

Republic of North Macedonia

Ministry of Local Self Government

PROGRAM

FOR SUSTAINABLE LOCAL DEVELOPMENT AND DECENTRALIZATION

2021-2026

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I

INTRODUCTION

The 2021 – 2026 Program for Sustainable Local Development and Decentralization is the seventh in a row planning document aimed at further development of local self-government in the Republic of North Macedonia.

The Program reflects the continuous interest of all stakeholders in the ongoing development of local government as a government level closest to the citizens. It is prepared at a time when 15 years have passed since the actual transfer of competencies and resources to the Local Government Units. This period is sufficient to make an overview of what has been achieved and establish meaningful strategic and operational benchmarks for decentralization implementation in the future, given that in March 2020, the EU Council adopted a Decision to start EU accession negotiations with the Republic of North Macedonia.

In anticipation of the negotiations start, the Program covers all important decentralization process aspects contributing to the local government system harmonization with the EU normative, institutional, political and administrative criteria and standards and achievement of the UN Sustainable Development Goals.

The 2021 – 2026 Program for Sustainable Local Development and Decentralization fully integrates the principles of gender equality promotion at the local level, as well as the implementation of persons with disabilities' rights at all stages of its preparation starting from thematic research, through the consultative process, up to the finalization of this document.

II

LOCAL GOVERNMENT ORGANIZATION AND OPERATION – CURRENT SITUATION

The Republic of North Macedonia has a single-tier local government territorially organized in 80 municipalities and the City of Skopje as a separate Local Government Unit, which stems from the character of the city of Skopje as the capital of the country. There are 43 city-based municipalities, while the remaining 37 have their seats in a village.

Local self-government is stipulated in the Constitution of the Republic of North Macedonia as one of the fundamental values of its constitutional order. In addition to the enactment of the Law on Local Self-Government in 2002, which stipulated the local government scope of competencies, other laws were drafted and adopted to complete the establishment of the local government system in the areas of Local Government Units' financing, territorial organization, inter-municipal cooperation and balanced regional development. Larger changes were made to some 30 other systemic laws and a number of related special laws and bylaws. In this way and through a consistent transposition of the provisions of the Council of Europe's Charter of Local Self-Government into the Law on Local Self-Government and other relevant legislation, our local government system has acquired the physiognomy of this important political subsystem that is specific to the EU member states.

According to the 2019 population estimate[1] (as of 30 June), made for the purpose of drafting the 2020 – 2030 Regional Development Strategy, 2,076,694 inhabitants live in the Republic of North Macedonia. Compared to 2010, an absolute increase of only 21,690 inhabitants with a total growth rate of only 1.1%, and an average annual growth rate of 0.117% was estimated.

The pronounced population distribution disparity is one of the major demographic challenges of the Republic of North Macedonia. In 2019, in

[1] Study including Demographic Development Sector Analysis, Prof. Biljana Apostolovska Toshevska, PhD and Assoc. Prof. Marija Ljakoska, PhD, October, 2020

the Skopje Planning Region that covers only 7.13% of the country's territory, lived 30.44% of the total population. Slightly more than half (54.8%) of the total population was concentrated in municipalities based in a city, 18.5% of the population lived in municipalities based in a village, while 26.7% lived in the City of Skopje's municipalities.

The implementation of the fiscal decentralization process has resulted in a gradual increase of Local Government Units' total revenue GDP share, from 2.2% in 2006 to 5.4% in 2019. In the 2013-2019 period, however, grants represented the highest item in LGUs' revenue structure and for a longer period they have had an almost 60% share in LGUs' total revenues. In the same period, the revenues of both rural and urban municipalities increased by over 33%, and the City of Skopje with its municipalities saw an increase of 29%.[2]

Regarding the satisfaction of citizens with their municipality as a place of residence, in the last UNDP survey from July 2020, almost half of the respondents (49.2%) expressed general satisfaction, but after delving deeper into their quality-of-life perceptions, 41.8% of the citizens surveyed stated that they are partially or completely satisfied. As regards the way the municipality where they live is managed, 35.1% of the surveyed citizens expressed either full or partial satisfaction.

According to the findings from a range of background materials used in the preparation of the 2021 – 2026 Program for Sustainable Local Development and Decentralization, it is evident that there is a high level of readiness among all stakeholders to put their short-term decentralization focus on overcoming the effects caused by the Covid-19 crisis, improving the framework for financing the competencies transferred, as well as the need to transform as many shared competencies as possible into competencies fully devolved to municipalities, thus enhancing their autonomy and ensuring the transition from a predominantly institutional to a functional decentralization. According to stakeholders, the next medium-term programming period should focus on careful consideration and processing of new competencies' transfer. In this context, municipalities express the need and are willing to accept their new competencies immediately, however, provided that a

[2] Source: Comparative Analysis of Local Government Financing in the Period 2013-2017, UNDP/ Ministry of Finance, Skopje, October 2017, and 2019 Draft Municipal Financing Report, UNDP/ Ministry of Finance, October 2020.

high level of autonomy is achieved in their implementation and sufficient financial and human resources are ensured.

In the context of EU integration, it can be expected that under the new EU Enlargement Methodology, the results of the decentralization process implementation will continue to be assessed as a political criterion for membership. The 2021 – 2026 period is extremely important for the implementation of more extensive preparations for the integration of our municipalities into the EU administrative space. In this context, municipalities shall be empowered and adjust to the EU administrative rules and standards, including the establishment of an adequate framework for good local governance, financial management and control, and standardization of all local services.

III

GOALS, PRIORITIES AND MEASURES

1. Process of Formulation of Goals, Priorities and Measures

The 2021 – 2026 Program for Sustainable Local Development and Decentralization has been developed in accordance with a Methodology previously adopted by the Ministry of Local Self-Government and the Coordination Body monitoring the implementation of the previous Program, requiring the implementation of the following steps:

1. Prepare and implement thematic research in order to optimally inform the consultation process and decision making;
2. Conduct a comprehensive consultation process with all stakeholders through adequate events (workshops and conferences);
3. Map key sector policies and other documents as a basis for the programming of application measures and activities.

In order to inform stakeholders into more detail, in 2018, 2019, and the first half of 2020, through projects of the Ministry of Local Self-Government implemented with the EU financial and technical support by the IPA instrument, UNDP, Swiss Embassy and Swiss Cooperation Agency, the following documents were prepared:

- Comparative Analysis of Municipal Financing in the Period 2013-2017. (September, 2018);
- Assessment of Existing Municipal Service Centers and Identification of Service Development Opportunities – One-stop Shop Service Systems (September 2018);
- The Status and Role of Local and Urban Communities in Local Government Units – Report on opportunities to improve functionality and efficiency thereof (February, 2019);
- Annual reports on the municipal financing system development (2017, 2018 and 2019);

- Report on the three regional conferences entitled *"Partnerships for Accelerated Decentralization, Inclusive and Sustainable Growth"* (July 2019);
- Report on the Annual Conference on Decentralization and Local Governance entitled *"Empowering Communities – New Momentum for Decentralization"* held in Skopje on 21-22 November 2019. (December 2019);
- Report on the implementation of the 2015 – 2020 Program for Sustainable Local Development and Decentralization in the Republic of North Macedonia for the period 2018 – first half of 2019 (January, 2020);
- Programming Methodology regarding the decentralization process for the 2021 – 2026 period, including a Report on a desk review regarding local government and decentralization (April, 2020);
- Report on the survey conducted with Local Government Units – Existing situation regarding the capacity for local management and delivery of local services in times of crisis and declared state of emergency caused by the coronavirus Covid-19 pandemic (May, 2020);
- Integrated Report on the in-depth assessment of the coronavirus Covid-19 pandemic impact on five (5) pilot municipalities and their local responses (September 2020);
- Reports on the surveys conducted to check citizens' satisfaction with local services in 2018, 2019 and 2020;
- Report on the last cycle of ten consultative events held between 14 and 25 December 2020 (January, 2021).

Significant input to identify the main goal, specific objectives, priorities and measures of the 2021 – 2026 Program for Sustainable Local Development and Decentralization was provided through a range of thematic events that took place in the period June – November 2019 and from 14 to 25 December 2020, including:

- Three regional conferences entitled *"Partnerships for Accelerated Decentralization, Inclusive and Sustainable Growth"* held over a period of one week (7 – 13 June, 2019) and an additional strategic workshop (end of August, 2019), at which representatives of the Ministries, Local Government Units, Universities and civil society openly discussed current topics related to the implementation of decentralization;
- Annual Conference on Decentralization and Local Governance entitled *"Empowering Communities – New Momentum for*

Decentralization" held in Skopje on 21-22 November 2019; and
- Introductory event and nine thematic events - workshops with a total participation of over 220 stakeholders' representatives, including representatives of a dozen citizens' associations in the period between 14 and 25 December 2020.

The 2021 – 2026 Program for Sustainable Local Development and Decentralization is also harmonized with the following national strategic documents, including the operational EU integration framework:

- 2020 – 2024 Work Program of the Government of the Republic of North Macedonia (September, 2020);
- 2021 – 2023 Fiscal Strategy of the Republic of North Macedonia (July, 2020);
- 2021 – 2023 Economic Reform Program (January 2021);
- 2020 – 2022 National Strategy for Development of the "One Society for All" Concept and Inter-culturalism with an Action Plan (October, 2019);
- 2021 – 2031 Regional Development Strategy;
- Systematized Positions of ZELS (2018);
- European Commission's Progress Report on the Republic of North Macedonia (October, 2020);
- The European Green Deal, the Economic and Investment Plan for the Western Balkans and the Green Agenda for the Western Balkans whose strategic goal is to make the EU and Western Balkans economies sustainable by transforming climate and environmental challenges into opportunities, and a fair transition by the inclusion of all[3], as well as other European Union priorities including *"Europe Ready for the Digital Age"* – as an EU digital strategy aimed at empowering the population with a new generation of technologies, and an *"Economy that works for all people"* – in order to create an attractive investment environment and growth, thus creating quality jobs, especially for the youth and small businesses.

Contribution of the Sustainable Local Development and Decentralization Program to the United Nations Sustainable Development Goals (SDGs) (Sustainable Development Agenda 2030)

[3] Efficient resource utilization by moving towards a clean circular economy, restoring biodiversity and reducing environmental pollution are the specific objectives of the European Green Deal and Green Agenda

Sustainable Development Goals and their localization represent an exceptional opportunity to strengthen the decentralization process and encourage new forms of cooperation between different levels of government, as well as involve all other stakeholders in the development processes. The Program for Sustainable Local Development and Decentralization, as a single comprehensive planning document, presents the framework of national benchmarks for implementing decentralization and encouraging sustainable local development. To that end, the Program's goals set the framework related to local resource management, fiscal and financial decentralization, inclusive economic development and environmental protection, i.e., they identify the conditions for the implementation and monitoring of the Sustainable Development Goals.

The implementation of the Program will enable a more efficient localization and more effective achievement of both the Sustainable Development Goals (SDGs) and the Sustainable Development Agenda 2030, as well as the commitments undertaken by the country under any international agreement such as the Paris Agreement on climate change and the Sendai Framework for Disaster Risk Reduction. The Program goals established and the measures envisaged for their realization ensure the consistency with all SDGs while taking into account the local self-government scope of competencies.

Gender perspective is crucial to building a gender-responsive local development and decentralization process. According to the provisions of the Law on Equal Opportunities for Women and Men, gender perspective has been integrated in the Program at the level of specific measures related to most of the thematic priorities, taking into account the different needs, challenges and opportunities of women and men, which in turn ensures a gender-responsive systemic approach.

2. Objectives, Priorities and Measures of the 2021 – 2026 Program for Sustainable Local Development and Decentralization

The 2021 – 2026 Program for Sustainable Local Development and Decentralization is a policy of the Government of the Republic of North Macedonia prepared and proposed by the Ministry of Local Self-Government in a participatory manner that identifies the goals and priorities for local self-government development and decentralization process implementation. Since the decentralization process is multi-sectoral, this policy is part of the

policies of almost all Ministries and therefore requires the direct participation of all, including other relevant institutions, ZELS, local authorities and civil society, both during policy preparation and implementation.

The starting point for the formulation of this Program is the **vision for continuous improvement of the local self-government operation in all aspects,** with a long-term goal to create resilient Local Government Units that are developing in a sustainable way and are able to deliver quality services to the entire population. Given the severe health and socio-economic consequences of the Covid-19 coronavirus crisis, **the overall goal of the Program in the coming six-year period is to enable efficient recovery of municipalities, increase their resilience, financial stability and sustainability of local services, thus creating prerequisites for a more dynamic and green local growth and development**.

The expected outcome at the end of this programming period is to achieve substantially positive changes in the operation of local government, where municipalities shall get rid of their accumulated debts and deliver quality services in a sustainable way, take equal care of all their citizens and especially the most vulnerable, implement their responsibilities in a transparent and accountable manner and consistently include citizens in making important decisions.

In order to achieve the Program's main goal in line with the commitments of all stakeholders expressed through the consultation process, the achievement of the following objectives shall be required:

1. Effective recovery of municipalities from the crisis caused by Covid-19 and other crises caused by natural or other disasters;
2. Sufficiency of financial resources for the implementation of both the transferred and new competencies;
3. Reduced disparities between urban and rural municipalities by establishing an integrated, transparent and predictable grant system with a built-in financial equalization component;
4. Transition from a predominantly institutional to a functional decentralization;
5. Systematically strengthened capacities of municipalities to effectively absorb increased funds and liabilities; and
6. Consistent application of the good governance principles (inclusiveness, transparency, accountability and participation) at the local level.

The priorities for achieving the main goal and specific objectives have been grouped in four Program components as follows:

- **Local government normative framework and financing;**
- **Innovative and inclusive local economic development;**
- **Quality local services with full population coverage; and**
- **Increased local government resilience and sustainable development.**

The four components are mutually connected. Both measures and activities identified to accomplish the priorities under each component affect the achievement of priorities in other components, hence the need for Program's synchronized implementation, including the participation of all stakeholders.

COMPONENT 1

LOCAL GOVERNMENT NORMATIVE FRAMEWORK AND FINANCING

Priority 1.1: Improvement of the normative framework and other functional aspects of the local self-government system

Decentralization is embedded as one of the top priorities in the Program of the Government of the Republic of North Macedonia for the period from 2020 to 2024, and thus the ZELS request to put this process high on the reform agenda was responded positively. Adequate opportunities for effective improvement of the local self-government system's normative framework have been created by finalizing the process of evaluating the implementation of the Law on Local Self-Government and the Law on the City of Skopje. This participatory process has resulted in the identification of all the provisions that shall be improved in order to improve law enforcement. The dynamization of the process of transition from an institutional to a functional decentralization, led by the Government and ZELS, should be noted, and its goal is to create both the mechanisms and the local self-government system that will be sustainable, allowing all Local Government Units to have equal opportunities to deliver services to their citizens. Therefore, it is vital to promote sustainable inter-municipal cooperation.

The actual start and implementation of the EU accession negotiations with the Republic of North Macedonia will overlap with the process of implementing the new Program for Sustainable Local Development and Decentralization, so therefore, in the period until 2026, it shall be required to conduct comprehensive preparations for the integration of our municipalities into the EU administrative space. The normative framework improvement is a prerequisite for a more efficient realization of the Sustainable Development Goals at the local level. In this context, municipalities shall be empowered and adapted to the EU good local governance rules and standards, thus allowing continuous transparency and access to quality information, accountability, inclusion of all stakeholders, particularly citizens' associations in the process of local decision-making, commitment to the most vulnerable population groups and achievement of a high level of gender equality, as well as establishment of adequate standards for the delivery of all municipal services. In this context, the digitization of municipal administrative services emerges as a particular challenge, provided the need for complex organizational adjustments, procedure simplification and achievement of an effective interoperability level. The EU administrative tradition refers to the municipality as a single point of contact for services and this goal would be achieved through the establishment of functional service centers in our municipalities.

This priority will be achieved through the implementation of the following measures:

1.1.1 Improve legal framework towards a more consistent application of the subsidiarity principle and ensure a greater independence of Local Government Units in their implementation of transferred competencies;
1.1.2 Improve all aspects of good local governance, with a focus on local transparency promotion, access to information, inclusion and accountability;
1.1.3 Regulate further the entire system and competencies related to performing inspections and supervision of the legality of Municipal Bodies' work;
1.1.4 Improve the operation of Municipal Bodies (Mayor and Municipal Council) of Local Government Units;
1.1.5 Create conditions for consistent application of the principle of equal opportunities for women and men in Local Government Units;
1.1.6 Encourage and promote inter-municipal cooperation;
1.1.7 Improve local administrative services through digitization, followed by building adequate capacities and standards;
1.1.8 Improve the functional aspects of Urban and Local Communities;
1.1.9 Devolve new competencies, including the provision of human and financial resources required for their implementation;
1.1.10 Further enhance local policies to ensure integrity and manage corruption risks.

Priority 1.2: Provision of sufficient funds to implement all decentralized competencies through a deepened fiscal decentralization

A key commitment for the coming programming period is to strengthen Local Government Units' fiscal capacities, especially LGUs' own revenue sources, and to enhance accountability and transparency in LGUs' operations. Successful administration and collection of their own revenues will ensure financially more independent Local Government Units. For the purpose of ensuring the transition from a predominantly institutional to a functional decentralization, it has been foreseen to assess the existing models and methodologies for distribution of tax and grant funds by municipalities and to review and improve such models and methodologies in line with the findings. Also, an obligation established by law shall be created and all procedural aspects for consistent gender-responsive budgeting shall be regulated further. According to the 2020 – 2024 Government Program, an integrated system for municipalities' stimulation and development will be established, which will result in the delivery of better and more timely services to all citizens.

Each municipality shall, when using state budget funds, accept clear rules of transparency in its operations and make available to the public all of its financial expenditures, including timely reporting and recording of all of its liabilities, thus strengthening its accountability while disposing of public funds. The internal control and audit rulebooks and manuals to be updated in the coming period shall be consistently applied by Local Government Units, which requires a separate process of administrative capacity development. Strengthened monitoring and more efficient internal audit and control are expected to improve public finance management multi-fold, and significantly reduce the risks associated with the financial stability of municipalities, local institutions and enterprises.

This priority will be achieved through the implementation of the following measures:

1.1.1 Deepen fiscal decentralization through a gradual increase in municipal revenues by strengthening municipal own revenue sources, increasing fiscal effort and higher central budget transfers;
1.1.2 Strengthen the capacity of Local Government Units to administer and collect their own revenues successfully;
1.1.3 Enhance internal control and audit on the part of municipalities in order to improve public finance management and reduce risks related to the financial stability of municipalities, local institutions and enterprises;
1.1.4 Consistently apply fiscal transparency rules, including timely reporting and recording of liabilities, thus strengthening the accountability in the disposal of public funds;
1.1.5 Ensure inclusive public participation in the process of municipal budget preparation by organizing budget forums and applying other modern tools to gather opinions and suggestions from citizens;
1.1.6 Build capacities for consistent application of the gender-responsive budgeting principle and share successful practices.

COMPONENT

2

INNOVATIVE AND INCLUSIVE LOCAL ECONOMIC DEVELOPMENT

Priority 2.1: Creating the prerequisites required for Local Government Units' accelerated economic development and growth

Considering the economic consequences of the health crisis caused by Covid-19, a key commitment related to local economic development (LED) is to create a conducive local investment environment and increase the private sector competitiveness in each Local Government Unit. Hence the need for enhanced vertical coordination and cooperation between competent state administration authorities, specialized agencies, directorates and funds with the Local Government Units and also comprehensive inclusion of all municipal stakeholders. A key contribution to the improved coordination in the coming period shall be made by the Local Economic and Social Councils which should grow into local economic development promoters and play a key role in the preparation and implementation of municipal LED strategies and plans. Particular attention should be paid to the development of municipal administration human resources, with a focus on rural municipalities, and the encouragement of inter-municipal cooperation for economic development through the use of comparative advantages and smart specialization at the level of both Municipalities and Planning Regions.

Local Government Units shall, within their area of competence, continue to encourage local economic development by building communal infrastructure, developing economic zones, ensuring mobility, providing urban planning and developing construction land. Although the direct assistance to the private sector is mostly provided by the central government, a more productive role should be ensured for municipalities to subsidize and support their enterprises while facilitating their access to financial assistance and information, especially to start-ups. Provision of local tax policy benefits is one of the measures to be implemented by municipalities in the coming period, by including tax exemptions for certain categories of services (training, qualifications, license acquisition) and also, by taking a more inventive approach to the promotion of local fees directly related to the performance of economic activities in order to stimulate local economic development. No less important is the fact that municipalities should actively join the efforts of the state to reduce administrative procedures and barriers to the establishment and operation of companies and access to electronic services.

It is imperative in the coming period to strengthen Local Government Units' competencies in tourism and catering, as well as in the area of agriculture

and rural development. In this way, positive effects will also be made on the municipal budgets' revenue side.

This priority will be achieved through the implementation of the following measures:

1.1.1 Deepen municipalities' cooperation with the central government and other stakeholders in terms of local economic zones' development and attracting investment, as well as in all processes of financial and other support to enterprises;
1.1.2 Ensure a strengthened role for Local Economic and Social Councils as key participatory bodies and promoters of municipalities' local economic and social development;
1.1.3 Consistent participatory preparation and implementation of municipal LED strategies and plans, with a focus on utilizing comparative advantages and smart specialization, while establishing forms of cooperation with neighboring municipalities and at the Planning Region level;
1.1.4 Strengthen existing competencies and transfer new competencies in tourism and catering, as well as in the area of agriculture and rural development;
1.1.5 Ensure municipalities' enhanced participation in the implementation of national strategies for the development of small and medium enterprises, industry, women entrepreneurship, informal economy formalization and tourism development;
1.1.6 Include citizens' associations in the process of preparation and implementation of local economic development policies and measures, thus including vulnerable population groups in order to strengthen social entrepreneurship, incubate social enterprises and start-ups, more resolutely support women in starting and running a business, and systematically reduce barriers to women's access to the labor market;
1.1.7 Draft and implement programs for human resource development in municipal administrations;
1.1.8 Establish an incentivized local tax policy and provide benefits to the private sector;
1.1.9 Sustainable and systematic municipal level data collection and statistics creation that can then be used to calculate the Local Development Index.

Priority 2.2: Development of local policies to reduce unemployment and implement complementary measures on the part of Local Government Units

Reduction of unemployment and thus, the poverty in Local Government Units, is possible if well-targeted measures ensure greater workforce productivity and competitiveness (improved skills and competencies) and if the most vulnerable population groups are accurately targeted. This is accompanied by the need for synchronized implementation of a number of measures that would contribute to faster economic development through an improved investment climate, improved normative framework in the area of labor, strengthened social dialogue and collective bargaining.

The current unemployment situation, particularly exacerbated due to the Covid-19 crisis, requires greater involvement of municipalities in the processes related to the labor market promotion and improved coordination with the central government in terms of designing as suitable measures as possible to reduce unemployment. The key target group, therefore, should be young unemployed people, women and vulnerable groups, and especially people with disabilities. It is imperative to implement more concrete cooperation between municipalities and the Center for Vocational Education and Training of Adults in terms of drafting and implementing curricula for workforce retraining and further training, i.e., adult education in line with municipalities' labor market needs.

This priority will be achieved through the implementation of the following measures:

1.1.1 Enhanced municipalities' involvement in the processes related to the labor market promotion, as well as improved coordination with the central government in terms of designing the most suitable measures possible to reduce unemployment, with a focus on the most vulnerable population groups, including youth and women;

1.1.2 Drafting the records on municipalities' labor market situation and mapping the employment needs (*structure of both the employed and unemployed, training opportunities, supply and demand and other issues relevant to the analysis of knowledge and skills requirements*);

1.1.3 Utilization of professional adult education providers' existing capacities, including the establishment of adequate forms of inter-municipal cooperation.

COMPONENT 3

UALITY LOCAL SERVICES COVERING THE ENTIRE POPULATION

Priority 3.1: Better quality primary and secondary education for an accelerated socio-economic development of Local Government Units

Primary education in the Republic of North Macedonia is realized in 334 central primary schools, within which 630 satellite schools operate. The large number of satellite schools contributes to increased costs and uneven quality of teaching. Secondary education is realized in 109 schools, of which 38 are combined (i.e., they implement both high-school and vocational education).

Increased costs and imperative for quality education require the optimization of school networks for primary and secondary education. In terms of funding, an additional challenge is the need to improve block grants, as well as the programming and manner of distribution of investment programs of the Ministry of Education and Science, in order to adjust this funding system to the specifics of schools, especially primary schools with a large number of satellite schools. As regards secondary schools, a special challenge is to provide sufficient funds for the realization of practical teaching in laboratories and workshops in vocational schools, as well as the financing of students' transportation.

A characteristic challenge of the education system as a whole is ethnic segregation. Addressing this challenge is related to the efforts for development of inclusive education in accordance with the specifics of each Local Government Unit, inter-culturalism and building a modern, civil, democratic and plural society in the Republic of North Macedonia. Hence the commitment to create a fully integrated and inclusive system of primary and secondary education in the coming programming period. In doing so, special attention should be paid to children with disabilities and children from vulnerable and marginalized groups, by full adaptation of educational services and faster inclusion in the labor market, while taking into account the gender aspect.

The priority shall be achieved through the implementation of the following measures:

1.1.1 Optimize primary and secondary education school networks;
1.1.2 Improve the primary and secondary education financing system and ensure sufficient funds for smooth instruction and higher uniform teaching quality, as well as full coverage of students in primary and secondary schools;

1.1.3 Design and implement a multi-year program to increase the number of schools with ethnically integrated students and adequate measures to overcome barriers to integration;
1.1.4 Fully integrate Roma community children in the educational process;
1.1.5 Fully include children with disabilities in the educational process and accommodate both the physical space and teaching aids to their needs;
1.1.6 Establish Education Departments within the larger Local Government Units and establish forms of inter-municipal cooperation in order to help smaller Local Government Units to achieve a more harmonized quality of educational services and match such services better to the labor market.

Priority 3.2: Improvement of local services related to social protection and child protection by Local Government Units

In the local level social protection system, there are a total of 30 Centers for Social Work, of which 22 have jurisdiction over two or more municipalities. This network, which is subordinated to the Ministry of Labor and Social Policy (MLSP), is connected to a network of 34 Day Care Centers for People with Disabilities. On the other hand, municipalities manage 5 public institutions for accommodation of the elderly, 71 public preschool institutions – kindergartens located in 60 municipalities (in 21 municipalities, there are 41 childcare groups in other spatial conditions) and within 15 public municipal childcare institutions, there are a total of 35 Early Childhood Development Centers.

The process of social protection deinstitutionalization is currently being implemented as a priority compared to decentralization and it can be concluded that it is driven by the MLSP, however, without a more serious participation of municipalities. The limited decentralization in this area also contributes to the lack of professional capacity in municipalities. Some progress in the decentralization process has been made through the introduction of the obligation to establish Municipal and Regional Social Protection Councils as participatory bodies of all relevant local stakeholders responsible for drafting a Social Plan for the territory of each municipality. The Social Plan shall contain a map of social issues and vulnerable groups in the municipality, analysis of its capacities and available social services, as well as the specific needs for development of social services in the municipality. Based on its Social Plan, each municipality shall develop an Annual Social

Protection Program. However, according to the available information, many of the municipalities have not yet established such Council and these Councils need to be formed as soon as possible.

One of the key commitments for the coming programming period is to ensure a high level of complementarity between investments in social protection at both levels of government, and also to enable the opening of an office of Social Work Centers in each municipality. In addition to the shared management of public funds for social protection, the involvement of municipalities ensures more adequate conditions for designing services together with their users and adapting such services to the local context and users' needs. To realize this commitment, a separate MLSP program has been established with funds provided through a loan from the World Bank. It should be noted that the new Law on Social Protection establishes a new way of financing social services, which can be provided by various individuals and legal entities, including civil society organizations.

As part of this summary analysis of the situation, the increased pace of the Roma Strategy implementation should be highlighted, as well as the need to increase the involvement of municipalities through the programming and implementation of complementary measures and activities.

As a top priority, especially taking into account the consequences of the health crisis caused by Covid-19, the care of people with disabilities is imposed, who were left without adequate services within a lengthy period during the crisis. Hence the need to improve the services for professional rehabilitation of persons with disabilities and personal assistance in the coming period, thus enabling their easier entry into the education system and labor market, as well as their full social inclusion.

A procedure for adoption of a new Law on Equal Opportunities for Women and Men is underway, strengthening all the provisions regarding the practical implementation of the goals of the Law, and in the coming period, it is imperative to achieve full implementation of the Law and continue measuring the results through the application of the Gender Equality Index and its enhanced localization.

The priority shall be achieved through the implementation of the following measures:

1.1.1 Active participation of municipalities in the deinstitutionalization process;
1.1.2 Establish Municipal and Regional Social Protection Councils in all Local Government Units and prepare Social Plans based on comprehensive mapping of vulnerable groups and their needs;
1.1.3 Gradual involvement of municipalities in the management of Centers for Social Work and Day Care Centers for the delivery of different types of social services in order to ensure a high level of complementarity of investments in social protection at both levels of government, and also to enable the opening of Social Work Centers' office in each municipality;
1.1.4 Improved funding for social protection and child protection;
1.1.5 Plan a joint program with the central government and regulatory bodies to subsidize the utility bills of users who belong to vulnerable groups and use social assistance and services;
1.1.6 Gradual transition to a functional decentralization in this area, such that financial support shall be ensured to those municipalities where there are no kindergartens and other social welfare institutions devolved, thus allowing alternative ways of childcare, especially in rural municipalities;
1.1.7 Encourage inter-municipal cooperation and preparation and implementation of capacity development programs and professional training of municipal employees;
1.1.8 Integrate social housing services in the area of social protection as a local competence and provide stable funding in combination with earmarked transfers of funds from the Central Budget;
1.1.9 Adopt a bottom-up approach to the design of local services, including their end-users, and develop new social services to support people with disabilities;
1.1.10 Enhance the implementation of the Roma Strategy and related Action Plans in all thematic areas; establish coordinating bodies in municipalities; and ensure strengthened coordination with the national coordinating body;
1.1.11 Establish systematic cooperation between Social Work Centers, Municipalities, Employment Centers, citizens' associations, schools, police stations and other organizations to address social problems related to the crime rate and particularly preventive measures to prevent juvenile delinquency;
1.1.12 Expand the network of shelters for victims of gender-based violence;

1.1.13 Fully implement the new Law on Equal Opportunities for Women and Men, with a focus on measures and activities for gender equality promotion in all horizontal programs of municipalities, strengthen the role of municipal Equal Opportunities Coordinators and the structural links between Equal Opportunities Commissions and Municipal Councils, and localize the Gender Equality Index.

Priority 3.3: Development of Local Government Units through culture

Efficient implementation of municipalities' competencies related to culture contributes to the nurturing of cultural heritage, affirmation of diversity in terms of ethnic and cultural affiliation and development of culture industries as a specific market segment. In order to achieve this goal, the capacities of all local stakeholders should be strengthened in addition to local cultural institutions, both in terms of personnel, infrastructure, technical and programmatic aspects.

It shall be required to continue with all activities for establishing partnerships with the private sector and citizens' associations in order to utilize the full potential of culture for accelerated local economic development. Therefore, a key priority for the coming period is for the Local Government Units, supported by the Ministry of Culture, to enable faster development of local cultural and creative industries as a foundation for tourism development by supporting the establishment of creative centers and incubators. To achieve this priority, it shall be required to diversify the sources of funding for culture through a system of tax incentives, and to encourage donations, sponsorships, patronages and other forms of funding.

In order to enable a more complete functional decentralization of culture, all municipalities shall be supported with grants, and stable mechanisms shall be provided to co-finance participants in programs and projects supported by the EU and other donors. It shall also be required to gradually increase the block grants in order to meet all the actual needs of local institutions, including not only the funds for overheads and ongoing maintenance, but also for new investments, with the only goal to improve the condition of facilities and their functionality. Particular attention shall be paid to the need to achieve complementary effects of all cultural programs supporting young people, women and vulnerable population groups, where in the context of culture development, support for the establishment of Youth Cultural Centers as multimedia centers in cities should continue. Due to the limited number of local cultural institutions and the provision of economies of scale,

it is advisable to also use the opportunities offered by the Law on Inter-Municipal Cooperation and if there is interest among municipalities, to transform some of the municipal institutions into joint (inter-municipal) institutions.

The priority shall be achieved through the implementation of the following measures:

1.1.1 Functional decentralization and demetropolization of culture;
1.1.2 Gradual transfer of some of the national network institutions, with a focus on cultural centers;
1.1.3 Prepare and implement programs for the promotion of cultural values of all ethnic communities, as well as programs to support activities for young people, women and vulnerable population groups;
1.1.4 Strengthen staff, infrastructure, technical and program capacities of all local stakeholders in addition to the network of local cultural institutions for designing local culture policies and medium and long-term strategic local culture development plans;
1.1.5 Establish partnerships with the non-institutional sector in order to utilize the full culture potential for accelerated development of local cultural and creative industries as a foundation for the development of tourism, crafts and other related economic branches;
1.1.6 Ensure systematic support for the gradual establishment of Youth Cultural Centers as multimedia centers in cities.

Priority 3.4: Promotion of sports and recreation in Local Government Units

Sports and recreation is an area under the competence of the local self-government which contributes to the development of an inclusive, open and tolerant society and enables social interaction and has a positive impact especially on young people. Hence the commitment to promote sports and recreation at the local level by increasing the coverage of population with related services and with an emphasis on young people, women and vulnerable groups, and particularly people with disabilities. In order to achieve this goal, it shall be required to create an “open to all” quality and energy-efficient infrastructure for sports and recreation owned by Local Government Units and to achieve direct and meaningful cooperation with sports federations. It is important to continue the investment activities with funds from the Central Budget, but also from municipalities’ own funds, donations and public-private partnerships, and to create adequate incentives for direct investments of the private sector in this area.

Regarding the direct support to athletes, the procedural involvement of Local Government Units is desirable in the realization of the voucher system, where priority should be given to youth and female athletes. All forms of sports organization at the local level shall take into account the stronger inclusion of women in governing bodies, enabling much stronger development of sports of interest to women and women's sports clubs. Federations receiving funds from the State Budget shall ensure the operation of both men's and women's sports clubs and/or national teams. It is imperative to strengthen the cooperation of municipalities with the Agency for Youth and Sports and the Ministry of Education and Science regarding the formation of school sports teams and leagues as a starting point for institutional building of mass sports in municipalities.

Regarding the gradual transfer of some of the sports facilities managed by the state towards municipalities, the process should be accelerated through prior and complete resolution of property issues. In this context, the possibilities for establishing forms of inter-municipal cooperation should be used to manage the more significant sports facilities and recreational units beneficial to the population in more than one neighboring municipalities.

The priority shall be achieved through the implementation of the following measures:

1.1.1 Revitalize the existing and create new, quality and energy-efficient sports and recreation infrastructure owned by the Local Government Units and "open to all", in order to develop sports and sports culture, sports tourism and sports industries;
1.1.2 Create a separate database (with gender-disaggregated data) on the transferred infrastructure owned by municipalities, infrastructure planned to be transferred to municipalities, number of sports clubs supported by municipalities, and allow a higher level of gender equality in sports;
1.1.3 Speed up the transfer of sports facilities managed by the state, including municipalities' employees, through prior and complete resolution of property issues;
1.1.4 Establish forms of inter-municipal cooperation for joint management of sports facilities and larger and more meaningful recreational zones of micro-regional or regional importance;
1.1.5 Cooperation of municipalities with ASY and MES regarding the formation of school sports teams and leagues as a starting point for institutional building of mass sports in municipalities.

COMPONENT 4

LOCAL GOVERNMENT INCREASED RESILIENCE AND SUSTAINABLE DEVELOPMENT

Priority 4.1: Improved standards of urban planning and construction for the purpose of accelerated socio-economic development, environmental and climate protection

Early 2020, a new Law on Urban Planning was adopted that had the provisions related to spatial planning removed (they were integrated in a separate law) and which contains provisions on the introduction of an advanced and EU-oriented urban planning system based on broad participation. In addition, this new Law regulates the implementation of plans and planning documents through the adoption of project documentation and individual acts that are under the municipality's direct jurisdiction. On the other hand, urban municipalities particularly, continued with significant investments in the preparation of Urban Plans, thus creating positive economic effects on a number of local economic branches and also on the municipal budget revenue side, thereby expanding the taxpayer base – related to Real Estate Tax and revenues from specific service taxes and fees, and primarily the construction land development fee, which has continuously been the strongest fiscal instrument of municipalities. Regarding the implementation of Urban Plans, it should be noted that the ZELS e-system for building permits is fully operational and allows the State Statistical Office to use valid data for the generation of monthly variables related to construction statistics. In the context of construction, the adoption of a new law is expected and the progress regarding the licensing of municipalities for management of state-owned undeveloped construction land should be highlighted.

The main commitment for the coming programming period is for Urban Plans to be transformed into effective tools for environmental protection, air pollution and climate change reduction through a new and green traffic policy (pedestrian paths and fast lanes for cyclists), more green areas, increased disaster resilience, consistent cultural heritage protection, urban regeneration of degraded areas, and meeting the specific needs of socially vulnerable groups of citizens, especially people with disabilities. The need for adequate space planning and landscaping through the integration of women's specific needs should not be underestimated, either.

On the other hand, it is not uncommon for Detailed Urban Plans to provoke public reactions, especially if they are focused solely on economic effects and neglect social and environmental impacts. Lessons learned from these experiences recommend that the public be optimally involved in the initial phase of preparation of Annual Programs related to the drafting of

municipalities' Urban Plans. To ensure inclusiveness, participation and publicity in the urban planning process, municipalities should strengthen the work of their participatory bodies. It shall be required to provide timely information to all citizens through various communication channels, especially taking into account the fact that the most vulnerable categories often lack access to technology and modern ways of information sharing.

The priority shall be achieved through the implementation of the following measures:

1.1.1 Improve urban planning standards to address health, socio-economic and environmental impacts of the Covid-19 crisis, as well as the increasing challenges associated with air pollution and climate change and disaster risk reduction;
1.1.2 Review traffic solutions in order to create traffic conditions for unimpeded walking and bicycle use (separate fast lanes, etc.) and other means of transport that do not cause air pollution;
1.1.3 Introduce modern standards for urban and socio-economic regeneration of degraded parts of areas in cities and villages, protect urban greenery and recreation areas, as well as cultural heritage;
1.1.4 Improve all participatory aspects of the urban planning process and further digitize processes and procedures;
1.1.5 Transition towards urban planning that is gender-sensitive and sensitive to the needs of the most vulnerable population groups;
1.1.6 Strengthen the local administration capacities for spatial and numerical data management and forecasting the spatial and socio-economic trends.

Priority 4.2: Improved quality of, and increased population coverage with, utilities

The greatest challenge in the area of utilities is the large investment gap related to the increased needs for communal infrastructure renewal and development, especially in the area of water services and waste management. Institutional assessment shows that in the area of services related to waste management, it shall be required to mobilize investments worth at least 150 million euros, while in water services, investments of over 1.5 billion euros are necessary by 2040. This challenge requires enhanced coordination of all stakeholders, while being properly addressed in the fiscal strategy, then, diversification of funding sources and their optimal use through the preparation and implementation of a long-term investment program,

including quality designed projects. In addition to the infrastructure for water services and waste management, it shall be required to continue with investments in the rehabilitation and construction of local roads and streets and other infrastructure related to the communal activities' performance.

A timely and well-designed and implemented investment cycle will strengthen the green segment of the country's economy and create new and quality green jobs as a commitment of the Western Balkans to the Green Agenda and its related investment plan. This investment cycle should be accompanied by a reform of the utility system, where the following priorities shall be singled out: establishment of more efficient local inspection through its transformation into communal police; consolidation of municipal utility companies in order to enable greater economy of scale and savings; and continuous strengthening of the capacities of municipalities and municipal public enterprises to improve utility services. In the context of the utility sector reform, the process of introducing economic regulation of utility service prices should continue, especially in terms of waste management services, in the same way as it was done with water services and for the purpose of establishing all mechanisms that will ensure a justified cost policy of municipal utility companies.

In order for these systemic reforms to take effect, it shall be required, within the shortest possible period, to identify all locations for the construction of regional sanitary landfills and to complete the establishment of waste management systems at the level of Planning Regions. Activities for the transfer of informal water supply systems to the jurisdiction of municipal public enterprises should also be strengthened.

It is expected that the increased investments by volume and scope, and the consistently implemented utility sector reform will result in improved living conditions and thus, a higher standard of living for all citizens, particularly the vulnerable groups and the population in rural areas. In order for these reforms to receive widespread support from the public and utility users, it shall be required to continuously implement public awareness-raising measures through the cooperation with citizens' associations for the purpose of protecting the environment, drinking water sources and infrastructure for water and other communal services, and also through giving one's personal contribution to maintaining the hygiene of the public space, greenery in and around residential areas, urban fixtures, etc.

The priority shall be achieved through the implementation of the following measures:

1.1.1 Preparation of 4-8 or multi-year investment plans with specific project packages and technical and financial documentation (Investment pipeline), based on economic feasibility studies that should be drafted in cooperation with donors and international financial organizations;
1.1.2 Systematic and gradual management of the process of consolidation of water service providers and waste managers through regionalization and establishment of inter-municipal public enterprises;
1.1.3 Establish economic regulation of utility services' tariffs and prices that reflect the actual full cycle of eligible costs, as well as a system with national benchmarks for the operation of municipal PCEs, taking into account the entities and procedures established by law;
1.1.4 Municipal PCEs shall significantly improve their own information and management practices and systems;
1.1.5 Ensure consensus among local stakeholders on all regional landfill sites and fully establish waste management infrastructure at the Planning Region level, including closure and remediation of illegal landfills, and promote primary selection of waste generation sources by relevant incentives;
1.1.6 Continuous implementation of public awareness-raising measures through the cooperation with citizens' associations;
1.1.7 Reorganize the communal police service in Local Government Units.

Priority 4.3: Climate action localization and improved environment and nature protection

Achieving greater quality in all environmental media is imperative for the next programming period, especially due to the deteriorating trend. Here, the challenges related to the ambient air quality stand out. Hence the need for deeper coordination and cooperation of the State with the Local Government Units, including the formulation of an adequate and complex investment program to reduce air pollution, followed by a series of institutional measures that should include improved ambient air quality monitoring, enhanced inspection, local plans' preparation for improving the quality of ambient air and thus, localizing the activities, i.e., adjusting all measures and activities to the local context. For its part, the State shall improve all standards related to fuel quality, transportation means and

industrial emissions. As regards industrial pollution, it shall be required to provide systemic support to the private sector through soft credit lines for the procurement of equipment and new technologies that reduce environmental pollution, as well as tax reliefs on imports. Establishing and leading a green tax policy shall also be required in terms of procurement of electric and hybrid vehicles for citizens and the private sector, as well as the procurement of bicycles and other electric means of transport, and this policy shall be extended to Local Government Units, i.e., fiscal instruments that can be used to stimulate environmentally responsible behavior of taxpayers.

Regarding water protection, greater coordination of all stakeholders and institutional integration shall be required to overcome the fragmentation of competencies, enable greater decentralization and increase the effectiveness and efficiency of the preparation and implementation of related water management policy measures at the river basin level as a basis for preparation of municipal integrated water management programs, followed by the establishment of integrated surface and groundwater quality monitoring.

Regarding waste management, it is foreseen to implement a comprehensive reform by improving the overall legal framework and continuing the process of rehabilitation of the remaining hotspots through their remediation in order to reduce the pressure of pollution on the environment and human health.

In the coming period, particular attention shall be paid to: improving the management of protected areas, with a focus on timely and quality preparation of plans for their management and improved funding (especially in terms of payment for ecosystem services); greater involvement of Local Government Units in the management of the respective protected area categories and introduction of a ban on the construction of new small hydropower plants in protected areas and national parks. It shall be required to continue the activities for valorization of protected areas, their systematic and methodical re-proclamation and proclamation of new protected areas, where the initiative for declaring Shar Mountain as a new national park stands out.

The situation in the environment requires tightening of the misdemeanor and penal policy, whereby it shall be of operational significance to strengthen the capacity of the state inspectorate and local inspection services in municipalities. In this context, inter-municipal cooperation should be

strengthened. These activities shall be followed by intensification of public awareness campaigns to be implemented through direct cooperation with citizens' associations in order to strengthen the transparency and accountability of institutional stakeholders, including municipalities and PCEs, and consequently, increase the trust among citizens. In the context of good governance, it shall be required to establish effective mechanisms for public participation, access to information, access to justice on environmental issues and environment reporting, and also strengthen the administrative capacity of competent bodies responsible for environmental assessment in terms of strategic plans, programs and projects. All participatory municipal bodies shall be supported by providing them with adequate spatial and technical conditions, including support for citizens' initiatives, as well as the local referendum voting mechanism.

In the coming period, attention shall be paid to environmental noise protection, especially in urban areas.

A special challenge is the realization of the green scenario from the Energy Development Strategy, where in the context of reducing the negative environmental impacts, as priorities are singled out the requirements for: 1) systematic and more intense investments in energy efficiency; 2) intensified control of construction sites and observance of the energy criteria during facilities' construction and reconstruction; 3) doubling the production of energy from renewable sources (solar energy, wind and biogas power plants) in the medium term and 4) completion of the main gas pipelines and through consultation with Local Government Units, making a decision for selection of the most appropriate model for construction of natural gas distribution networks. There are great expectations from the establishment of the Energy Efficiency Fund which should provide funds on a sustainable basis for financing energy efficiency (EE) projects, including public buildings owned by municipalities and local institutions and companies, and also the fulfillment of all other EE-related local competencies.

Investments in environmental infrastructure and other environmental protection measures will simultaneously contribute to extremely positive economic effects both in terms of reviving specific market segments (construction, application of new technologies and other branches), and in terms of raising the value added to the content of locally produced goods and services, thus strengthening the local economy competitiveness and also the economy of the country as a whole. It is precisely the greater

competitiveness with the so-called "Eco" services and products and the transition to a "circular economy" that will facilitate the overall transition of the country's existing economic model to a green development model based on exports. In conjunction with the human capital development through the acquisition of specific advanced knowledge and skills for the application of "clean" technologies, the model of sustainable local economic growth and development will result in the creation of new and quality "green" jobs.

A common denominator for addressing all these challenges is the need for much more effective coordination between the central and local governments and enhanced cross-sectoral cooperation, as well as integrated human capacity building at all levels of government (especially in rural municipalities) for effective environmental protection and its integration in other policies (agriculture, transport, energy, industry policy, etc.). This is followed by the need for committed implementation of the transition to climate neutrality, enabling efficient climate action by localizing the climate change response, with a focus on the most vulnerable population groups that are also most exposed to the climate change harmful effects.

The priority shall be achieved through the implementation of the following measures:

1.1.1 Improve the normative framework and national policies in the field of environment and climate change; further regulate municipalities' competencies towards greater implementation autonomy; and strengthen the legally established mechanisms for financing the competencies transferred to municipalities;
1.1.2 Comprehensively strengthen the capacities of local institutional stakeholders, while using the legal possibilities to establish a joint administration between municipalities that lack sufficient human resources;
1.1.3 Deeper coordination and cooperation of the State with Local Government Units, formulation of an adequate and complex investment program for air pollution reduction, followed by a series of institutional measures that shall include improvement of ambient air quality monitoring, enhanced inspection, preparation of local plans for ambient air quality improvement, thus localizing the activities, i.e., adjusting all the measures and activities to the local context;
1.1.4 Tighten the misdemeanor and penal policy;

1.1.5 Establish and lead green tax, urban, traffic and transport policies at both national and local levels;
1.1.6 More efficient coordination of all stakeholders, including institutional integration in order to overcome the fragmentation of competencies in the area of water management;
1.1.7 Address inherited industrial pollution and revitalize degraded areas in municipalities;
1.1.8 Improve protected area management also by establishing forms of inter-municipal cooperation;
1.1.9 Develop and implement municipal energy efficiency programs while using the opportunities to establish adequate forms of inter-municipal cooperation;
1.1.10 Systematic and enhanced investments in energy efficiency;
1.1.11 Establish effective mechanisms for public participation, access to information, access to justice in environmental matters and environmental reporting, and strengthen the administrative capacity of competent authorities responsible for environment impact assessment in terms of strategic plans, programs and projects;
1.1.12 Consistent and continuous operational support by Local Government Units to all municipal participatory bodies by providing them with adequate spatial and technical conditions, including support to citizens' initiatives, as well as the local referendum voting mechanism;
1.1.13 Implement public awareness campaigns to be carried out through direct cooperation with citizens' associations in order to strengthen the transparency and accountability of institutional actors, including municipalities and PCEs, and consequently increase the trust among citizens;
1.1.14 Raise public awareness among citizens of issues related to climate change in order to enhance the local population adaptive capacity and the local economy, especially in the sectors of agriculture and animal husbandry, biodiversity, forestry, health, tourism, cultural heritage, water resources and socio-economic development;
1.1.15 Enable effective climate action by localizing the climate change response with a focus on the most vulnerable population groups that are also most exposed to the climate change harmful effects.

Priority 4.4: Improved population protection against crises and disasters

The Republic of North Macedonia is exposed to the impact of various types of natural and other disasters, such as floods, forest fires, droughts, earthquakes, landslides, events related to extreme temperatures and weather conditions, etc. Floods are the most frequent and have the greatest intensity and magnitude, forest fires are increasing in intensity, while earthquakes have the greatest impact on the country and its citizens in terms of loss of human life and material damage caused. Given the continuing deterioration of the environment and the increasing climate change impact, it is expected that there will be a period of significant increase in the frequency, intensity and magnitude of catastrophic events that will have a serious impact on local communities' resilience.

On the other hand, in the past few years, we have witnessed the emergence of new, atypical risks and threats, which represent an acute shock and long-term stress for the crisis management system in terms of preparedness, response and recovery, both nationally and locally. These include the 2015 migrant and refugee crisis, as well as the Covid-19 pandemic. With all this in mind, it shall be required that the disaster risk reduction system moves from a fragmented set of response and recovery activities and measures to a well-structured prevention, early warning, response and resilient recovery system. Consequently, there shall be a need for strengthened local competencies and thus, enhanced roles of Local Government Units as the front-line stakeholders that have tackled and will continue to tackle crises and disasters, and also be the first to provide protection and mitigation of negative effects. In this context and taking into account the experience with the current health crisis caused by Covid-19, there is a need to include the response to health crises in the segment of crisis management and to strengthen it at the local level.

A key commitment for the coming period shall be to establish an efficient and functional national system for prevention, early warning, preparedness, response and recovery from natural and man-made disasters and catastrophes, in which municipalities shall participate in line with clearly defined and strengthened competencies and responsibilities, and with sufficient capacity and resources. This commitment is in accordance with the 2020 Program of the RNM Government which defines the implementation of structural reform of crisis management and protection and rescue systems, as well as the UN Sendai Framework for action in the 2015-2030 period. On their

part, municipalities shall regularly update their risk assessments related to all types of risks and hazards, and take them into account in all strategic and program documents, as well as plans, at the local level. On the other hand, while responding to the challenges of urban risks and dangers (including climate change), which affect resilience, cities in the country shall prepare strategies for their urban resilience and develop comprehensive policies and implement measures and activities for transformation and adaptation thereto. All these measures shall be accompanied by the preparation of programs for municipalities' continuous capacity building, cooperation with both the public and private sector, academia, as well as process inclusiveness and participatory nature, and inclusion of different citizen groups.

A number of challenges have been identified regarding the fire protection segment, both in terms of sustainable and regular funding, including organizational set-up, functional competence and available resources. The main challenge to be addressed in the coming period is the functional integration of territorial firefighting units in the single disaster risk reduction system through their competencies' harmonization, modernization, technical equipment, additional staff and consolidation of funding sources.

Finally, provided the entire risk reduction segment at the local level, it shall be required to ensure greater public safety and security at the local level.

The priority shall be achieved through the implementation of the following measures:

1.1.1 Create a normative framework and establish an efficient and functional system for disaster and catastrophe prevention, early warning, preparedness, recovery and response, including municipalities with clearly defined competencies and responsibilities therefore;
1.1.2 Regularly update the assessments of natural and other disaster risks, as well as safety and any other types of risks and hazards related Local Government Units, as basic documents and tools for the inclusion of disaster risk reduction in the strategic and program documents and plans at the local level;
1.1.3 Adopt strategies for cities' resilience through the development of comprehensive policies, measures and activities for transformation and adaptation;
1.1.4 Prepare a program for municipalities' continuous capacity building, cooperate with both the public and private sector and academia,

as well as ensure full inclusion and participation in the processes;

1.1.5 Functional integration of territorial firefighting units in a reformed protection and rescue and crisis management system through competencies' harmonization, modernization, technical equipment, strengthened staffing and funding sources' consolidation;

1.1.6 Establish forms of inter-municipal cooperation for the preparation and implementation of municipalities' shared practical measures, activities and obligations, including the establishment of inter-municipal TFFUs (if required, harmonize legislation) and promote fire protection volunteerism.

Priority 4.5: Improved local health care services

The experience with the Covid-19 pandemic indicates the need to strengthen the legal framework and institutional capacity, as well as the human and financial resources of all stakeholders, and especially the local response to health crises. Therefore, the key commitment for the next programming period is for the municipalities to be fully involved in the early warning and assessment of risks and dangers of health crises, with clearly defined obligations and responsibilities in order to create strategies and policies for resilient local development, and also for timely, efficient and effective response to any health crises. In this context, it shall be required to improve the model of health care decentralization by defining the respective competencies and responsibilities for municipalities, accompanied by the transfer of sufficient financial and human resources. In doing so, municipalities shall be allowed to independently implement preventive, operational, restrictive and other measures depending on the local context, hazard profile and current economic, social and other conditions. This approach shall be accompanied by an efficient and effective mechanism for improved cooperation, communication and coordination with local level institutions, Public Health Centers and also vertically, with all competent state administration authorities.

It is envisaged that this Program priority shall be achieved through the implementation of the following measures:

1.1.1 Continue further decentralization in order to strengthen local health crisis response, better deliver health care services, especially to the most vulnerable population groups, and promote public health in a sustainable and systematic way;

1.1.2 Allow municipalities to implement preventive, operational, restrictive and other measures in accordance with the local context and the population's health status;

1.1.3 Enable more efficient cooperation, communication and coordination within municipalities' horizontal level, and with the public health centers and relevant state administration authorities.

III

PROGRAM FINANCING

The financing and co-financing of this Program measures and activities and projects identified in the accompanying Action Plans shall be provided through the following funding sources:

- From the Budget of the Republic of North Macedonia, including the budget allocations of the Ministry of Local Self-Government and other state administration bodies, agencies and funds that are in charge of implementing certain activities and projects, in line with the Program's Action Plans adopted;
- Budget allocations from Local Government Units' budgets for the implementation of activities and projects;
- Funds based on donations and sponsorships;
- Support from international donors;
- EU Pre-Accession Assistance (IPA) funds for relevant components and sectors, where funding is foreseen to support: the process of decentralization and strengthening the local self-government system, including the implementation of relevant policies and laws, local development, cross-border cooperation of municipalities, etc.;
- Other sources of funding.

In the coming programming period, it is of particular importance to systematically strengthen municipalities' capacities for efficient absorption of IPA funds by designing and implementing adequate training programs and by providing additional resources (both organizational and financial) to particularly help smaller municipalities that lack sufficient capacity to deal with the implementation of larger projects.

IV

PROGRAM IMPLEMENTATION AND MONITORING

The operationalization of Program commitments shall be carried out through the preparation and implementation of three-year Action Plans.

To strengthen the coordination of all authorities and bodies involved in the implementation of this Program and its Action Plans, **a joint Coordination Body of all stakeholders shall be established, based on a Decision of the Government of the Republic of North Macedonia at the proposal of the Ministry of Local Self-Government**.

The manner of operation of this Coordination Body shall be determined by Rules of Procedure.

The primary obligation of this Coordination Body shall be to provide timely and comprehensive information on the implementation of activities and projects, based on which the Ministry of Local Self-Government shall draft Annual Reports on the implementation of the Program and its Action Plans and submit them to the Government for consideration and adoption. This Coordination Body shall also be involved in the organization of consultative events, including: thematic workshops and conferences, in accordance with the requirements for monitoring, periodic evaluation and reporting on the results from the implementation of this Program and its Action Plans.

The Ministry of Local Self-Government shall continue with its established practice of conducting regular surveys and other research in Local Government Units with the support of interested donors, and also surveys of citizens' satisfaction with local service delivery.

Regarding the manner of reporting on the implementation of the 2021 – 2026 Program for Sustainable Local Development and Decentralization and its three-year Action Plans, the Ministry of Local Self-Government shall activate a customized e-tool and share a User Manual with all activity and

project implementers listed in the Action Plan. This e-platform shall, based on the data fed into it, have the functionality to generate reports on the status of implementation of the Program's Action Plan.

Periodic evaluations and a final evaluation of the 2021 – 2026 Program for Sustainable Local Development and Decentralization shall be performed on the basis of a Strategic Monitoring Matrix (Annex 1). The Strategic Monitoring Matrix lists a limited number of measurable indicators of strategic nature for each of the Program's priorities, and based on available data regarding the baseline year and existence of regular data sources, target performance values have been projected for the period up to 2024 and 2026.

ANNEX

1

STRATEGIC MONITORING MATRIX REGARDING THE IMPLEMENTATION OF THE 2021 – 2026 PROGRAM FOR SUSTAINABLE LOCAL DEVELOPMENT AND DECENTRALIZATION

Component 1: LOCAL GOVERNMENT NO	
Priority 1.1: Improvement of the normative framework and other functional aspects of the local self-gov	
Indicator description	**Data source**
Satisfaction of citizens with the quality of life in their municipality (average score on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Satisfaction of citizens with the way their municipality is managed (% of partially and fully satisfied respondents)	Survey poll to examine citizens' satisfaction with local services
Satisfaction of citizens with the services provided by their municipality (average score on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Number of municipalities with a one-stop service system established	Survey in LGUs regarding the implementation of their local competencies
Satisfaction of citizens with the transparency and accountability of their municipality (average score on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Priority 1.2: Provision of sufficient funds to implement all decentralized competencies through a deeper	
Indicator description	**Data source**
Share (%) of local public revenues in GDP	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Share (%) of local public revenues in the overall Government public revenues	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Satisfaction of citizens with the fiscal transparency of their municipality (% of satisfied respondents)	Survey poll to examine citizens' satisfaction with local services
Component 2: INNOVATIVE AND INCLU	
Priority 2.1: Creating the prerequisites required for Local Government Units' accelerated economic deve	
Indicator description	**Data source**
LGUs' total expenditures for local economic development (in millions of denars)	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Score of citizens' satisfaction with LED (on a scale of 1-5 where 5 is the highest score)	Survey poll to examine citizens' satisfaction with local services
Forms of inter-municipal cooperation to support entrepreneurship and SMEs, innovation and smart specialization	Survey poll to examine citizens' satisfaction with local services
Priority 2.2: Development of local policies to reduce unemployment and implement complementary me	
Indicator description	**Data source**
Number of municipalities with records of labor market conditions	Survey in LGUs regarding the implementation of their local competencies
Number of municipalities with support programs implemented for women on how to start and run a business	Survey in LGUs regarding the implementation of their local competencies

RMATIVE FRAMEWORK AND FINANCING			
vernment system			
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2020	3.1	3.3	3.5
2020	35.1%	40%	45%
2020	3.07	3.25	3.40
2018	17	25	40
2020	2.7	3	3.3
ned fiscal decentralization			
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2019	5.40%	5.80%	7.00%
2019	15.40%	17.00%	20.00%
2019	18.5%	30%	40%
SIVE LOCAL ECONOMIC DEVELOPMENT			
elopment and growth			
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2019	482	700	920
2020	2.59	2.8	3.00
2020	0	3	5
asures on the part of Local Government Units			
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2020	0	25	40
2020	0	10	20

Component 3: QUALITY LOCAL SERVICE	
Priority 3.1: Better quality primary and secondary education for an accelerated socio-economic develop	
Indicator description	**Data source**
Number of satellite primary schools	Survey in LGUs regarding the implementation of their local competencies and MES Reports
Number of combined secondary schools	Survey in LGUs regarding the implementation of their local competencies and MES Reports
Percentage of Roma community students who have completed primary education out of those enrolled in the first grade	MES Reports
Citizens' satisfaction with educational services provided by municipalities (average score on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Priority 3.2: Improvement of local services related to social protection and child protection by Local Gov	
Indicator description	**Data source**
Coverage of children aged 0-5 by kindergartens (%)	SSO MAKStat database
Number of kindergartens / Number of municipalities with kindergartens	MLSP Reports
Number of shelters for victims of gender-based violence	MLSP Reports
LGUs' total expenditures on gender equality (in millions of denars)	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Citizens' satisfaction with services related to social protection in municipalities (average score on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Priority 3.3: Development of Local Government Units through culture	
Indicator description	**Data source**
LGUs' total expenditures on culture (in millions of denars)	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Forms of inter-municipal cooperation established in culture	Survey in LSUs regarding the implementation of their local competencies and MC Reports
Priority 3.4: Promotion of sports and recreation in Local Government Units	
Indicator description	**Data source**
LGUs' total expenditures on sports and recreation (in millions of denars)	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Forms of inter-municipal cooperation established in sports and recreation	Survey in LGUs regarding the implementation of their local competencies and ASY Reports

ES COVERING THE ENTIRE POPULATION			
ment of Local Government Units			
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2020	630	610	590
2020	38	35	32
2020	80	95	98
2020	3.43	3.6	3.8
vernment Units			
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2018	26	35	40
2020	71/60	80/65	85/70
2020	5	7	8
2019	1.1	10	20
2020	2.81	3.00	3.15
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2019	763	800	850
2020	0	3	6
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2019	335	400	450
2020	0	4	6

Component 4: LOCAL GOVERNMENT INCREASED	
Priority 4.1: Improved standards of urban planning and construction for the purpose of accelerated soci	
Indicator description	**Data source**
Number of Urban Plans adopted	Survey in LGUs regarding the implementation of their local competencies and MTC Reports
LGUs' total expenditures on urban planning (in millions of denars)	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Citizens' satisfaction with urban planning in municipalities (average score on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Priority 4.2: Improved quality of, and increased population coverage with, utilities	
Indicator description	**Data source**
Population share covered by public water supply (%)	SSO MAKStat database - Environment, and the National Water Strategy
Population share covered by a wastewater collection system (%)	SSO MAKStat database - Environment, and the National Water Strategy
Population share covered by a wastewater treatment system (%)	SSO MAKStat database - Environment, and the National Water Strategy
Number of fully established waste management systems at the level of Planning Regions	SSO MAKStat database and MoEPP Reports
Local road infrastructure (km)	SSO MAKStat database - Transport
Citizens' satisfaction with utility services in municipalities (average score on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Priority 4.3: Climate action localization and improved environment and nature protection	
Indicator description	**Data source**
LGUs' total expenditures on environment and nature protection (in millions of denars)	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Citizens' satisfaction with the delivery of local environmental protection services (score on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Municipalities' forms of shared administration established for environment and nature protection	Survey in LGUs regarding the implementation of their local competencies and MoEPP Reports
Number of LGUs managing protected areas	Survey in LGUs regarding the implementation of their local competencies and MoEPP Reports
Forms of inter-municipal cooperation established for energy efficiency	Survey in LGUs regarding the implementation of their local competencies and MoE and EA Reports

D RESILIENCE AND SUSTAINABLE DEVELOPMENT			
o-economic development, environmental and climate protection			
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2020	419	500	850
2019	792	850	950
2020	2.93	3.10	3.30
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2016	78.5%	85%	90%
2016	77.2%	82%	85%
2016	24.1%	40%	60%
2020	0	3	4
2019	5383	6000	6200
2020	3.02	3.20	3.30
Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2019	196	250	400
2020	2.74	2.90	3.10
2020	0	3	6
2020	8	12	16
2020	1	3	6

Priority 4.4: Improved population protection against crises and disasters	
Indicator description	**Data source**
Number of Local Government Units having access to E-Assessment (of risks and hazards)	CMC Reports
Number of cities with Resilience Strategies	Strategies published Survey in LGUs regarding the implementation of their local competencies and CMC Reports
LGUs' total expenditures on fire protection (in millions of denars)	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
LGUs' total expenditures on protection and rescue (in millions of denars)	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Score of citizens' satisfaction with firefighting services (on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Priority 4.5: Improved local health care services	
Indicator description	**Data source**
LGUs' total expenditures on health care promotion (in millions of denars)	Annual Work Report on LGU Financing (Commission for Monitoring the LGU Financing System)
Citizens' satisfaction with health-related and healthcare services in municipalities (average score on a scale of 1-5)	Survey poll to examine citizens' satisfaction with local services
Number of selected GPs per 1,000 insured persons	HIF
Number of selected gynecologists per 1,000 women insured	HIF
Number of selected dentists per 1,000 insured persons	HIF

Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2020	0	40	81
2020	1	5	15
2019	464	500	550
2019	0.89	15	30
2020	3.36	3.50	3.70

Baseline year	Baseline year value	Target value in 2024	Target value in 2026
2019	13.7	20	25
2020	3.13	3.4	3.5
2019	0.78	0.82	0.85
2019	0.16	0.19	0.22
2019	0.66	0.72	0.83

ANNEX

2

LIST OF ABBREVIATIONS

UN	United Nations
EU	European Union
GDP	Gross Domestic Product
UNDP	United Nations Development Programme
IPA	Instrument for Pre-Accession Assistance
ZELS	Association of the Units of the Local Self-Government of the Republic of North Macedonia
SDGs	Sustainable Development Goals
LED	Local Economic Development
MLSP	Ministry of Labor and Social Policy
ASY	Agency for Sports and Youth
MES	Ministry of Education and Science
PCE	Public Utility Company
EE	Energy efficiency
TFFUs	Territorial Firefighting Units
LGUs	Local Government Units
SMEs	Small and Medium Enterprises
SSO	State Statistical Office
MTC	Ministry of Transport and Communications
MoEPP	Ministry of Environment and Physical Planning
MoE	Ministry of Economy
EA	Energy Agency
CMC	Crisis Management Center
HIF	Health Insurance Fund