board, the Finance and Budget committee and the Committee on Monitoring of the Legal Regulations and the System for Financing of the Units of Local Self Government.

Evgenija Gramatikova, the Finance Officer from the Municipality of Strumica, who was an acting President of the Association for the last two years, was elected new President. Dragan Damjanovski, the Finance Officer from the Veles Public Enterprise was elected Vice President. They will serve a two-year-term.

The new Executive Board consisted of eleven members (9 + President and Vice President, out of which three from the Communal Enterprises and six from the Local Self-Government), will serve the same term too. They are as follows: Ilija Kostoski - Prilep, Frosina Miseva - Sveti Nikole, Vase Nikolov - Veles, Meratip Loga - Struga, Irena Stankovska - Prilep, Lence Svirikova - Stip, Nikola Nestorovski - Struga, Elena Danilova - Skopje, Sadri Elezi - Gostivar.

### **AD Team Observations**

- Generally speaking, the staff and the Board did a good job in organizing the seventh meeting of the Assembly. There were some gaps that need to be worked on in future that were also acknowledged by the staff and the

leadership. For instance: the General Assembly meeting procedures need to be developed so there are no ambiguities and interruptions during the voting process and running of the meeting.

- When nominating the members for the new Board, the committee should have made it more open for wider membership. This is proved by the fact that out of some 300 AFO members there are two members coming from Prilep, Struga and Veles. So not every municipality is equally represented.
- The adoption of the new by-laws is a signal demonstrating that there is a good will to make some changes in the way the Association operates. The leadership i.e. Evgenija Gramatikova credited MDW for providing assistance in the process of the by-laws development and more technical assistance in this direction is expected in future.

Based on the 2004 reports presented it is obvious that AFO has done a lot in designing and providing service to their members and ensuring some sustainability of the organization. With some institutional changes they are on the right way to be a true member driven professional association.

#### **Sub-activity: Strengthen AFO Financial Capacity**

##### **AFO Audit**

With the support and assistance of the AFO staff, Ernst&Young undertook the comprehensive audit of the financial records of the Association of Finance Officers for the fiscal years 2003 and 2004.

The issuing of the Draft Audit Report was slightly delayed due to the fact that the Auditor was under enormous hesitation whether to outline the deficiencies of the financial operations of AFO in the Management Letter only or to issue a qualified audit report. After numerous consultations and detailed investigation on the part of the Senior Auditors at Ernst&Young, the draft Audit Report was finally issued as clean opinion of the financial operations of the Association.

The auditor will issue the final Audit Report and Management Letter as soon as the newly elected Executive Board submits its comments regarding the recommendations outlined in the Management Letter.

**Build ADKOM  
Capacity to  
Provide Member  
Services**

#### **Sub-activity: Develop New ADKOM Member Services**

MDW continued its technical assistance to ADKOM in strengthening their major organizational areas. The AD Team attended all important ADKOM meetings and events and provided critical guidelines.

##### **MDW Grant to ADKOM**

The first MDW grant to ADKOM was negotiated and approved. The grant duration was for three months -- May to July 2005, totaling an amount of US \$19,266. The grant supported ADKOM in developing and delivering new member services in its organizational start-up phase to demonstrate to its wide membership that it is committed at delivering constructive and handy services for the members. The grant monies were used for: 1)

conducting a member survey, and utilizing the survey data; 2) delivering training on Project Cycle Management to the PCEs' employees; 3) printing the first two issues of ADKOM Newsletter; as well as 4) supporting the ADKOM operational expenditures including staff salaries and office rent.

### **ADKOM Member Survey**

MDW supported ADKOM draft questionnaire to conduct a member comprehensive survey. Two separate questionnaires were designed: 1) one to collect thorough data about the current situation of the PCEs and 2) the other one to consult members about the ADKOM service portfolio they wish to be developed. ADKOM staff mailed the survey forms to all PCEs in Macedonia and sent a cover letter announcing site visits of ADKOM staff to directly communicate with PCE directors and fulfill questionnaire forms through an interview. The information collected during the survey will be organized in an appropriate form: database, publication, etc. The data will also serve ADKOM committees to identify policy issues.

### **Training on Project Cycle Management for PCEs' staff**

As previously agreed with MCIC and ADKOM, the first round of trainings on Project Cycle Management for the ADKOM staff and members was delivered in Skopje, on May 10-12, 2005. The training was attended by 17 participants among which the ADKOM Executive Director and Technical Secretary. The other participants were employees from the public communal enterprises coming from the following ten municipalities: Skopje, Cucer Sandevo, Negotino, Kavadarci, Radovis, Strumica, Kumanovo, Stip, Gostivar and Kocani. After the three-day training the participants assessed the Workshop as a very successful and useful one. The main topics covered at this training were:

- Phases of Project Cycle Management,
- Planning Process,
- Creating the Tree of Problems,
- Creating the Tree of Goals,
- Grouping the Problems and Selection of a Strategy,
- Logical Frame and its Elements,
- Presumptions and Prerequisites,
- Identification of Indicators and Project Proposal Forms.

The most appreciated and most positively assessed parts were the topics that were followed by a practical task for the participants' work in groups. In this way they could exchange experience with their colleagues coming from different communal enterprises and also using the theory in developing actual skills for PCM.

### **ADKOM Web Site**

As a part of the AD Team strategy to assist ADKOM in developing new services and introducing mechanisms for more efficient communication, a web page [www.adkom.org.mk](http://www.adkom.org.mk) was developed. MDW supported ADKOM to register the domain, prepare the web page and its hosting. The web page was designed to provide several types of information in three languages - Macedonian, English and Albanian. The information shared through the web includes: general information about ADKOM, information of its members, previous and future activities, photo library, legal regulations, etc. It is expected that the web page will allow ADKOM to be easily

accessed by all members and will also increase ADKOM's transparency. Furthermore, the page will serve as a strong communication tool between ADKOM and other similar international organizations.

In addition to this, each ADKOM member was provided with an e-mail on the ADKOM's domain. This will facilitate the communication between the ADKOM executive office and the members, and among all ADKOM members themselves. During the coming period, where it is necessary, MDW will support ADKOM in providing education to their members how to use the provided e-mails.

### **ADKOM Brochure**

During this reporting period a first ADKOM brochure was prepared and printed. The brochure was published in three languages: Macedonian, English and Albanian. It will serve as an ADKOM ID and its aim is to present ADKOM to different stakeholders in the country and abroad. For that purpose, the brochure will be delivered to the ADKOM members, the line ministries, and the Parliament members, foreign donor organizations that are present in the Republic of Macedonia, municipalities and similar foreign associations in the region.

## **Develop ADKOM Policy Process**

### **Sub-activity: Create ADKOM Policy Committee Structure**

In this reporting period MDW assisted the ADKOM staff and committee members in undertaking several initiatives to proceed with their key policy issues development.

### **Developing Procedures for Committees' Activity**

The members of ADKOM Committee on Legal-Normative Issues were provided with the Proposal Law on Execution (of Legal Obligations). As the Committee did not have any significant remarks on the proposed Law, the Committee did not have any positions to agree upon. As soon as the Law on Execution is adopted, ADKOM office will prepare an information letter which will be sent to the members informing them on its adoption by the Parliament.

### **Round Table Discussion on the Positions and the Conclusions of the ADKOM Working Group, with reference to the Legislation that Regulates the Operation of the Communal Enterprises in the Republic of Macedonia, June 23, 2005**

ADKOM, in cooperation with MDW, organized a round table for reaching a joint position on the positive legal provisions in the communal sphere. Forty-five (45) participants - representatives of different stakeholders including the ministries in the Government, donor organizations in Macedonia, ADKOM Committee Chairs and CPEs' Directors took part at the round table. ADKOM Managing Board President, Mr. Jordan Milkov, ZELS President, Mr. Andrej Petrov and MDW CoP, Mr. William Althaus welcomed the participants and expressed their satisfaction with the efforts being made to help the CPEs in the country in improving the regulatory environment.

The participants were informed about the Policy Working Group conclusions from the Krusevo Workshop held in April, after what an open debate was conducted. Many participants had an opportunity to express their views, comments and suggestions

and to contribute towards harmonizing the positions on the need for adjusting the legislation that affects the operations of the communal enterprises.

**Meeting with EU-funded Project “Approximation of Trade Legislation” Implemented by the EAR**

Approximation of Trade Legislation is an EU-funded Project managed by the European Agency for Reconstruction to support harmonizing the Macedonian legislation with the EU legislation. MDW project helped ADKOM to provide their members with the proposed changes and amendments on the Law on Public Enterprises and also, supported ADKOM Committee on Legal-Normative Issue to compile the members’ positions. MDW also provided the Committee with the comments on the proposed law.

ADKOM Executive Director informed that the proposed changes in the Law on Public Enterprises were communicated to the ADKOM members and particular attention on this issue was given during the Krusevo Workshop, held on April 26 - 27, 2005. She informed that the copies of the proposed changes were sent to all ADKOM members and that ADKOM Committee on Legal-Normative Issue has drawn the remarks and suggestions on the proposed law. It is little bit confusing that there are actually two different proposals for amending the law - one from the EU project for Approximation of Trade Legislation and, other, from the Ministry of Economy. Anyway, the ADKOM positions are the same for both proposals and they will apply on both proposed versions.

In addition, the round table session to discuss the proposed changes with all stakeholders was organized in the Ministry of Economy. ADKOM’s Managing Board President, Executive Director, and the Chair of the Committee on Legal-Normative issues participated at the round table. The MB President, Mr. Jordan Milkov officially presented the ADKOM remarks and comments on the proposed Law on Changes and Amendments to the Law on Public Enterprises. The Head of Legal Department in the Ministry of Economy, Ms. Snezana Petkovska, stated that all ADKOM comments will be seriously reviewed before the draft Law is submitted to the Government and the Parliament.

**Model-Decision on the Conditions and the Manners for Drinking Water Supply and Outflow Of Urban Waste Waters**

ADKOM Committees on Water Supply and Normative-Legal Issues held a joint meeting on July, 7, 2005. The purpose of the meeting was to link both committees to participate in the finalization of the model-Decision on the Conditions and Manners for Water Supply and Outflow of the Urban Waste Water. This model-Decision is intended to help each municipal council in drafting their own decisions of this kind, in order to regulate the activities of their respective communal enterprise.

The meeting was co-chaired by Ms. Lora Gjoteva, President of the Committee on Legal-Normative Issues and Mr. Romeo Ivanovski, President of the Committee on Water Supply. Both committees had already had several meetings and provided several suggestions to the proposed decision. After many fruitful discussions, the final text of the model-Decision on the Conditions and Manners for Water Supply and Outflow of the Urban Waste Water was adopted by the participants.

The next step is to arrange a meeting with the respective ZELS Committees to explain the model-Decision and, if agreed, the final model-Decision will be published on ADKOM's and ZELS's web sites. Prior to that, MDW organized a meeting with GTZ, for the purpose of getting their agreement on the model-Decision as well.

The Committee on Legal-Normative Issues accepted the MDW proposal to prepare an Action Plan for the lobbying strategies when proposing amendments to the MPs for discussion and their eventual adoption. Following is the priority schedule list of the amendments that should be submitted that was agreed upon:<sup>1</sup>

1. The amendments regarding the Law on VAT;
2. The amendments regarding the Law on Social Welfare;
3. The amendments regarding the Law on Obligations;
4. The amendments regarding the Law on Water Supply and Outflow of the Urban Waste Water;
5. The amendments regarding the Law on Local Self-Government.

The other topics discussed by the Committee were issues related to the contracts between the CPEs and the customers, and the Methodology of determining the water price.

MDW will provide ADKOM with models of Contract between the water providers and customers, and together with GTZ, will prepare the Methodology of determining the water price, which will be delivered to all ADKOM members.

After adoption of the final version of the model-contract by the ADKOM Management Board, it will be suggested to all CPEs to use such a contract between the CPEs and customers.

#### **Methodology for Determining the Price of Drinking Water and Urban Waste Water Drainage**

For the purpose of coordinating the MDW and GTZ activities, the development of the proposal Methodology for Determining the Price of Drinking Water and Urban Waste Water Drainage to the ADKOM has been postponed for the next month. Also, GTZ and MDW agreed to ask the Ministry of Transport and Communication in charge of preparing such a decision to actively participate in drafting of the proposal - Methodology.

#### **Other AD Team Activities with ADKOM**

#### **ADKOM Managing Board Members' Succession**

The newly elected mayors had been appointing new directors for their PCEs in this quarter. As a result, four of the nine ADKOM Board Members ceased to hold a PCE position. MDW supported ADKOM in dealing with this important issue which had to do with the association leadership and helped develop a policy and action steps.

The ADKOM Board held two meetings during the month of June to prepare a plan for the Board Member succession. The Board decided that the ADKOM Assembly should come together and make the final decision. The Board proposed an enlargement of

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<sup>1</sup> The positions regarding the Law on Public Enterprises are already submitted to the Ministry of Economy.

the Board structure from nine to thirteen to meet the membership interest to serve on the Board. The Board also suggested that there should be a regional representation in the board structure whatsoever. The ADKOM office sent a letter to all members to initially collect nominations for new board members. The Board prepared a list of 8 candidates for new Board members based on the response from PCEs: four nominees for new seats on the board and four nominees to replace the Board members who no longer work on PCEs.

The ADKOM Assembly meeting was held on June 29, 2005 in Skopje. Lolita Stojanovska, the ADKOM CEO presented their activity for the last 6 months since the 1st General Assembly. She also presented the new ADKOM website and promotional materials.

1. The Assembly approved the decision to increase the number of Board Members from nine to 13 and appointed new members.
2. The Assembly amended the by-laws to increase the terms of office for the board members from 1 to 2 years. The reasoning for this change was that 1 year was too short for board members to sow results, and the enlargement of the seats from 9 to 13 increases opportunities for more people to serve.
3. The Assembly decided to decrease the membership fee for small PCEs from the current 3000 denars per each member + 25 denars per PCE employee to new fee policy of 1000 denars per PCE which has less than 25 employees and 3000 denars for PCEs with 25 to 50 employees.
4. The Assembly appointed four new members for the ADKOM Board: Ljubco Belicev, Director of PCE Kocani, Pance Orcev, Director of Komunalec, Strumica, Milaim Ajdini, Director of PCE Tetovo (ex Minister of Transport and Communication), Ljube Trajanovski, Proakva, Struga. This was the most difficult topic in the agenda as there was reaction from the Bitola PCE "Niskogradba" Nikola Jovanovski and the Prilep PCE Metodija Tomevski. They were originally in the longer list of the nominees (list of 8 PCE representatives) but the ADKOM Board made the initial selection and put the above list of four new candidates on voting. There was a political dimension on this disagreement as the Bitola and Prilep PCEs are appointed by their VMRO Mayors. The voting result was 18 pro and 3 against the above decision.
5. ADKOM Assembly decided to replace the Board members who are no longer PCE employees as the new Mayors changed the PCE leadership in Kumanovo, Bitola, Debar and Skopje. It was decided that the newly appointed Directors of the same PCEs are the new members of the ADKOM Board: Goran Mitevski, Kumanovo, Zoran Illioski, Bitola, Luan Cilku, Debar. Skopje Water Company has still not announced the successor for Jane Cenev. This decision was also questioned by the Bitola and Prilep PCE directors. They were out-voted.

There were a couple of additional negative reactions: Bitola Director questioned the ADKOM activity and stated that during the ADKOM meetings with the Ministries, the ADKOM representatives do not stand firmly over ADKOM positions, but are rather inclined to compromise the PCE interest. Milaim Ajdini from Tetovo PCE did not like the Albanian translation of the brochure.

It is apparent that there is some (political) turmoil within ADKOM, but it is also apparent that the interest and perception for ADKOM as important political player is increasing.

## Next Quarter Activities

- ZELS Financial Operations Audit for 2004 will be finalized.
- ZELS Desk Audit will be conducted.
- ZELS Policy Committees will start meeting to develop policy positions.
- A Workshop on Lobbying Techniques will be organized for ZELS, ADKOM and AFO leadership.
- Regional meetings of mayors will be held to determine ZELS key policy issues.
- ADKOM Committees on Water Supply and Committee on Finance and Economy will review the draft Methodology for Determining the Price of Drinking Water and Urban Waste Water Drainage.
- The draft-contract which is to be signed between the providers (CPEs) and the customers will be reviewed by the ADKOM Committee on Water Supply, and Committee on Legal-Normative Issues.

## IR 2.3.4. - “Local Governments Improve the Management of Municipal Services”

### Summary of Quarterly Accomplishments

- Financial Management, Budgeting and Administration Training Cycle for all 84 municipalities has been completed and the Final Report on Financial Management, Budgeting and Administration Training program prepared.
- Property tax materials for the organizational structure and joint property tax administration models submitted to all participants during the OS/HRD workshops and property tax trainers identified.
- Property Tax Administration Manual printed and distributed (in Macedonian and Albanian language).
- Technical TOT for property tax trainers delivered as well as the Property Tax Basic training in four regional hubs.
- All OS HRD regional workshops for Mayors and middle managers have been delivered and the OS HRD final report has been completed.
- ALL LLI regional workshops for Mayors and City Council Members have been delivered and the LLI final report prepared by all three involved partners (MDW, ZELS and WL) has been finished and submitted to USAID.
- Permitting assessment completed and candidate municipalities for the permitting activity proposed to USAID for approval.
- Initial contacts made and support for forming a permitting software working group received from ZELS and the Ministry of Transport and Communications.
- Memorandum of Cooperation between MDW and TRAIN project in the area of local urbanism signed.
- Initial report on the recommended organization structure of the local-government sector integrating permitting, urban planning, LED, environmental protection, communal services and community development developed.

- Planning session, named as municipal forum, was organized between Prilep Municipality, Swiss Development Corporation (SCD), PREDA Agency and MDW in order to generate general plan for the local economic development process in the municipality. The forum was held on May 19, 2005 in Prilep.
- The Business Attitude Survey was conducted in Prilep on forty-seven businesses, in cooperation with PREDA - SDC project and the Report on main findings on business climate in Prilep was produced.
- Meeting on LED network was held on July 15, 2005 in Skopje.
- The pilot BID project was launched in Kavadarci and the MOU was signed on June 15, 2005.
- Public hearing on the pilot project was held on June 15, 2005 in Kavadarci, conducted by the Mayor Pancho Minov (attendance 80 citizens, businessmen, and others).
- On June 16 - 17, 2005 the shop keepers' survey (52 shop keepers interviewed) and shoppers' survey (200 shoppers interviewed) were conducted in the BID zone in Kavadarci.
- The BID Working Group was established on June 28, 2005.
- The results from BAS survey in Kavadarci were presented to the Mayor and the BID Working Group.
- BID zone planning process was initiated - SWOT analysis and draft Plans for Capital Improvement and Marketing and Maintenance.
- As a part of cross cutting activity, field visits and interviews with Mayors in ten Skopje's municipality were conducted end of July 2005.

## Activities' Implementation

### MUNICIPAL FINANCE

#### Sub-activity: Enhance Financial Management

#### *Provide Training to 84 Municipalities in Financial Management*

During the reporting period, the Financial Management Training Program in Financial Management, Budgeting and Administration and the Final Report on the training program were completed.

Highlights of the training:

- The training program for municipal financial employees was conducted during May and June in all regions of the country. Attendees included 173 participants from 79 municipalities, including representatives from the local units of the Ministry of Finance.

Training Location	Training Dates	No. of Participating Municipalities	No. of Attendees
Skopje 1	16-20 May	8	16
Tetovo	16-20 May	9	18

Macedonia's Municipalities have Financial, Organization Structure and Human Resource Capacities to Assume their New Competencies under Decentralization

Strumica	30 May - 03 June	9	20
Stip	30 May - 03 June	12	27
Bitola	06-10 June	11	22
Ohrid	06-10 June	9	22
Kavadarci	13-17 June	7	19
Skopje 2	13-17 June	14	29
	<b>TOTAL</b>	<b>79</b>	<b>173</b>

- The implementation of the training program was supported by the Ministry of Finance, World Bank/MCDP project, USAID/MDW project and OSCE. Training was conducted by BASME C&T.
- The program’s fundamental goal was to prepare participants to overcome the challenges of fiscal decentralization and their new budgeting responsibilities so as to understand their tasks according to the new legislation.
- Analysis of the training, resulting from participants’ feedback, reflects both participant and donor satisfaction with the delivery of training topics, the duration and methodology and the achievement of the trainings goals and objectives. The practical approach provided by the trainers allowed participants the opportunity to address uncertainties related to budget planning, preparation and execution. Participants generally agreed they are prepared to handle the transfer of responsibilities.
- Participants observed that there is a need for further specific training/workshops in capital improvement planning, debt management, taxes, fees, treasury functions and internal/external audit.

A meeting was held with the Director of the World Bank/MCDP project, Mrs. Biljana Lazarevska, to discuss further collaboration in providing financial management and budgeting assistance. MCDP expressed an interest in working with and supporting MDW activities in equipping municipal finance and budget departments with necessary IT and providing more subject specific training identified by municipalities.

**Equip Selected Municipal Finance and Budget Departments with Necessary IT and Training**

During this reporting period, the MDW MM Team members for Finance, Tax and IT visited the municipalities of: Kumanovo, Sveti Nikole, Strumica, Vasilevo, Bosilovo, Kavadarci, Prilep, Bitola, Stip, Debar, Gradsko, Rosoman, Negotino, Demir Kapija, Krusevo, Makedonski Brod, Plasnica, Kicevo and Ohrid. Meetings were held with Mayors and with Heads of Finance and Tax Departments. The purpose of the meetings was to conduct an assessment of their current finance, tax and IT activities, efficiency of services and municipal needs (for more details see **Sub-activity: Conduct IT Needs Assessment under Provide Supporting Information Technology**). Current capacity to implement enhanced financial management competencies and technology were assessed. In all municipalities visited, the assessment reflected the need for additional training, installation of updated financial management software, installation of new integrated tax and finance management systems and related IT equipment.

A meeting with the Head of Finance and Tax Departments of the City of Skopje was held as well. The City requested that they be selected to receive MDW assistance. MDW agreed to install financial management systems and, when available, tax administration software.

Possible candidate municipalities for MDW Year Two for financial administration assistance were identified. Once selected, the municipalities will be provided with integrated finance and tax software, training and associated IT.

#### **Provide Assistance to Selected Finance and Budget Offices on Budget Planning, Preparation and Execution**

During June USAID, MDW staff and EAR participated in a donor coordination meeting to discuss the process of decentralization, results, problems and constraints as the decentralization process is implemented on July 1, 2005.

Brief descriptions of the Make Decentralization Work (USAID) project and the (EAR) projects: Technical Assistance to the Ministry of Finance for Fiscal Decentralization and Technical Assistance for the Implementation and Co-ordination of the Decentralization Process were presented. Principal activities, beneficiaries, time plan and specific challenges were identified. Discussion followed on the current status of the decentralization process and an assessment of the challenges ahead and how to prepare for them. It was agreed there are possible areas for coordination and collaboration and that a Financial Working Group will be established to coordinate financial program activities so as to avoid overlapping and to accomplish synergy by pooling resources.

MDW organized a presentation of the financial management software for staff of the EAR program "Technical Assistance to the Ministry of Finance for Fiscal Decentralization." Representatives from EDUSOFT (MDW contracted software design company) made a presentation on the upgraded software and new modules. To promote further cooperation, EAR will support the design of a new chart of accounts and a treasury module for local units of government.

#### **Preparation of Citizen Budget Brochure**

The Financial Management Team, in cooperation with the CP Team, designed a Citizen Budget Brochure. In preparation for public budget hearings, likely to begin in September 2005, selected municipalities will be given assistance in the preparation of Citizen Budget Brochure. The Brochure is designed to provide information on the following: (1) the Budget of the local self government it includes, (2) the functions of the local self government that are financed from the budget, (3) the individual sections of the local budget, (4) the sources of revenues for the Budget of the Municipality, and (5) expenditure allocations of the local budget.

#### **Assessment of Municipal Responses**

A municipal needs and capacity assessment was completed and results tabulated. Responses to the municipal questionnaires related to financial management and budgeting have been analyzed and will be used as basis for future implementation of activities and selection of partner municipalities.

**Sub-activity: Deliver Training and Technical Assistance in Organization Structure and Human Resource Development (OS/HRD) to eighty-four (84) Municipalities**

During this reporting period the following activities were completed:

- The OS/HRD regional workshops were delivered and the Final Report was produced.
- The goal of these trainings was to help municipal employees to design an organizational structure in accordance with the new competencies that should be undertaken by the municipalities.
- The expected outcomes of the training were that the participants will understand the normative decisions regarding the organizational design in accordance with the new competencies, the equipping of the municipal administration, the procedure for new employments, the principles of good governance and methodological approach for creation of organizational structure in their own municipal administration.
- A total of 238 participants from 82 municipalities received the first cycle of this training program, and 153 representatives of 72 municipalities participated in the second training cycle.
- The organization of the training both in the first and in the second cycle was on a great satisfactory level.
- The working methods were interactive to a great extent, so that the majority of the participants (over 90%) took active participation at the training. The percentage of active involvement increased particularly in the second cycle when the participants presented their preparations but they also discussed about the proposals given by the other municipalities.
- The usefulness of certain topics was highly rated as well, especially the topics related to the methodology for designing the municipal administration structure and the models that were presented for organizational structure of variously developed municipalities.
- The training participants highly rated the usefulness of the knowledge that they gained during their daily working activities.

**Sub-activity: Local Leader Certification Program (LLCP) for Newly Elected Mayors and Selected Councilors from Eighty-four (84) Municipalities**

During this reporting period the following activities were completed:

- The regional workshops for Mayors and City Council Members, the final phase of the Local Leader Institute 1 (LLI 1) went well, without any significant obstacles and constraints.
- The aim of the workshops was to improve the awareness and knowledge of newly elected officials regarding the major responsibilities for which they will be held accountable.
- The training was designed to last three days, each day consisting of seven (7) hours of training time.
- The Mayor and Council Trainings were highly interactive thus enabling the participants to be actively involved from the very beginning.

- It should be emphasized the delay of the start of mayors' training and that many of the mayors did not attend all three days of the training. As a result, in all HUBs agendas were modified according to the number, composition and interests of the participants.
- A total of 53 mayors and 208 council members received this training program.

The following are the skills that the local leaders have gained during the series of LLI training:

- Applying the underlying principles and objectives of decentralization to their roles and responsibilities.
- Recognizing the political, personal, organizational, and interpersonal responsibilities required for their position.
- Developing action plan, outlining priorities for their every-day working in office.
- The measures, as provided for under the Law on Local Self- Government that can be applied to facilitate the legislative process and assist in making decisions of benefit to the municipality.
- Ways in which a successful cooperation between Mayor and the Council can be ensured.
- Recognizing expectations citizens have of them in relation to leadership responsibilities.
- Identifying ways which can assure citizens that a local leader has strong teams in place to tackle issues of local concern.
- An understanding of the importance in developing a strong vision for the future of the municipality.
- Developing a mission statement, highlighting the municipal statement of intent and values.
- The process for setting annual municipal goals.
- The basic legal framework for setting up the municipal administrative structure, focusing specifically on administrative responsibilities, organization, financing and hiring.
- Recognizing and preventing some practical considerations in setting up a strong local government structure.
- The types of public agencies, services and programs a municipal administration can set up.
- Identifying means by which the municipal leadership can identify and respond to human resource issues.
- The basic process by which the municipal budget is developed.
- The steps local leaders can take to build a strong infrastructure that supports citizen participation.
- Identifying reasons why the public may be reluctant to participate in local government decision-making, as well as actions they can take towards changing this.
- Applying general guidelines on how to work with the media to develop a relationship that is mutually beneficial and one that ensures public participation.

**Sub-activity: Enhanced Tax Administration**

During June, the Property Tax Implementation Team focused on two activities: (1) preparing and delivering a Technical Property Tax TOT for future property tax trainers and (2) field assessment for the selection of year-two target municipalities.

In relation to activity one (1), MDW Property Tax STTA, Mr. Richard Sanderson prepared material and delivered the Technical Property Tax TOT. The material included a detailed technical property tax TOT agenda, power point presentation, outlines and other related training materials.

During July, the Property Tax Implementation Team continued preparation for delivery of the Basic Property Tax Training Program. Activities included: conducting a second TOT for building and/or upgrading training skills for selected property tax trainers and organizing training teams and HUB assignments. The four-day TOT, prepared and conducted by Mr. Cvetko Smilevski, was divided in two parts - theoretical and practical.

Due to a delay in the process of transferring employees from the Public Revenue Offices to municipalities, resulting in delays in establishing municipal revenue units, MDW changed strategy for the delivery of basic property tax training by inviting representatives from each municipality where there are existing local and/or regional public revenue offices. Three representatives from each core municipality were invited. (Head of the finance and budgeting sector and two other employees, likely to be engaged in the future property tax administration function).

The basic, two-day Property Tax Training Program was conducted in all four HUBS during the last week of July. Attendees included eighty-nine (89) municipal representatives, representing thirty-four (34) core municipalities. The participants evaluated the training program as very important, successful, well organized and timely. Participants raised concerns related to the transfer of resources (employees, equipment and data base) from the Public Revenue Offices. All participants received copies of the Valuation Methodology and the MDW Property Tax Manual.

**Sub-activity: Install IT Hardware and Software**

**Property Tax Administration Software**

The technical review of tax software proposals, under RFP 3330-400-04R-001, is ongoing. It is expected that during August the technical review and selection process will be completed by DAI Home Office.

**Sub-activity: Real Estate Valuation**

**Real Estate Valuation Methodology**

The MoF has adopted the Valuation Methodology. We have been informed that the Methodology will have to be updated by incorporating zones for all Macedonian municipalities.

The Methodology was published in the Official Gazette, No. 50/June 27, 2005.

### **Property Tax Manual**

Property Tax Manual was completed and printed in Macedonian and Albanian language. Manual was distributed to all Macedonian municipalities.

## **MUNICIPAL SERVICES**

### **Improve Urban Planning Capacity**

#### **Sub-activity: Establish Municipal Urbanism Departments (MUDs)**

MDW's consultant Richard Sanderson prepared an initial report on the recommended organization structure of the local-government sector integrating the following municipal competencies: permitting and urban planning, local economic development, environmental protection, communal services and community development.

#### **Sub-activity: Establish One-Stop Permitting Centers (OSPCs)**

MDW completed the assessment of the current situation and resources of 15 municipalities who are candidates for the permitting centers. According to the assessment findings, eight municipalities were proposed to USAID as potential candidates for implementing the permitting activity in the following project year.

A meeting in the Ministry of Transport and Communications was organized related to the establishment of a working group for adjusting the permitting software. The Ministry officials supported the idea for establishing a permitting software working group consisting of representatives from MDW, ZELS and the Ministry of Transport and Communications. Furthermore, the Ministry expressed their need for MDW specialist to be included and participate in the preparation of the urbanism-related secondary legislation, as well as in the process of drafting the Law on Illegal Constructions.

In light of this meeting, a meeting with the President and the Executive Director of ZELS was organized. ZELS strongly supported the idea of forming a working group that will adjust the permitting software. As of this writing the Association has not yet established its Committee on Urban Planning but has recommitted to this effort. After it is established, the Committee will officially appoint several representatives as members of the working group for adjusting the permitting software.

MDW signed an official Memorandum of Cooperation with the EU-funded TRAIN project, to coordinate activities in the area of Urban Planning.

#### **Sub-activity: Introduce Rational UP/Zoning Techniques**

The following areas were coordinated with the TRAIN project: training delivery, hardware specification, software specification, and hardware and software quantity to be delivered in the partner municipalities.

As part of the cooperation with other projects working in the field on urbanism, MDW participated in the final workshop entitled Building Licenses and the Urban Process, organized by VNG International.

#### Sub-activity: Land Tenure Security

A meeting related to a possible implementation of the Land Tenure activity in Cair was organized between the USAID Mission Director and the Mayor of Cair. The meeting was focused on the challenges that the decentralization brings, as well as on the plans and actions that the Municipality of Cair plans to undertake in order to address these issues. The municipal officials confirmed that Topaana neighborhood (the candidate site for implementation of the Land Tenure activity) is one of their highest priorities. It was suggested and the municipal representatives were encouraged to apply a common and joint approach with the Municipality of Centar (both municipalities possess part of the Topaana neighborhood).

### Institutionalize Local Economic Development

#### Sub-activity: Expand the Number of LED Municipalities

In cooperation with Swiss Development Agency (SDC) project PREDA from Prilep and MDW, a planning session was held and BAS survey was conducted in 47 business companies in Prilep

A planning session (municipal forum) was held on May 19, 2005 regarding future LED in Prilep. Participants included representatives from the Municipality (Mayor, LED Advisor, Head of Urbanism Department, Internal Auditor); and representatives from the private sector (PREDA, SDC, MDW, Economic Faculty in Prilep and Center for Employment in Prilep). On the agenda were presentations of SDC, MDW and PREDA activities related to LED. Further, the discussion took place for establishment of public-private partnership in Prilep to develop the local economy. This opportunity for international donor cooperation in Prilep was viewed from all stakeholders as a unique chance for achieving results in public-private partnership.

The MDW role in this program will be to deliver training and TA on Strategic Planning and LED for the local government. In the process of strategic planning, through Public - Private Partnerships (PPP), local government will share the municipal vision and identified common problems with the business sector. Through PPP, local government will ensure successful implementation of the LED activities.

The Swiss Development Corporation (SDC) is planning to support PREDA in the next two

#### MAIN FINDINGS

1. *The Prilep economy consists of a strong production cluster, especially in food and textile industry, construction industry and smaller and medium sized trade and service companies started by local entrepreneurs.*
2. *The companies are not satisfied with general economic situation in the country, interest rate, availability of financing, national legislation, bureaucracy and corruption.*
3. *Current employment of all firms interviewed is 2 437.*
4. *The highest share of all interviewed companies is in food sector: 21%, 13% are from textile, 49% other sector (as a furniture production, marble production, tourism etc.) and 17 % services.*
5. *65% of companies are owned by physical persons.*
6. *Future entry into EU is expected more positively.*
7. *Companies export mainly in the surrounding area of Prilep.*
8. *Employers are quite satisfied with the quality of their work force. Overall, 77% are rated either excellent or good, which represents a high level of satisfaction. However, the average wage is rather low with about 9105 MKD per month.*
9. *Most of the companies (66%) are planning expansion of their production in next two years, totally they should invest 938 690 000 MKD and all together 1 466 new jobs will be created.*

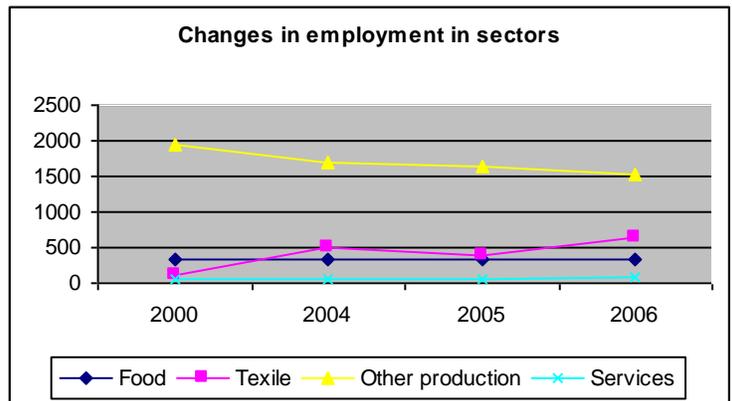
years for delivering business support services. Thus, the joint effort from the donors aims to visibly improve the Prilep economy through empowerment of Public-Private Partnership (PPP).

An MOU outlining the cooperation between Prilep and MDW was prepared and signed. At the same time, a Memorandum of Cooperation between SDC and MDW on the joint assistance to Prilep related to LED program was signed. On June 22, 2005 the organizational issue was discussed with Prilep LED Coordinator, Goce Kostoski and it was agreed that the municipal planning board for the strategic planning will be gathered in September 2005.

SDC and MDW worked together to conduct a Business Attitude Survey (BAS) in Prilep. From July 4 - 8, 2005, forty-seven (47) business companies were interviewed about the business climate in Prilep. The objective of the survey was to provide useful and credible information concerning the attitudes of those who invest and create jobs in Prilep. Survey items included the history and status of a business, the nature of its business, labor and employee matters, business facility information, government services and relations and overall impressions of the town as a place to do business. The highest share of all interviewed companies came from the food sector: 21%, 13% are from textile, 49% other sector (as a furniture production, marble production, tourism etc.) and 17 % services.

*Labour and Employment Matters*

The total number of full time employees in these 47 firms is 2,437; in 2004 it was 2,566 and 2,419 five years ago. The Chart shows relative changes in employment in individual sectors. New jobs were created mainly in textile sector. The food and service sector stay without big changes in employment. At the same time, other production is losing jobs in the last four years.



The average monthly wage paid by all surveyed is about 9,105 MKD, the lowest in service sector and textile industry, the highest in food industry (see the Chart on the right). Twenty nine companies miss specific professions and skills, which are important for their future development, only one firm expects to have this problem in future and 17 companies are satisfied, they do not miss specific professions and skills. The technologist, mechanical and electro engineers together with English translator are mentioned most often as missing.



The Business Climate Survey reflects the accumulated opinions of the major employers in Prilep. Their collective attitudes towards municipal government will have a strong influence on whether its economy will grow, stagnate or decline.

**Sub-activity: Implement Strategic Plans in LGRP Pilot Municipalities**

**LED Network Meeting, July 15, 2005**

The LED Network meeting was held on July 15, 2005. MGGF was discussed as a possible financial source for implementing the projects defined in the LED Strategic Plans. For the purposes of MDW monitoring and evaluation, coordinators will provide the summary of implemented projects from their respective Strategic Plans. LED coordinators requested MDW assistance in revising their existing Strategic Plans.

**Sub-activity: Create Business Improvement District (BIDs)**

**Launching BID Pilot in Kavardaci, Business Surveys and Drafting the BID Plans**

On June 10, 2005, MDW STTA Nora Maderkova and LED Team Leader made a presentation of the pilot BID project time framework and necessary steps to be taken.

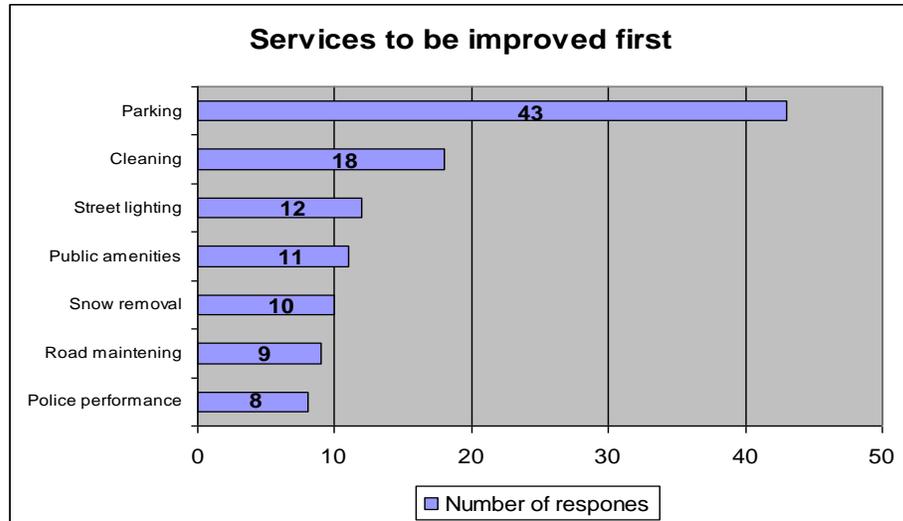
The MDW Chief of the Party William Althaus and the Mayor of Kavardaci, Panco Minov signed the MoU, which outlined the roles and responsibilities of both MDW/USAID and the Municipality of Kavardaci regarding the implementation of the Business Improvement District (BID) Project. The public hearing was organized on June 15 in Kavardaci City Hall. STTA Nora Maderkova presented the project for the participants and together with the MDW COP and LED Team Leader answered citizens' questions regarding the BID process and its implementation. All together, approximately 80 people attended the hearing including the Mayor of Kavardaci.

On June 16 - 17, 2005 the Business Attitude Survey and Shoppers Survey were conducted within the BID zone. Fifty two shopkeepers and 200 shoppers were interviewed by five interviewers previously trained by MDW. The survey data was analyzed and report prepared. Both positive and negative aspects of the BID zone were identified by the interviewed shopkeepers/business owners.

They also identified the services to be improved first (see the Chart below) including:

- Improving parking in the BID area by providing for more parking places,
- Improving hygiene in the BID area,
- Improving the street lighting,
- Improving public amenities,
- Improving the snow removal,
- Improving road maintenance,
- Better security in the area.

The respondents were asked which of potential BID activities would be the most important to improve the shopping district. Parking was mentioned by 69% of respondents and maintenance and cleaning by 58 % of them.



As for the shoppers that were interviewed, the following were identified as the main positive findings:

- Over 60% of respondents like the quality and variety of merchandise in the area and agree that store clerks treat them well (84%);
- The respondents also agree that they feel safe, street lights make the area attractive and business owners keep them well informed;
- Almost 90% of respondents go to shop or eat in the street at least 3-4 times a week, people are attracted also by Grape Harvest Fair, Carneval and discounts within the BID area;
- About 48% of respondents come to the zone to spend money;
- The BID area is well situated, it takes less than 15 minutes for more than 84% of shoppers to get to the zone, walking is the most often used means of transportation;
- Most of the visitors feel safe within the BID area.

And the following is the summary of the main negative findings of the shoppers survey:

- The overall level of satisfaction with cleaning of the street is rather low, 43% of shoppers believe that there should be a cleaner;
- More than 41% of citizens believe that new benches, waste bins, telephone booths would make the street more attractive and pleasant for visitors;
- 42% of shoppers visit another shopping area more often; 53% of shoppers would like to see other services and shops in the zone (e.g. sport equipment, more boutiques, sweets shops, pizza-restaurants, music shops, hairdresser, vegetable shop, coffee bars, fitness and similar).

At the first meeting of the BID Working Group that was held on June 28, 2005 the task force on the program was established. The group was informed on the following steps to be undertaken within the program.

**Provide Supporting Information Technology**

On July 21, 2005 results from BID surveys, both on shopkeepers and shoppers, were presented to the Mayor Pancho Minov and Project Coordinator Aleksandar Kolev. The Mayor expected such results because those were problems that were noted before. The only surprising fact for him was the finding that the shopkeepers are prepared to bring new investments in the BID zone from Macedonia and abroad. However, the Mayor found the report to be useful for determining the future spheres of improvement of municipal services.

On July 27, 2005 the BID working group had a meeting when the results from the BID surveys were presented to its members. Based on the findings of the surveys, SWOT analysis was done as a part of the planning process. In continuation of the meeting, two sub-groups that were established drafted Capital Improvement and Marketing and Maintenance Plans.

**Sub-activity: Conduct IT Needs Assessment**

During the reporting period, the MDW MM Team members for Finance, Tax and IT visited the municipalities of: Kumanovo, Sveti Nikole, Strumica, Vasilevo, Bosilovo, Kavadarci, Prilep, Bitola, Stip, Debar, Gradsko, Rosoman, Negotino, Demir Kapija, Krusevo, Makedonski Brod, Plasnica, Kicevo and Ohrid to complete detailed ICT needs analysis. Their current ICT needs such as software, hardware and training were identified on the basis of this visit. (Detailed report for each visit available upon request)

Some of the findings are given below:

**Sveti Nikole**

Municipality of Sveti Nikole is relatively small Macedonian municipality. It has approximately 18,000 citizens in 6,500 households. It currently employs 23 people (down from 28 two months ago). This number will increase during the decentralization process, but the total number is still unknown. The Municipality is working on their new organizational structure.

The regional Public Revenue Office and the Cadastre Office are in the same building with the municipal employees. This has been very beneficial in establishing good communication and cooperation.

The Municipality uses ICT to automate their budgeting, payroll accounting and archive. This is also one of USAID/LGRP property tax pilot municipalities and their tax administration is a great success story. Their web site, located at [www.svetinikole.gov.mk](http://www.svetinikole.gov.mk) is under construction.

**Population: 18,000**  
**Households: 6,500**  
**Internet users: unknown**  
**Internet penetration: unknown**  
**Internet clubs: unknown**

**USAID/LGRP activities:**

- Local Economic Development
- Citizen Information Center
- Performance Measurement System
- Leak Detection System
- Financial Management Software
- Computers for members of ZELS' Standing Committee
- Property Tax Pilot
- Public Procurement Trainings
- Mac Action Volunteers

**Municipal Capacity Index**

Municipality uses IT systems to provide services to citizens and incorporates E-government functionality in its procedures	0
Municipality uses IT systems to integrate, manage, and exchange information across departments and institutions related to local urbanism	0
Information networks established to facilitate local and regional information sharing through e-Government Web interface	0

The Municipality offers budgeting and financial services to the surrounding smaller municipalities. It will also be capable to offer tax administration services.

**Kumanovo**

Municipality of Kumanovo is the largest municipality in Macedonia. Serving over 100,000 citizens, the Municipality currently employs about 50 people, with as many as 50 more to come during the decentralization process.

Even with 50 employees, the Municipality does not maintain a Local Area Network. Only accounting and archiving are done on computers and internet access is available only in the Citizen Information Centre and by using dial-up telephone lines. The digital divide is enormous - there is very little awareness present for the new technologies. An IT specialist is planned in the new organizational structure, but it may take a long time to find and employ such a person.

Their accounting department successfully uses the USAID sponsored financial management software. Their archival office uses software developed by MBS. Both offices rarely backup their data and security is very poor.

Their web site, located at [www.kumanovo.gov.mk](http://www.kumanovo.gov.mk) has not been updated for a long time.

A very careful approach is needed to raise the ICT awareness. Some of the employees reported serious damages during a short period of interconnection with the CIC, as the network was not kept secure and virus-free. The system administrator will play a crucial role in enjoying the new capabilities of the new technologies.

A public outreach campaign for e-Governance and ICT is very desirable. There is no available information on how many households have computers and internet access.

**Population: 105,000**  
**Households: 31,620**  
**Internet users: unknown**  
**Internet penetration: unknown**  
**Internet clubs: unknown**  
**Unemployment rate: 40%**

**USAID/LGRP activities:**

- Local Economic Development
- Citizen Information Center
- Computers for Financial Management
- Computers for members of ZELS' Standing Committee
- Public Procurement Trainings
- Budget Public Hearings
- Mac Action Volunteers

**Municipal Capacity Index**

Municipality uses IT systems to provide services to citizens and incorporates E-government functionality in its procedures	0	
Municipality uses IT systems to integrate, manage, and exchange information across departments and institutions related to local urbanism	0	
Information networks established to facilitate local and regional information sharing through e-Government Web interface	0	

**Strumica**

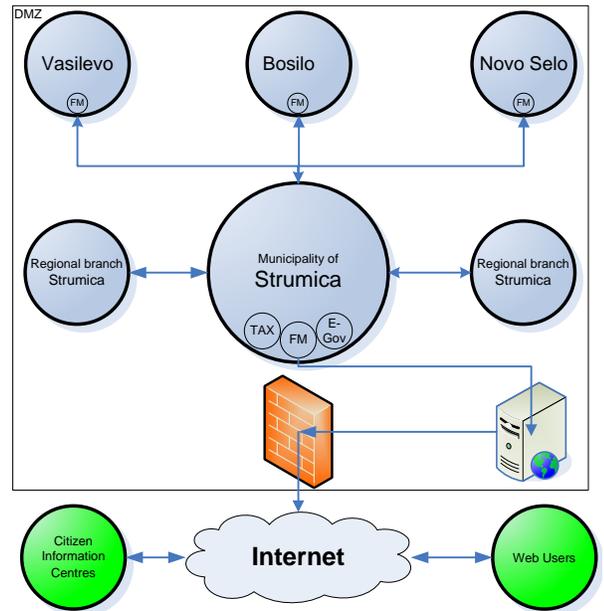
As a result of the MDW Team's visit on Strumica, Bosilevo and Vasilevo, two models were identified: first one - the "service hub" model which is very desirable so that larger municipalities can provide services to smaller and/or developing municipalities and second one - forming joint sectors in each of the small municipalities respectively, that will serve the needs for all of them. Strumica and its neighbour municipalities are to be among the first equipped to use one of this models.

The Municipality of Strumica grew in size and population with the new territorial organization. The City houses about 35,000 people and additional 20,000 live in the villages around. The unit for local-self government currently employs 34 people and this number will grow to about 90.

The Municipality does not employ an IT person. An IT specialist is planned in the new organizational structure, which is based on four sectors.

Property tax collection rate is about 53% (up from 23% three years ago, but down from 95% ten years ago). The Budget and Finances Department uses the USAID sponsored software to manage their budget and finances.

One server was reported in the IT questionnaire, however the municipality was unable to locate and present the server and its role. There are some internet access points, using ISDN or analogue telephone lines to connect to MTnet.



Planned information flow

Strumica will play crucial role in helping the smaller nearby municipalities (Vasilevo, Bosilovo and Novo Selo) in the "service hub" model. Depending on the good will of the mayors, some sectors/departments may be shared or Strumica may provide some of the services for a charge. Being service hub for the smaller municipalities, Strumica will need three IT professionals. One is the much needed network administrator, specialized in network security and hardware troubleshooting. The second one is database administrator and will also be responsible for the backups and all software maintenance. The third person may be part of the Local Economic Development Team and will be responsible for the web sites, their content and maintenance.

The Mayors of Vasilevo, Bosilovo and Novo Selo visited the MDW office to present changes of the "service hub" model discussed before. Instead of receiving services from the nearby larger Municipality of Strumica, they prefer second model, to form joint sectors respectively that will serve the three small municipalities. This model requires better coordination, but is still acceptable and even desirable for inter-municipal cooperation.

### Stip

The Municipality of Shtip is located in eastern Macedonia. With approximately 47,800 citizens, it is a middle-to-large sized municipality. Its mayor, Pande Sarev, is newly elected and positively energetic to bring change and improve the area.

The unit for local self-governance currently employs 36 people. This number will grow to about 70 during the decentralization process. The Municipality does not have a new organizational structure.

It is planned that the Budget and Finance Department will employ four (4) people and the Tax Department will employ at least three (3).

The Municipality does not employ an IT person, however, an IT person is available through the UNDP sponsored ITC Center. The IT person has undertaken significant training for database administration.

No municipal server is available. The Municipality recently signed a three-year contract for ADSL internet access. The municipal web site located at [www.stip.gov.mk](http://www.stip.gov.mk) has not been updated for years.

There are small LAN islands in place, but the Municipality needs a global LAN.

### **Sub-activity: Upgrade IT Equipment, Communication Technology and Basic Office Software**

The project has identified the equipment and software needed for the ICT support to be given to the municipalities. Municipalities will receive ICT divided into four (4) general categories:

- General ICT infrastructure,
- ICT for Budget and Finances,
- ICT for Taxes and
- ICT for Urban Planning and Permitting.

Sanjin Sahadzic from DAIs Office for Information Technology arrived in Macedonia to complete the IRM documentation, to finalize the Property Tax RFP and to assist with hardware procurement.

**Population: 47,800**

#### **LGRP activities:**

- Citizen Information Centers
- Computers for Financial Departments
- Work Plans Development
- Human Resources Development
- Management Information Systems

#### **Municipal Capacity Index**

Municipality uses IT systems to provide services to citizens and incorporates E-government functionality in its procedures	0	
Municipality uses IT systems to integrate, manage, and exchange information across departments and institutions related to local urbanism	0	
Information networks established to facilitate local and regional information sharing through e-Government Web interface	1	

**Sub-activity: Provide Assistance in Developing an Internet-Based Municipal Management Information System**

During the reporting period the questionnaire for Analysis of Citizens' Priorities for e-Local Government Services was taken to the 10 selected municipalities (Karposh, Gostivar, Debar, Kavadarci, Prilep, Veles, Strumica, Zrnovci, Cucur Sandevo and Krivogastani) to collect data from the citizens in these municipalities.

The draft catalogue containing results from the Analysis of Citizens' Priorities for e-Local Government Services has been developed. It reflects public opinion about services that could be available online and their potential impact on the community. Once finalized, the document will be translated into English and published as an e-publication.

## Next Quarter Activities

- TA in financial management for selected municipalities.
- Preparation of Capital Improvement Planning training program.
- Finance software will be installed in selected partner municipalities.
- Follow-up on Financial Management and Budgeting Training in cooperation with World Bank/MCDP and OSCE will continue.
- Selection of a firm for the development of Integrated Property Tax Software.
- TA in Property Tax Administration for selected municipalities.
- TA to Municipal Valuation Commissions for selected municipalities.
- Design follow-up LLI activities regarding upgrading the skills of the training technical assistance network and repetition of councilor training program for those who have not been able to attend.
- Launching the implementation of the permitting activity in up to eight municipalities, after being approved from USAID.
- Establishing working group for adjusting the Local Government Permitting Software.
- Visiting the already established OSPCs - identifying the possible obstacles in their operations and developing an inventory of the trained staff now part of the new municipal administrations.
- Designing a standardized step-by-step approach for establishing a total GIS system in Macedonian municipalities.
- Continue the coordination with TRAIN project - EU's project on Urban Planning, according to the provisions of the signed Memorandum of Cooperation.
- Presenting BAS report and findings on business climate in Prilep as a base for Strategic Planning in LED.
- Data on implementation of the LED Strategic Plans in thirteen LGRP municipalities will be analyzed.
- Study tour to three Serbian BID municipalities in the period from Aug. 31 - Sep. 2, 2005.
- Integrating experience from trip to Serbia and finalizing the Capital Improvement Plan and Marketing Plan for Kavadarci BID.
- The IRM approval documentation will be submitted to USAID.
- The catalogue containing results from the Analysis of Citizens' Priorities for e-Local Government Services will be electronically published.

## Municipal Good Governance Fund (MGGF)

### Summary of Quarterly Accomplishments

- MDW Task Order Modification signed adding \$2M to the MGGF Fund.
- MGGF forms and templates developed and approved by USAID.
- Draft MGGF Monitoring & Evaluation Manual finalized and sent to USAID for review.
- MGGF one-page briefer was distributed to all the mayors at the ZELS General Assembly.
- MGGF program presentation delivered for Mayors during the regional LLI training program.
- MGGF program presentation delivered to 140 representatives of municipalities and 239 community representatives during the rollout campaign.
- Thirty six (36) Concept Papers from twenty three (23) municipalities have been received, filed and processed.
- The Concept Paper review process has been developed.
- The Review Panel held two meetings to review eleven (11) Concept Papers.
- Additional MGGF key staff identified and hiring begun.

### Activities' Implementation

#### MGGF Task Order Modification

USAID awarded a MDW Task Order Modification increasing funds available during the life of the program to implement small scale community improvement projects and purchase computer equipment for municipal IT applications under the MGGF fund. With technical assistance from DAI Home Office Operations Manager, Matthew Buzby, operating procedures were refined, an MGGF application toolkit was designed and the rollout campaign delivered. The Concept Paper intake as well as review and approval process commenced.

Also, employment of the Procurement Manager, Patrick Keirnan, was confirmed. Scopes of Work were also developed for MGGF permanent staff.

### **MGGF Application Toolkit**

During the reporting period, the MDW/MGGF Team developed the following MGGF forms and templates which were approved by USAID:

- Concept Paper Form
- Concept Paper Tool Kit
- Application Form
- Application Tool Kit.

The forms were delivered to Municipalities during the Regional Presentations. Electronic versions have been posted on the MGGF Web Site for easier access.

### **MGGF Monitoring & Evaluation Manual**

Draft MGGF Monitoring & Evaluation Manual was finalized during this reporting period outlining the way MDW/MGGF team would monitor progress and ensure appropriate reporting for the duration of the activity. The Draft was sent to USAID for their review and comments and is expected to be finalized during the next quarter.

### **MGGF Rollout Campaign**

During June and July, MDW conducted an outreach campaign to familiarize municipalities and NGOs with the Municipal Good Governance Fund (MGGF). The goals of this campaign were to encourage municipalities to apply for grants and to promote interaction between municipalities and citizens in identifying priorities and solving community problems through the use of the MGGF.

All preparatory activities for the rollout campaign were completed including:

- identification of eleven host municipalities;
- invitations sent out to municipal staff;
- identification and invitation of NGOs, business and other community groups (SOROS NGO Regional Resource Centers have been instrumental in identifying and inviting the most active NGOs);
- preparation of presentations and materials for the workshops; and
- planning and completion of all needed logistic arrangements.

On 16 - 22 June, 2005 MGGF presentations were conducted for Peace Corps Volunteers and CIC Coordinators. The Volunteers and Coordinators will be valuable resources in their communities to support and facilitate the MGGF application process

MGGF Team carried out the regional rollout campaign from July 4 - 22, 2005. All eighty-four (84) municipalities and the City of Skopje were invited to the sessions as well as NGOs, business and other community groups who were identified and invited by the thirteen (13) SOROS Regional NGO

Support Centers. In addition, mayors were encouraged to invite other community groups for these afternoon sessions.

Presentations were conducted in the following eleven (11) municipalities; Bitola, Debar, Kichevo, Kumanovo, Negotino, Pehchevo, Shtip, Skopje, Struga, Strumica and Tetovo. Eleven (11) morning sessions were conducted for mayors and other municipal staff and eleven (11) afternoon sessions were conducted for NGOs, business and other community groups.

These presentations were attended by 379 participants including thirty-five (35) mayors, representing seventy-three (73) municipalities and the City of Skopje. The following eleven (11) municipalities did not attend the presentations: Makedonski Brod, Plasnica, Gostivar, Kriva Palanka, Rankovce, Vrapcishte, Debarca, Mavrovo and Rostushe, Radovish, Vasilevo and Konche.

### **Concept Paper Intake and Review**

The review procedures were developed and a Review Panel consisting of MDW/MGGF staff and USAID representatives was established. The Review Panel held two meetings during the month of July to refine the review procedures and to process the Concept Papers received.

Immediately after the successful rollout campaign, municipalities started submitting Concept Papers to seek funding support from MGGF for their projects. By the end of July 2005, twenty three (23) municipalities submitted thirty six (36) Concept Papers of which ten (10) were accepted, seventeen (17) rejected, while the others are still under review.

Several site visits have been conducted prior to acceptance of some Concept Papers. The field reports provide the panel with additional information for its decisions.

### **Next Quarter Activities**

- MGGF will proceed with receiving and processing the Concept Papers as well as the formal applications, submitted by the Applicants, i.e. the municipalities.
- MGGF will engage a Project Coordinator on the part-time basis to assist the municipalities in process of developing the formal application.
- MGGF Team in the next quarter will be strengthened with the arrival of the Procurement Manager, Patrick Keirnan, and the hiring of the following additional full time employees for full scale implementation of the MDW/MGGF activity: MGGF Operations Specialist, Monitoring & Evaluation Specialist, Procurement Specialist and two Civil Engineers.
- MGGF Monitoring & Evaluation Manual will be finalized.

## Program Performance Monitoring and Evaluation

### Summary of Quarterly Accomplishments

- Preparatory activities for the collection of annual progress data against MMCI were initiated.
- The MDW PMP was approved by USAID.
- The MDW Year One annual PMP progress data was collected.

### Activities' Implementation

#### Municipal Capacity Index

In preparation for the collection of the annual progress data against the MMCI that will be conducted in all 84 municipalities in September 2005, several meetings were held with STRATUM Research (Research Company that did the MMCI baseline survey in November 2004) with the purpose of agreeing on the next steps and activities.

The Scope of Work and the Purchase Order were developed by MDW Skopje and the Award of Purchase Order was issued by DAI Home Office.

The selection was based on the fact that STRATUM Research is the only research company in Macedonia that was initially trained by MDW for conducting survey and collecting necessary data against Municipal Capacity Index (MCI). The vendor has satisfactorily conducted MCI baseline survey in November 2004 for the purposes of defining MCI baseline data. Thus, STRATUM Research proved that it is capable of meeting the specific MDW requirements of this new monitoring and evaluation tool. Therefore, awarding this Purchase Order was based on the previously performed selection process.

The data will be collected, data analyzed and compared to the November 2004 baseline data in the next quarter. Prior to the actual data collection in the field, MDW will provide training on MCI methodology and data collection to STRATUM Research enumerators beginning of September.

## Performance Monitoring Plan

The comprehensive three-year MDW Performance Monitoring Plan (PMP) was reviewed and approved by USAID beginning of May 2005. At the end of this reporting period, the Year One annual progress data against the predefined targets was collected and will be submitted to USAID as a separate document.

In this first project year, about 69% of indicators are on target and for those that are not, there is explanation. A number of year-one activities were stalled mainly by the local elections held in March 2005, as well as by the delay in the transfer of staff from central to local level.

In addition to reporting on the achievement of the defined activities' targets, the indicator tables (available upon request) include a section with a list of specific outputs that were accomplished during the phased activities' implementation and contribute to meeting the set targets.

### Next Quarter Activities

- Training on MCI methodology and data collection will be delivered to STRATUM Research enumerators beginning of September.
- Annual MMCI progress survey and data collection will be conducted in all 84 municipalities by the independent survey company.
- MMCI annual progress data will be analyzed, compared to November 2004 baseline data and report submitted to USAID.
- The MDW Year One PMP Status Report will be submitted to USAID.