Second Municipal Services Improvement Project

Republic of MACEDONIA

Project Operational Manual

July, 2016

TABLE OF CONTENTS

1. INTRODUCTION 5

1.1. Purpose of Operations Manual 5
1.2. Legal Framework 5
1.3. Conflicts of interest 5

2. PROJECT DESCRIPTION 7

2.1. Project background 7
2.2. Project development objective 8
2.3. Project components 8
2.4. Project monitoring key indicators 11
2.5. Project Costs and Financing Plan 11

3. INSTITUTIONAL & ORGANIZATIONAL ARRANGEMENTS 12

3.1. Project Coordination Committee 12
3.2. Project Management Unit 13
3.3. Municipalities and CSEs 16
3.4. World Bank 18

4. PROJECT IMPLEMENTATION AND PROCUREMENT PLAN 20

4.1. Project implementation time schedule 20
4.2. Sub-project Cycle 20
4.3. Procurement 39

5. FINANCIAL MANAGEMENT 46

5.1. MSIP Financial Resources 46
5.2. Use of MSIP Financial Resources 46
5.3. Financial management and accounting principles 46
5.4. Project Financial Management System (PFMS) 47

6. REPORTING 57

6.1. DURING THE WHOLE DURATION OF THE MSIP 57
6.2. DURING THE WORKS' PHASE 57

7. MONITORING AND EVALUATION 59

7.1. Method for Monitoring and Evaluation System 59
7.2. MSIP 59
7.3 Monitoring of sub-projects 66

ANNEXES 68

Annex 1.1: Loan Choices worksheet 68
Annex 2.1: Projects Components 69
Annex 2.2: Detailed Project Cost And Financing Plan (USD) 71
Annex 3.1: Decision on Establishing The Project Coordination Committee 72
Annex 3.2: Decision on Establishing The Project Management Unit (Pmu) 76
Annex 3.3 Pmu Terms Of Reference 78
Annex 3.4. Pmu Organization And Staff; Staff Rules 79
Annex 3.5. Terms Of Reference For Pmu Key Staff 82
Annex 4.1 Guidelines For Feasibility Studies 117

ANNEX 4.2 GUIDELINES FOR SOCIAL ASSESSMENT 136
ANNEX 4.3. RESETTLEMENT POLICY FRAMEWORK 153
ANNEX 4.4 SUB-PROJECT APPRAISAL FORM 199
ANNEX 4.5. ENVIRONMENTAL ASSESSMENT AND MANAGEMENT FRAMEWORK DOCUMENT 202
ANNEX 4.6 MAIN STEPS FOR OBTAINING A POSITIVE OPINION FOR SUB-BORROWING BY THE MINISTRY OF FINANCE 326
ANNEX 4.7 SUB-LOAN AGREEMENT FORMAT 334
ANNEX 4.8.1 PROCUREMENT PLAN 347
ANNEX 4.8.2 PROCUREMENT STEPS 350
ANNEX 4.9.1 POVERTY/SOCAL INCLUSION GRANT AGREEMENT 363
ANNEX 4.9.2 POVERTY/SOCIAL INCLUSION GRANTS PROCEDURE 373
APPLIED APPROACH 374
ANNEX 5.1. FINANCIAL MANAGEMENT MANUAL 375
ANNEX 5.2. EXTERNAL AUDIT – TERMS OF REFERENCE 387
ANNEX 5.3. FORMAT OF THE QUARTERLY IFR 393
ANNEX 6.1. SEMI-ANNUAL PROGRESS REPORT FORMAT 403
ANNEX 7.1: INDICATORS FOR MONITORING 407
ANNEX 7.2 SUB-PROJECTS RESULTS MONITORING 410
ANNEX 7.3. APPRAISAL PROCEDURE FOR CONSTRUCTION OF NEW KINDERGARTEN 417

ABBREVIATIONS AND ACRONYMS

ADKOM	Association of Municipal Communal Enterprises
CQ	Selection based on Consultant's Qualification
CSE	Communal Service Enterprise
DA	Designated Account
EA	Environmental Assessment
EAR	European Agency for Reconstruction
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EAMF	Environmental Assessment and Management Framework
EMP	Environmental Management Plan
EU	European Union
FM	Financial Management
GDP	Gross Domestic Product
GPN	General Procurement Notice
GTZ	German Agency for Technical Cooperation
IBNET	International Benchmarking Network of Water and Sanitation Utilities
IDA	International Development Association
IFR	Interim Financial Report
KfW	Bank for Reconstruction (Germany)
LARPF	Land Acquisition and Resettlement Policy Framework
LED SP	Local Economic Development Strategic Planning
M&E	Monitoring and Evaluation
MEPP	Ministry of Environment and Physical Planning
MKD	Macedonian dinar
MLSG	Ministry of Local Self-Government
MAFWE	Ministry of Agriculture, Forestry and Water Economy
MoF	Ministry of Finance
MTC	Ministry of Transport and Communications
MSIP	Municipal Services Improvement Project
MSIP2	Second Municipal Services Improvement Project
MSIP PMU	Project Management Unit responsible for implementation of MSIP and MSIP2
MSIP CC	MSIP Coordination Committee responsible for coordination of the MSIP and MSIP2
NCB	National Competitive Bidding
NGO	Non Governmental Organization
OECD	Organization for Economic Cooperation and Development
OM	Operations Manual
PAD	Project Appraisal Document
PAS	Procurement Accredited Staff
PCC	Project Coordinating Committee
PDD	Public Debt Department (Ministry of Finance)
PDO	Project Development Objective
PFS	Project Financial Statement
PIT	Personal Income Tax
PMU	Project Management Unit
POM	Project Operational Manual
PP	Procurement Plan
PRO	Public Revenue Office
PSP	Private Sector Participation
QCBS	Quality and Cost Based Selection
QER	Quality Enhancement Review
SEE	South East Europe
SIA	Social Impact Assessment
SOE	Statement of Expenses
SSO	State Statistical Office
TA	Technical Assistance
UNDP	United Nations Development Program
USAID	U.S. Agency for International Development
VAT	Value-Added Tax
ZELS	Macedonian Association of Local Self-Governments

1. INTRODUCTION

1.1. PURPOSE OF OPERATIONS MANUAL

This Project Operations Manual (POM) outlines operational guidelines and procedures to be followed in implementing the Second Municipal Services Improvement Project (MSIP2 or "the Project"), including the processes of identifying, preparing, selecting, procuring, managing and monitoring the implementation of sub-projects, technical assistance, and all other related Project activities. The Manual will be used by staff of the MSIP/MSIP2 Project Management Unit (MSIP/MSIP2 PMU), municipalities, contractors, engineers, environmental and social assessment consultants, and other relevant institutions and bodies implementing the MSIP2. All supporting documents, forms, and templates required for the implementation of the components and management activities are included in annexes to this POM, and form an integral part of the Manual. The POM sets out the guidelines for:

- The financial management of allocated resources;
- The technical management, monitoring and evaluation of the components activities;
- The procurement and contracting of required goods, works and services.

1.2. LEGAL FRAMEWORK

The guidelines and procedures laid out in the POM are part of the legal documents of the MSIP2 with the terms and conditions set out in the Project Appraisal Document of the World Bank (or the "Bank"), Loan Agreement between the Government of the Republic of Macedonia and the World Bank for Second Municipal Services Improvement Project (8561MK). The guidelines and procedures are also in accordance with national policies, other national laws, the Government Decision of the establishment of the Project Coordination Committee and the Project Management Unit of the Second Municipal Services Improvement project – MSIP2, other statutory provisions, and regulations of the Republic of Macedonia. Implementation of the MSIP2 will be carried out in consultation with relevant government ministries and other concerned administrative authorities.

The Operational Manual may only be modified in all or in part by a common agreement between the Government of the Republic of Macedonia and the World Bank. The operations conducted under the Project by any collaborator acting within its limits are subject to the guidelines and procedures outlined in this Operational Manual.

1.3. CONFLICTS OF INTEREST

In accordance with the Manual, no member of the MSIP Coordination Committee staff, the MSIP/MSIP2 PMU staff, including (permanent, temporary) employees or subcontractors will be allowed to possess a direct or indirect personal interest in:

- a sub-project financed or under preparation by the Project;
- a private enterprise selected for the implementation of a sub-project; or
- a contractor subcontracted for the provision of goods and services.

2. PROJECT DESCRIPTION

2.1. PROJECT BACKGROUND

Decentralization process in the Republic of Macedonia was launched in 2005 and brought delivery of many of the basic public services to the municipal level. The number of municipalities was consolidated from 123 to 85 in 2005 and then further reduced to 81 in 2013 due to the changes in the Law on Territorial Organization. The changes led to the creation of larger municipalities with more rural areas included in their jurisdiction. From 2007, the municipalities that have cleared their arrears entered into the second phase of the decentralization process - i.e. fiscal decentralization to undertake new responsibilities such as managing primary and secondary education, some social services, cultural institutions and firefighting. Parallel to this, municipalities started to receive block grants to implement these new functions and then progressively assumed responsibilities for maintenance and improvement of municipal infrastructure such as water supply and wastewater treatment systems, solid waste management, local roads, street lighting, pre-school, primary and secondary schools, and local cultural institutions. Since 2011 municipalities also acquired responsibilities for management of state land. During the decentralization process, regulations for local borrowing were established and municipalities may now borrow for capital investments and maintenance. To date all municipalities (except Plasnica) enter into the second phase of fiscal decentralization.

Almost all local public services (water, sewerage and solid waste, public lighting, street cleaning and parks, marketplaces, cemeteries) are provided through municipal-owned communal service enterprises (CSEs). There are 65 CSEs in Macedonia providing service to 80 municipalities (not counting the City of Skopje). Most of these services have suffered pervasively from rigid tariff control, neglected maintenance, over-employment and poor financial management, leading to a vicious cycle of further deterioration and lack of funding for new investments.

There is broad agreement within government and among the international donor community that establishing strong and inclusive economic growth, diversifying economic activity, and tackling poverty will require stronger communal service enterprise performance and more effective municipal management. Following decentralization, municipalities will need to greatly improve their own revenue mobilization and management of expenditure, especially for investment, as well as their accountability to the public.

The Government underscored the importance of investments in urban infrastructure and municipal services to support economic growth and employment. The Government program puts increasing emphasis on balanced economic growth across municipalities and regions to help create equal opportunities and facilitate economic integration by improving their infrastructure. The crisis in the Euro zone puts additional exigency to the Government goal of improving infrastructure as the basis for accelerated economic growth and development. The on-going Bank-financed Municipal Services Improvement Project (MSIP, P096481) is one of the Government's instruments to provide access to investment funds to municipalities that cannot yet afford to borrow from other sources, and the proposed Second Municipal Services Improvement Project (MSIP2) will actually present the second phase of MSIP with

an aim to respond to the continuing strong demand by the municipalities for local infrastructure finance..

2.2. PROJECT DEVELOPMENT OBJECTIVE

The MSIP2 project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities.

The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as municipalities and their communal service enterprises (CSEs).

Since MSIP2 will improve delivery of municipal services in the participating municipalities, its primary beneficiaries will be local communities – i.e. citizens of the participating municipalities. Through its Poverty/Social Inclusion Investment Grant component, MSIP2 will support pro-poor investments in marginalized neighborhoods and will therefore directly benefit poorer households in need of better public services. Institutional beneficiaries include staff within the participating municipal administrations, but also communal service enterprises and other service agents. Both private contractors and labor will benefit indirectly from the construction and works contracts

2.3. PROJECT COMPONENTS

MSIP2 will consist of the three components and would finance investments in the areas of water and sanitation, road infrastructure (including construction and rehabilitation activities) and other revenue generating or cost saving investments in communal services or of high priority to municipalities; provision of poverty and social inclusion investments infrastructure in poorer and marginalized communities within respective municipal jurisdictions. The project would also provide support to strengthening the capacity of the PMU, Participating Municipalities and communal service enterprises for Project management, monitoring and evaluation through the provision of goods, consultant services, including Project audit, training, and financing of operating costs. For a detailed description, see Annex 2.1.

Sub-projects to be financed by sub-loans under component A, or by grants under Component B, would need to meet sub-project eligibility conditions outlined in this POM, chapter 3.3. The Sub-projects will be evaluated based on standard economic, financial, technical, environmental and social appraisal criteria, as described in this POM, chapter 4.2. To qualify for Poverty and Social Inclusion Investment Grants under Component B, municipalities will have to present evidence of mapping the poorest settlement within their jurisdiction further outlined in chapter 3.3. Only municipalities that are receiving sub-loans will be allowed to apply for the poverty and social Inclusion grants.

Component A (Municipal Investments): will provide sub-loans to municipalities for investments in municipal infrastructure, including revenue-generating/cost saving municipal infrastructure investments and other projects of high priority for the municipalities. The project will focus on improving the delivery of services under the responsibility of participating municipalities and their CSEs. As is the case with MSIP, MSIP2 will continue to provide sub-loans to municipalities for infrastructure investments of high priority and clear

impacts on welfare or efficiency. Types of investments will include water supply, sewerage including small-scale wastewater treatment, solid waste management, energy efficiency improvements of municipal buildings, local roads, markets, street lighting, stormwater drainage, rehabilitation and limited construction of schools, kindergartens and other facilities for early childhood development.

In order to ensure transparency of the sub-loan application process open Public Calls for Proposals shall be introduced. The Ministry of Finance will launch a Public Call for Proposals at the beginning of each calendar year (end of January at latest), while the first Call will be launched once the project becomes effective. The Call will be announced in two national newspapers (one in Macedonian and one in Albanian) and published at the official Ministry of Finance website. Two months period will be given to municipalities for submissions of proposals. The last Call will be launched one year before the year of MSIP2 closing date or until all sub-loan funds are committed (signed sub-loan agreements between the municipalities and the MoF) to allow full implementation of the subprojects.

After closing of each Call, all municipal proposals will be reviewed by the MSIP PMU on a rolling basis applying the “First come – First served principal”, as outlined in the operational procedures set in this manual. The evaluation will be done in two stages. In the first stage, the PMU will carry out a preliminary review of the submitted proposal and will prepare a List of all submitted applications. The List will contain the following information: name of the municipality, name and type of the sub-project, estimated investment value and whether the proposed investment is in line with the borrowing limit of the municipality. The list will be submitted to the World Bank for endorsement. After endorsement of the List, the MSIP PMU will continue with the second stage of the evaluation where detailed review of the technical proposals will be done. Each proposal will be reviewed by the PMU from technical point of view within 20 working days and municipality will be informed about the result of the evaluation in the form of approval or comments to improve the technical documentation. Having in mind that MSIP2 is demand driven project, the main principle for allocation of funds per municipality would be approved technical documentation in line with the criteria set in the Chapter 4. PMU will disclose data about the availability of the sub-loan funds regularly on a semester base on the MoF website.

To become eligible for participation in MSIP2 loans, municipalities must meet the legal requirements for borrowing under the Macedonian legislation and fulfill the following basic eligibility criteria: (i) municipal council decision; ii) collection of IBNet data for the preceding two fiscal years; (iii) publication of budget and available audit information on their municipal and CSE webpage; and (iv) establishment of a citizens feedback mechanism and evidence of conducting public consultation related to the proposed sub-project. These requirements will be applicable only to those municipalities that have approved technical documentation and are potential users of the municipal sub-loan funding.

Though subprojects are not limited to certain sectors, it is expected that revenue-earning investments would be primarily for services and infrastructure provided by CSEs, while cost-saving projects could either be under CSEs or under the direct provision of municipalities. To qualify under this component, subprojects would therefore have to demonstrate either revenue earning/ cost savings potential or that they are of high priority for the municipality by preparation of the Project appraisal document. Municipalities and CSEs will be assisted with project preparation activities, including review of feasibility studies, preparation of detailed design and bidding documents as well as supervision of construction activities. The

consultancy services for these preparatory activities will be provided to the municipalities and CSEs by the PMU and consultants it would hire (see Component C), and are not part of the sub-loans.

The MoF will on-lend the funds to participating municipalities through sub-loan agreements in a format as specified in Annex 4.7. The sub-loans will be provided on the same terms as the Bank loan, but the total maturity of each Sub-loan shall not exceed thirteen (13) years, including up to three (3) years of grace period, provided that the last repayment date of each Sub-loan shall not exceed the last repayment date of the Loan. The MoF will assume the currency risk, since the sub-loans and grants will be in local currency. The first sub-loan agreement will be subject to Bank review and will serve as a model for future agreements (see Annex 4.7).

Component B (Poverty/Social Inclusion Investment Grants) will provide investment grants to municipalities as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions. This component is specifically designed to target poorer and marginalized communities for municipal infrastructure improvements. Such communities will be identified via geographically targeting of neighborhoods within participating municipalities. Municipalities by themselves will need to identify such a target community in lieu of reliable official community-level statistics. Community-level service coverage data on paved roads, drainage, piped water, public sewers, kindergartens and other services as well as population data (vulnerable people, socially insecure people, receivers of social welfare benefits, unemployed, etc) could serve as a determinant of a neighborhoods poverty status.

The Poverty/Social Inclusion Investment Grants can be awarded to the participating municipality after successful completion of the sub-project financed with sub-loan, whenever the mapping of the poorest settlement is verified by the independent expert for verification of poverty and social inclusion grants. The grant award amount to an individual municipality will be up to 27 percent of the investment sub-loan. The grants can be used for new investment of the type funded under Component A. The municipality would need to present a sub-project proposal to the PMU that meets the same appraisal criteria as for Component A investments. The Poverty/Social Inclusion Grants will be subject to separate Grant Agreements under the terms and conditions and in a format as specified in Annex 4.9. The grant agreement will be subject to Bank review and will serve as a model for future agreements.

Component C (Project Management, Monitoring and Evaluation, and Capacity Building): This component would support operational costs of the PMU and assist with project implementation and monitoring, as well as support the relevant Ministries and other agencies both at National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. At the same time, additional support for strengthening the municipal capacity for sound financial analysis would be given to the participating municipalities in order for them to be able to mitigate any residual risk of MSIP2 loan default. Support provided under this component could include technical assistance and capacity building support for (i) capital investment planning, sub-project preparation/implementation and local capacity building for municipalities and CSEs to improve service delivery, (ii) strengthening municipal financial management systems and practices, and (iii) national level institutional strengthening.

The Borrower of the Bank funds is the Republic of Macedonia, as represented by the Ministry of Finance. The lending instruments are specific investment loans in total amount of EUR25 million. The IBRD Loans are Flexible Loans at 6-month EURIBOR plus the Variable Spread. The Municipal Services Improvement Project Loan is with 18 years maturity with 5 years grace period with level repayment of principal (Annex 1.1: Loan Choices worksheet).

2.4. PROJECT MONITORING KEY INDICATORS

See Monitoring in Chapter 7.

2.5. PROJECT COSTS AND FINANCING PLAN

Overall project size is EUR 25 million, entirely provided by the World Bank. The closing date of the project is March 31, 2021.

Project Components	**Project cost**	**IBRD Financing**	**% Financing**
A: Municipal Investments	Euro 18,500,000	Euro 18,500,000	100
B: Poverty/Social Inclusion Investment Grants	Euro 4,937,500	Euro 4,937,500	100
C: Project Management, Monitoring and Evaluation, and Capacity Building TA	Euro 1,500,000	Euro 1,500,000	100
Total Project Costs	**Euro 24,937,500**		
Front-End Fees	Euro 62,500	Euro 62,500	
Total Financing Required	**Euro 25,000,000**	**Euro 25,000,000**	

3. INSTITUTIONAL & ORGANIZATIONAL ARRANGEMENTS

This section describes the respective roles and responsibilities of the MSIP2 stakeholders in the implementation of the Project.

3.1. PROJECT COORDINATION COMMITTEE

The Project Coordination Committee that has been established for the coordination of the on-going Municipal Services Improvement Project (MSIP CC) will also be in charge of the coordination of MSIP2.

By Decision 02-26674/1 of 29.07.2009 (see Annex 3.1) revised [(Te revised Decision will be issued by the MoF after project effectiveness)], the Ministry of Finance (MoF) has established a multi-agency Coordination Committee to have an oversight over the project. The Coordination Committee consists of 9 members representing the following 9 entities:

- the Ministry of Finance (Chairman plus two members);
- the Ministry of Transport and Communications;
- the Ministry of Environment and Spatial Planning;
- the Ministry of Local Self Government;
- the Secretariat for European Affairs;
- the Association of Units of local- self government – ZELS;
- the Association of Communal Service Enterprises– ADKOM;
- the Ministry of Agriculture, Forestry and Water Economy;
- the IPARD Agency.

The main function of this committee is (i) to ensure good inter–agency communications about project objectives, rules and implementation progress of the project; (ii) to advise the PMU on sectoral or inter-ministerial issues that may affect project-funded activities, such as those pertaining to water and sanitation policies and investments; (iii) to reinforce transparency in the selection of municipalities and sub-projects. The committee will be chaired by the Ministry of Finance. The committee will meet quarterly and will receive summaries of the project progress reports prepared by the PMU.

The committee will be assisted by the PMU Coordinator or his/her representative and provide a forum for information sharing and advice to the PMU on project management.

Each of the above mentioned ministries and institutions nominated a representative to the Committee. The designated members have full authority to take decisions during the Committee meetings. World Bank representatives associated with the project may attend the Coordination Committee meetings as observers.

The Coordination Committee is responsible for:

- reviewing and approving changes and amendments to be introduced to this Operations Manual, acceptable to the World Bank;
- reviewing terms and conditions of Sub-Loan agreement, Grant Agreements, and other contractual MSIP documents;
- reviewing upon prior no-objection of the World Bank, the annual budget of the PMU;
- reviewing semi-annual and annual project progress reports to be provided by the PMU on project portfolio status, activities performed, annual budget execution, MSIP financial situation, and/or other topics as may be requested.

The Coordination Committee meets whenever requested by one of its members, but not less than once every three months.

The Coordination Committee is authorized to adopt decisions if at least half of the members (i.e. six members) are present at the meeting. Each member of the Coordination Committee has one vote. The Coordination Committee adopts decisions by a simple majority of votes of the members present and voting at the meeting.

Minutes will be prepared and issued by the PMU Coordinator within a period not exceeding five (5) working days after the meeting, upon clearance by all Coordination Committee members present at the meeting. All Coordination Committee members attending a meeting will have the right to request the incorporation of his/her individual opinion in the meeting minutes.

3.2. PROJECT MANAGEMENT UNIT

3.2.1. Staff of the PMU

A Project Management Unit (MSIP PMU) has been established at the Ministry of Finance, by Decision 04-18070/1 of 23.04.2008 (see Annex 3.2).

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF.

The PMU has been adequately staffed with a multidisciplinary team, including:

- A Lead Coordinator[1];
- A Legal and Procurement Coordinator;
- A Technical Coordinator;
- 3 Civil Engineers;

[1] Scope of functions and responsibilities is similar to the PMU Director position

- A Financial Management Assistant;
- An Administrative/Operative Assistant;
- An Administrative assistant/translator.

This staffing will be sufficient for the first year of project implementation. After completion of the forthcoming parliamentarian elections, the Ministry of Finance based on the assessment of the achieved MSIP PMU results and performance would reconsider the possibility for recruiting a new Lead Coordinator or would initiate a new procedure for recruiting a new Financial Management Specialist. Therefore starting from first quarter 2016, the PMU will hire staff for the following additional positions:

- A Financial Management Specialist
- An Economist;
- A Procurement Assistant;
- 2 Civil Engineers;
- An Administrative/operative assistant.

In addition, the PMU will operate with a pool of consultants for areas that need specific expertise; particularly in social and economic analysis, environmental protection, monitoring and evaluation, local economic development and other technical fields according to the sub-projects. Terms of reference will be defined once the request for expertise arises.

Terms of reference for PMU are attached as Annex 3.3, those for PMU key staff as Annex 3.5.

3.2.2. Assignments of the PMU

The PMU operates under the guidance of the Coordination Committee as described in section 3.1. The PMU has the full authority to manage and administer its program under operating guidelines and procedures set out in this Operations Manual. The PMU will recruit office staff and technical consultants on a competitive basis according to qualifications and selection criteria set out in this POM and WB rules. The PMU will enter into consultant services and civil works contracts, and will manage the project's financial accounts. The PMU's organization, personnel management procedures and rules are outlined in more detail in Annex 3.4.

The PMU will be responsible for all aspects of project implementation in line with the requirements of the Borrower and the World Bank. In particular, the PMU will be responsible for the quality and management of the procurement process. It will have full responsibility for project financial management, and monitoring and evaluation of the whole project.

The PMU promotes the project among municipalities, and will receive and evaluate proposals for sub-projects in accordance with criteria agreed with the Bank as described in section 4.2.The PMU will also request Bank review and final no-objection of the sub-projects.

The PMU will be responsible for finalizing (i) sub-loan agreements between the MoF and the borrowing municipality; and (ii) grant agreements between the MoF and the eligible

municipality. Due to the limited capacity and knowledge of Bank procurement procedures at the municipal level, the PMU will take the lead responsibility for quality assurance and supportive management of the procurement process. The PMU will liaise closely with the Bank on all fiduciary and safeguard issues and on adhering to the legal agreements.

The PMU will be responsible for monitoring and evaluation of the project, including reporting to the Bank. Pre- and post-evaluations of the PDO indicators will be undertaken to determine the impact of the project on the performance of participating municipalities and CSEs. The PMU will be responsible for reviewing and approving results indicators proposed by municipalities as suited to each sub-project (see indicative list given in Annex 7.2), and submit them to the Bank for approval. The PMU will also ensure that data for these indicators and on the technical and financial situations of municipalities are being collected before and during project implementation.

The monitoring and evaluation of project progress versus plans will be monitored in semi-annual progress reports prepared by the PMU and provided to the Bank. Progress reports will also outline the corrective actions needed to sustain or improve progress. The PMU has to monitor the MSIP according the result framework of Monitoring and Evaluation placed in Annex 7.1.

The Lead Coordinator of the PMU shall have overall management responsibility for the daily implementation of the project, ensuring environmental and social requirements and liaison with other parts of the Government and with the World Bank. The Lead Coordinator will ensure appropriate and timely reporting, monitoring and evaluation. He/she will be responsible for liaising with other government agencies to ensure the project acquires all necessary permits and satisfies local regulations, and to coordinate with related policies and programs of other ministries.

3.2.3. List of the tasks of the PMU

The PMU tasks can be summarized as follows:

- Promotion of MSIP among municipalities;
- Manage and administer MSIP implementation;
- Project financial management;
- Recruit and management of experts consultants;
- Quality assurance and management of the procurement process;
- Ensure compliance with environmental and social requirements;
- Ensure the sub-project acquire all necessary permits and satisfy all local regulations;
- Monitoring and Evaluation:
  - Monitoring and evaluation of MSIP;
  - Monitoring and evaluation of the impact of the project on municipalities' and CSEs' performance;

- Ensure regular monitoring and evaluation of sub-projects outcomes;
- Review and approval of proposed sub-project indicators, with no-objection from the Bank;
- Ensure timely collection of data for these indicators.

- ❑ Take the necessary corrective actions needed to sustain or improve progress;
- ❑ Coordination with all relevant stakeholders at local and national level;
- ❑ Reporting to the World Bank (notably semi-annual report and mid-term review).

3.2.4. Environmental consultant

The PMU will engage environmental consultant whose tasks will be for every sub-project to:

- ❑ Prepare Environmental checklist for sub-project;
- ❑ Prepare and involve Environmental Mitigation Plan in the Feasibility study and detailed design studies, in accordance with Environmental Assessment and Framework Document;
- ❑ Develop Environmental Monitoring Plans for every sub-project, in accordance with Environmental Assessment and Framework Document;
- ❑ Control implementation of the Environment Mitigation Plans and Environment Monitoring Plans during implementation of works in the municipalities;
- ❑ Prepare Environmental Monitoring Reports including Project Progress reports for each ongoing sub-project, in accordance with PAD and POM (Annex 4.5);
- ❑ Participate in regular supervision missions.

3.3. MUNICIPALITIES AND CSES

3.3.1. Eligibility of Municipalities and sub-projects

Sub-projects proposed by these Municipalities to be financed by sub-loans under Component A, or by grants under Component B, would need to meet the following conditions:

- ❑ The proposed sub-project should generate revenues and/or cost savings or to be of high priority for the municipality in delivering of essential municipal services;
- ❑ The proposed sub-project has to be approved by the municipal council; and
- ❑ The proposed sub-project meets the standard Bank technical, financial, economic, social and environmental criteria as specified in paragraph 4.2.4.

To qualify for investment funding under Component A, a municipality must meet the legal requirements for borrowing under the Macedonian legislation.

In the interest of promoting basic transparency and accountability municipalities must meet basic criteria to become eligible to access funding under MSIP2, as follows:

- IBNET data submission. The municipal-owned water and sanitation CSE has submitted a completed data-sheet for the preceding two fiscal years to the IBNET supported benchmarking program implemented by the Association of Municipal Communal Enterprises (ADKOM). The data-sheet would need to be included in the application form submitted to the PMU;
- Published annual budget and audit reports. The municipality and CSE have published their (i) annual planned and actual budget, and (ii) latest available internal and/or external audit results on their municipal and CSE websites;
- Municipality has established a stakeholder feedback mechanism (e.g. municipal website, citizen relations centre and/or feedback drop box).

To qualify for receiving a Poverty/Social Inclusion Investment Grants under Component B, municipalities will have to present evidence of mapping of the poorest settlement under municipal jurisdiction.

Only municipalities that would have successfully completed project financed by sub-loans will be eligible to apply for the poverty/social inclusion grants. The grant amount equals up to 27% of the used sub-loan amount.

As these grants are specifically designed to target poorer and marginalized communities, municipalities by themselves play the main role in identification and prioritization of the communities where some basic municipal infrastructure improvements are essential. Such communities will be identified by the municipality based on the geographic targeting of the neighborhoods, reliable official data on basic community statistics and on site survey/inspection on community-level service coverage data on paved roads, drainage, piped water, public sewers, kindergartens and other that could serve as a determinant of a neighborhoods poverty status.

The poverty grants will be awarded when mapping of the poorest neighborhoods has been confirmed by an independent specialist for verification of the data for identification of the poorest settlement under municipal jurisdiction, hired by the PMU, until the final year of the MSIP. To the greatest extent possible, documentation will be based on the template developed and included in the Sub-Loan Agreement (see Annex 4.9.2).

3.3.2. Role of Municipalities and CSEs

Municipalities as the sub-borrowers/grant recipient from MoF will have lead responsibility for preparing, implementing and supervising the sub-projects. They will be supported by the PMU.

Technical teams in the municipalities will be responsible for preparation of the sub-projects from their identification through preparation of the technical documentation to final execution of the contractual obligations with the contractors. During the preparation of the technical designs and project appraisal documents for the sub-projects as well as for the execution of the signed contracts, they will be supported by the PMU and specialists available to the PMU.

The evaluation of the bids will be guided by the procurement specialists from the PMU and carried out by the municipal evaluation committee. Contracts will be signed by the authorized member of the municipality and selected contractor.

The Municipalities eligible to borrow have the following responsibilities:

- Identification and preparation of sub-projects;
- Approval by the municipal Council of the sub-project and of the Decision to participate in the Project;
- Preparation, with support of Consultants, of sub-project feasibility studies, including technical preliminary design, financial and economic cost-benefit analysis, social and environmental assessments, to the satisfaction of the PMU;
- Works supervision, preferably outsourced to Consultants;
- Checking and approval of contractor and supplier invoices, to be conveyed to the PMU;
- Managing contracts for goods and services under the sub-loan;
- Submission of monthly reports to the PMU as described in section 6.

Communal Services Enterprises related to the municipality are obliged to :

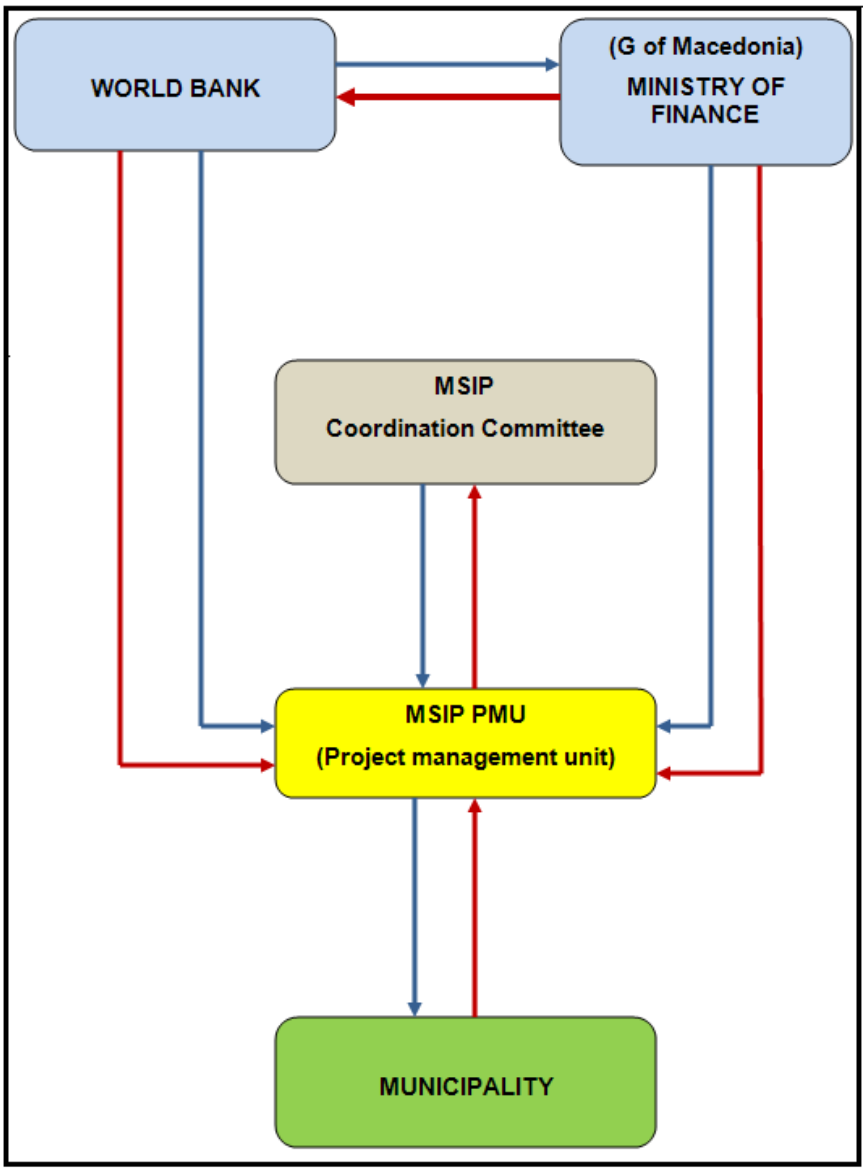
- Support the Municipality in identification and preparation of sub-projects in their area of responsibility;
- Draw up all technical and financial operation and maintenance data required for the sub-project preparation in their area of responsibility;
- Cooperate with the Contractor to facilitate the implementation of works.

3.4. WORLD BANK

The World Bank is responsible for overall supervision of the Project. In addition to its role in the procurement process, responsibilities in project implementation include the review and formal approval of:

- The sub-projects financed by investments sub-loans;
- The sub-projects financed by poverty/social Inclusion investment grants;
- The project audits;
- The project budget;
- The monitoring and evaluation program;
- Environmental and social safeguards implementation.

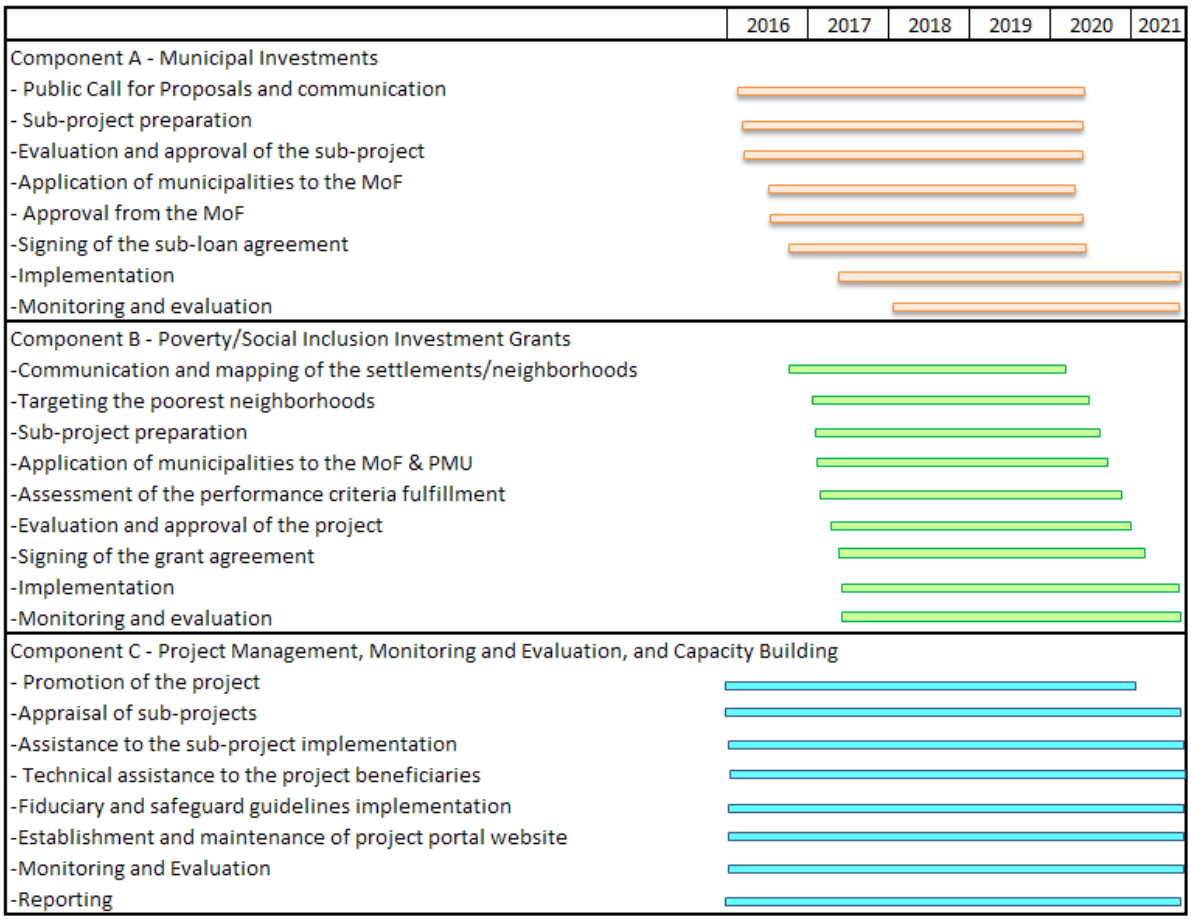
Chart: Project institutional arrangements and relations between stakeholders



4. PROJECT IMPLEMENTATION AND PROCUREMENT PLAN

4.1. PROJECT IMPLEMENTATION TIME SCHEDULE

Table 4.1: Time schedule



4.2. SUB-PROJECT CYCLE

As presented in the table and in the flow chart below, the sub-project cycle includes several phases:

- Public Call for Proposals and communication
- Submission of sub-project proposal to the MSIP PMU and its endorsement from the World Bank;
- Review of the technical documentation by the PMU;

- Sub-project preparation and delivery of evidence of meeting the basic eligibility criteria to participate in MSIP;
- Sub-project appraisal (including submission of documents to the WB for review and approval);
- Positive opinion from the MoF on borrowing;
- Signing of Sub-loan agreement;
- Sub-project implementation and supervision;
- Signing of Sub-grant agreement (if applicable);
- Monitoring and Evaluation.

Funds are not considered allocated until sub-project approval has been given by the World Bank.

The responsibilities for the different activities within specific phases of the sub-project cycle together with the description of the activities are presented in the following table. The responsibilities lie respectively at different participants in the cycle (PMU, Municipality, Project Coordination Committee, MoF).

Diagram 4.2: Flow of activities

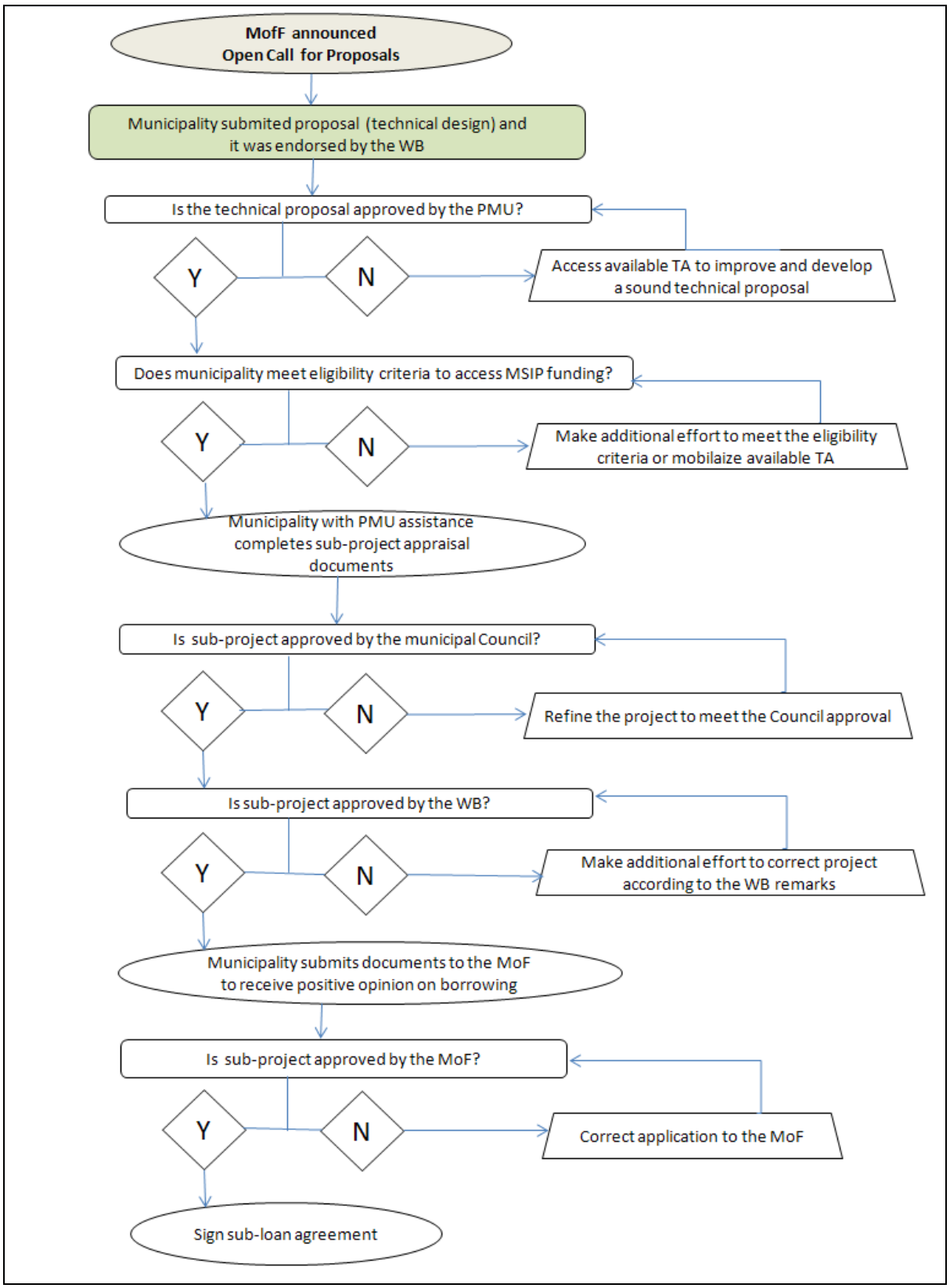

MofF announced
Open Call for Proposals
Municipality submited proposal (technical design) and it was endorsed by the WB
Is the technical proposal approved by the PMU?
Y
N
Access available TA to improve and develop a sound technical proposal
Does municipality meet eligibility criteria to access MSIP funding?
Y
N
Make additional effort to meet the eligibility criteria or mobilaize available TA
Municipality with PMU assistance completes sub-project appraisal documents
Is sub-project approved by the municipal Council?
Y
N
Refine the project to meet the Council approval
Is sub-project approved by the WB?
Y
N
Make additional effort to correct project according to the WB remarks
Municipality submits documents to the MoF to receive positive opinion on borrowing
Is sub-project approved by the MoF?
Y
N
Correct application to the MoF
Sign sub-loan agreement

Table 4.2: Description of activities and responsibilities

	Documents	Description of activities		Responsibility
		Component A	Component B	
Publishing the Open Call for Proposal	Announcement	Announcing the availability, eligibility and procedure for applying for the municipal sub-loans		MSIP PMU
Communication and targeting	Letter, announcements, etc.	Communication with all municipalities Dissemination of information on a national, regional and municipal level		MSIP PMU
Sub-project Proposal	Project Information Fiches / Map	Submitting the proposal Endorsement of the proposal Reviewing of the technical documentation	Mapping of the poorest neighborhood	Municipality WB PMU
Sub-project preparation	Project Appraisal Document	Check of eligibility criteria Technical project preparation Project Appraisal Document		PMU Municipality, CSE
Verification of the eligibility for Poverty/Social Inclusion Investment Grants	Report for targeting the poorest neighborhood		Submission of the request Reviewing Presentation and invitation	Municipality Independent verification consultant MSIP PMU, Coordination Committee
Sub-project evaluation and appraisal	Documentation for Sub-project submission Sub-project approval	Submission to the MSIP PMU Analysis and verification of sub-project proposals Review of environmental assessment Review of CBA analysis Desk appraisal Field appraisal		Municipality, CSE MSIP PMU
World Bank sub-project approval	WB notification	Approval		WB
MoF borrowing approval	Request for borrowing / Consent for borrowing	Submission of the request Reviewing Approval		Municipality, CSE MoF MoF
Sub-project Agreement	Sub-Loan / Grant Agreement	Review of sub-loan agreement Contracting	Review of poverty grant agreement Contracting	MSIP PMU MoF, Municipality
Implementation	Bidding Documents Evaluation Report Contract Invoice, Reports etc. Reports Bank statement	Bid preparation Procurement Contracting Works Supervision Payments		MSIP PMU, Municipality MSIP PMU, Municipality Contractor, Municipality Contractor Supervisor, Municipality Municipality, MSIP PMU
Monitoring and evaluation	Monitoring Reports / Indicators	Ensure for overall sub-project monitoring and data collection Sub-project monitoring and data collection		MSIP PMU Municipality

4.2.1. Open Public Call for Proposal

After the effectiveness of the MSIP2, the Ministry of Finance as implementer of the MSIP will launch an Open Public Call for proposals. The Call will be announced in two national newspapers (one in Macedonian and one in Albanian) and published at the official Ministry of Finance website.

The Call will provide the following minimum information:

- Brief summary of the MSIP2 project;
- Rules related to the eligibility of beneficiaries;
- Rules related to the types of eligible and ineligible investments;
- Rules related to allocation of the sub-loan funds per participating municipality;
- Type of documents requested for submission;
- Deadline for application (place and date).

Municipalities will have two months to submit an application. The Call for Proposals shall be launched at the beginning of each calendar year (end of January at latest). The last Call will

be launched one year prior to the year of the project closure or until on-lending funds are fully committed per municipalities. The information on available funds from the on-lending component will be published per semester by the MSIP unit on the Project web site.

The MSIP2 is demand driven project therefore the main principle for allocation of funds per municipality would be "First come – First served" based on the approved technical documentation in line with the criteria set in the chapter 4.2.3.

4.2.2. Communication

Communication with all municipalities is the second step to establish a process of dissemination of information about the project specifics, conditions for participation, procedures and documents templates. It is carried out by the PMU.

The promotion may be conducted through different mechanisms:

- ❑ web page of the Ministry of Finance;
- ❑ communication with ZELS;
- ❑ direct communication with municipalities and CSEs;
- ❑ ads in national newspapers.

4.2.3. Sub-project proposal submission

To respond to the call for proposals, the municipality should submit (1) Project Information Fiche and (2) Available technical documentation.

Project Information Fiche is a questionnaire to be completed by the municipality for the sub-project submitted for further evaluation.

The PIF comprises the following parts:

(i) Sub-project proposal, which will include at least:

- Sub-project description, investment costs and sources of financing; and
- Documentation prepared so far and technical assistance needs.

(ii) Technical documents to be submitted by the municipality:

- Detailed design in case of works or technical specification in case of goods for the proposed sub-project;
- All other relevant documents such as: review of the design, environmental impact assessment report, construction permits, etc., which are subjects to evaluation at the application stage.

MSIP2 Project Information Fiche	
BASIC INFORMATION	
Municipality:	
Project name:	

Estimated project value: -MSIP2 Loan: -Co-financing and its source: (*please provide information on source of co-financing*)		
Contact person: (*name, position, phone no., e-mail*)		
PROJECT INFORMATION		
Brief project description:		
Motivation behind the project including description of current deficiencies/risks (why it has been selected):		
Project need reflected in municipal strategic documents:		
Is there any existing or potential inter-municipal cooperation or regional cooperation with reference to the submitted project?	Yes ☐	No ☐
PROJECT PREPARATION		
List of relevant studies and analysis related to the submitted project		
Is the project included in the Urban plan?	Yes ☐	No ☐
Has construction permit been issued – date of issue	Yes ☐ ( )	No ☐
Is there need of expropriation?	Yes ☐	No ☐
If so, has it been conducted?	Yes ☐	No ☐
Is Environmental Impact Assessment required?	Yes ☐	No ☐
If so, has it been prepared?	Yes ☐	No ☐
TECHNICAL ASSISTANCE		
Do you need any kind of technical assistance for completion of the project prior to obtaining the construction permit?	Yes ☐	No ☐
If so, point out what kind of assistance is needed:		
ATTACHED DOCUMENTS		
Detailed design (works) / technical specifications (goods)		
Municipal Council decision for borrowing		
Date:		
Mayor's name and signature:		

Detailed design is a technical documentation on the basis of which the construction permit is issued and according to which the future investment project would be implemented. The detailed design can be done for different parts depending on the type of project and may include the following:

- Detailed design for architecture;

- Detailed design for structural calculations;
- Detailed design for road;
- Detailed design on electric;
- Mechanical and thermo-technical detailed design;
- Hydro-technical detailed design etc.

According to the relevant Macedonian regulation (Law on Construction and Rulebook on the content of the project, marking of the project, the method of verification of the project by the officials and way of usage of electronic records) the following elements are fundamental in any detailed design for the investment project:

Construction / extension of buildings	**Sewage / Storm drainage**	**Roads**	**Water supply**	**Energy efficiency**
Minimum elements in the detailed design				
Terms of reference	Terms of reference	Terms of reference	Terms of reference	Terms of reference
Certificate for no objection from service provider (power, water supply, telecom etc.)	Certificate for no objection from service provider (power, water supply, telecom etc.)	Certificate for no objection from service provider (power, water supply, telecom etc.)	Certificate for no objection from service provider (power, water supply, telecom etc.)	
Spatial planning document				
Technical description	Technical description	Technical description	Technical description	Technical description
Calculations: structure, electrical, mechanical, plumbing	Hydro technical calculations	Structure calculations	Hydro technical calculations	Thermo technical calculations
Drawings and Details	Drawings and Details	Drawings and Details	Drawings and Details	Drawings and Details
Bill of quantities and Investment costs	Bill of quantities and Investment costs	Bill of quantities and Investment costs	Bill of quantities and Investment costs	Bill of quantities and Investment costs
Other documentation				
Elaborate on geotechnical investigations		Elaborate on geotechnical investigations	Report on hydrology	Elaborate on geotechnical investigations (if underground water is a resource)
Elaborate on work protection	Elaborate on work protection	Elaborate on work protection	Elaborate on work protection	Elaborate on work protection
Elaborate on environmental protection	Elaborate on environmental protection	Elaborate on environmental protection	Elaborate on environmental protection	Elaborate on environmental protection
Elaborate on firefighting			Certificate on water quality	

For the purpose of application the municipalities are expected to provide detailed design comprising all minimum elements and all other related documentation presented in the table above.

The quality and readiness of the technical documentation, which will secure prompt implementation of the sub-project would be the main element for applying the First come – First served principal in allocation of the funds per municipality.

The PMU will do preliminary review of the submitted documents within 20 working days upon submission of the municipal proposals for sub-loan financing, and will create a list of municipalities that have expressed interest to participate in the Investment subloan component. The list will be endorsed by the WB.

The main element of the List of participating municipalities are:

- Name of the municipality
- Date and time of submission of the sub-project proposal
- Name of the sub-project
- Value of the sub-project
- Type of technical documentation submitted (supported by the technical documentation check list)

After endorsement of the Lists by the WB, the PMU will do detail review of the technical documentation submitted by the municipalities and provision of comments or approval of the documentation. Based on the review the Technical check list will be prepared by the civil engineer and approved by the construction coordinator.

TECHNICAL CHECK LIST

Name of the municipality:	
Date and time for submission of the sub-project proposal:	
Name of the sub-project:	
Value of the sub-project:	

PROJECT DOCUMENTATION SUBMITED	Sewage / Storm drainage	Construction /extension of buildings	Regulation of riverbed	Roads/ streets	Water supply	Energy efficiency
	Y/N or NA	Y/N or NA	Y/N or NA	Y/N or NA	Y/N or NA	Y/N or NA
Geodetic elaborate for geodetic works for special purposes with the necessary geodetic elements						
Proof of ownership of land - resolved property issues						
Urban planning documentation						
Infrastructure design						
Detail design						
Environment impact assessment						
Elaborate on work protection						
Permission to discharge treated wastewater						
crossing, railway crossing, IZIIS etc.						
Certificate on water quality						
Statement of compliance of detail design with energy efficiency						
No objection certificates from relevant authorities for public services						
Construction permit						

Additional comments to the quality of the technical documentation:	

Technical review done by: (construction engineer)

Technical review approved by: (construction coordinator)

Date:

If the municipality receives comments on the technical documentation from the PMU, in close cooperation with PMU it will need: to complete and improve quality of the technical documentation according to the comments received by the MSIP PMU, and to finalize other administrative procedures (expropriation, preparation of urban plans, obtaining necessary consents from relevant institutions, etc.) in order to issue a construction permit. If the municipality requires technical assistance for successful completion of the technical documentation during this phase, the MSIP PMU will mobilize funds from the TA allocation on behalf of the municipality.

The municipality that is the first to have an approved technical documentation will be the first with the opportunity to use project funds.

4.2.4. Sub-project preparation (Preparation of Project Appraisal Documents)

In most cases, the sub-project would be prepared by independent consultants under the responsibility of the municipality. The guidelines as outlines in Annex 4.1 establish the procedure to be followed for preparation of the project appraisal document, including all necessary information for realization of sub-projects.

The sub-projects would be mainly for revenue-generating public services and other investment projects of high priority to municipalities and with cost saving potential. Though sub-projects are not limited to certain sectors, it is expected that revenue-earning investments would be primarily for services and infrastructure provided by CSEs, while cost-saving projects could either be under CSEs or under the direct provision of municipalities. To qualify, sub-projects have to demonstrate either revenue earning or cost savings potential. Sub-projects to be included in MSIP2 are mainly, but not limited to infrastructure projects such as water supply, distribution and treatment, wastewater collection and treatment, solid waste collection and treatment, street lighting and cleaning, parks, and markets creation or rehabilitation.

The project appraisal documents to be prepared would have to be adapted to the corresponding sub-projects, but will have to follow a core structure that includes:

- Project Description;
- Social Assessment;
- Environmental Assessment;
- Technical solution;
- Financial and Economic Cost-Benefit Analysis;
- Risk Analysis.

a) Project Description

The report has to describe:

- the place (e.g. municipality) affected by the project, from geographical, sociological, economical, etc. points of view;
- the current situation and the problems to be solved;
- the goals of the project;
- the main features of the planned solution.

b) Social Assessment

Social analysis can help design and implement a project-specific social development strategy to achieve one or more of social development outcomes.

Social analysis does so by:

- examining the social opportunities, constraints and likely impacts relevant to the project;
- identifying the number of beneficiaries, by gender and poverty status, that will benefit from proposed project;
- assessing the role of beneficiaries in project design and implementation;
- helping to explicitly identify and monitor the project's expected social development outcomes and social risks.

These outcomes are achieved by measures that:

- increase access of the poor to markets and public services;
- increase the social and economic assets and the capabilities of the people, especially the vulnerable and the poor;
- mitigate adverse impacts and address social tensions and conflict;
- increase the accountability of public institutions to citizens.

The summary of a typical social assessment is given in Annex 4.2 and Annex 4.3.

c) Environmental Assessment

Environmental Assessments to be undertaken during sub-project preparation will follow the guidelines outlined in the Environmental Assessment and Management Framework (EAMF) that has been prepared for MSIP2 in accordance with the Bank's Operational Policy 4.5.

The EAMF Report presents an overview of the legal framework of environmental and local-self government sectors in Macedonia; procedures for environmental assessment for the project development required under national legislation; procedures for environmental assessment for project development under World Bank procedures, and analysis of potential environmental impacts caused by sub-projects during implementation of different types of activities.

The Report lists potential negative environmental impacts for each type of project activities and provides lists of environmental mitigation and monitoring activities in order to mitigate and neutralize the relevant impacts.

d) Technical Solution

This part depends mostly on the quality of the sub-project's detailed design. It will include:

- Detailed description of technical aspects of the project;
- Analysis of this technical solution, its evaluation, including possible alternatives, and the potential amendments;
- Quantification of the expected benefits of the project;
- Discussion of the general quality of the detailed design;
- Eventual studies to correct or complement the design;

- Discussion on the relevancy of the assumptions that have been made and their impact on the technical success of the project;
- Recommendations for necessary changes in the project design.

e) Financial Analysis

Financial analysis section of the sub-project appraisal document will present following information to assess profitability of sub-projects: 1) Sub-Project Investment cost; 2) Repayment obligation and schedule of MSIP2 loans; 3) CSEs' sub-project related accounts information;4) Analysis of the financial feasibility of the sub-project; 5) Projections of revenues from the sub-projects; 6) Sub-project Operation and Maintenance Cost; and 7) Results from sub-project financial feasibility analysis, expressed through Internal Rate of Return and Net Present Value.

f) Economic Cost-Benefit Analysis

Unlike the traditional financial feasibility, which concentrates on the profitability of the project, this approach tries to measure the broader economic impact of the project on the communal welfare through the identification and quantification of its economic benefits and costs.

An economic analysis has to be prepared which considers the proposed investments and available alternatives, based on a detailed evaluation of the economic costs and benefits of the proposed investments and each alternative identified. The analysis shall establish the future stream of all economic cost (investment, operation and maintenance, depreciation, etc.) and benefits over the lifetime of the assets; shall compute the Economic Net Present Value (NPV) and the Economic Rate of Return (ERR) on the net benefit stream; and identify risks to achieving the predicted ENPV or ERR and conduct a sensitivity analysis on the identified risks.

A cost-benefit analysis involves the following steps:

- identification and valuation of the yearly cost schedule of the project, including the cost within the construction phase and any future cost that are incurred over the lifetime of the assets;
- identification and valuation of the yearly economic benefits of proposed investments over their lifetime (see online handbooks for conducting economic analyses outlined below);
- converting any financial values into economic ones, using conversion factors or shadow pricing;
- computing the Economic Rate of Return (ERR) and the Economic Net Present Value (ENPV) using currently applied discount rates;
- preparation of a sensitivity analysis on parameters that may risk achieving computed ENPV and ERR, and.

- identification of any affordability concerns with respect to the recovery of cost associated with the operation and maintenance of newly created or rehabilitated assets, as these cost need to be covered by local resources (local government budgets or beneficiaries).

The valuation of economic benefits includes any welfare enhancement accruing to the household or society at large and being the direct or indirect result of the project intervention. A subsidy or a tax is a transfer that is not included in an economic analysis. The online handbooks listed below provide further information and shall guide the economic cost and benefit analyses prepared under MSIP2, in addition to the guidelines of conducting feasibility studies attached in Annex 4.1.

- Belli P. et al (1998), Handbook of Economic Analysis of Investment Operations, Operational Core Services Network Learning and Leadership Center, The World Bank, Washington DC.

- Belli P. et al (2001), Handbook of Economic Analysis of Investment Operations, Analytical Tools and Practical Applications, World Bank Institute, Washington, DC.
- EC (2008), Guide to Cost-Benefit Analysis of Investment Projects, European Commission, Directorate General Regional Policy, Brussels.

g) Risk Analysis

They can be divided into two parts:

- Technical and implementation risks factors,
- Financial and economic cost-benefit analysis risk factors.

4.2.5. Sub-project Evaluation and Appraisal

The MSIP2 PMU undertakes an appraisal process of the sub-project presented by the Applicant (technical, financial, environmental, social issues) as well as the degree of actual local ownership of the assets involved in the project. Forms and templates to be used for Appraisal (Desk appraisal, Field appraisal and Final Appraisal report) are available in Annex 4.4. This assessment has to include:

- A preliminary examination of the proposal in the office and a determination of information to be requested from the site visit;
- A site visit to verify the sub-project selection, the existing information on file and gather complementary data needed for the Assessment report;
- Public meetings with the municipality and CSE, or other relevant institutions to discuss sub-project design, implementation, financial contribution and maintenance issues; and
- Interviews, surveys and focus group discussions, where possible and appropriate, with potential direct beneficiaries and/or their representatives to verify need and indicators for monitoring.

Output of the sub-project appraisal will be an appraisal report. Based on the meetings, studies and other inquiries, the MSIP PMU must complete the sub-project final appraisal report, which will:

- Assess whether the sub-project proposal meets all appraisal criteria;
- Recommend any change to the proposal so that it will meet the appraisal criteria;
- Examine whether the proposed sub-project is in accordance with the general requirements of the Operations Manual;
- Assess whether the local government can provide the requested contribution (specify) and collect the necessary funds for the future operation and maintenance;
- Verify social and environmental impact and mitigation measures, as well as compliance with resettlement policy framework; and
- Assess whether the sub-project's feasibility study answers favorably to all necessary criteria.

a) Technical Appraisal

The technical appraisal includes the following:

- Validation of the consistency between the targets of the sub-project and the proposed solution;
- Validation of the technical and cost relevance of the proposed technology ;
- Proposition of alternative solutions and further investigations if necessary:
- If multiple sub-projects are proposed, verification of linkage and synergy created;
- Identification of indicators for monitoring and evaluation (e.g.: ex-ante situation);
- Review of current resources available (financial, material and personnel);
- Review of goods requested (justification and costs);
- Projections of benefits;
- Assessment of sustainability plan;
- Identification of any relationship, timing and synergy between the proposed project and other possible infrastructure (micro-)project in the same community;
- Possibility for replication and/or expansion;
- Availability of legal permits if necessary.

b) Social Appraisal

The PMU has to review the Social Assessment study carried out by the Municipality during project preparation The required results are summarized in Annex 4.2.

The social and procedural evaluation carried out by the PMU includes the following:

- Review of the social assessment carried out by the Municipality;
- Review of needs to be addressed and confirm that the number of potential beneficiaries has been appropriately identified;
- Assess whether the proposed activities will address the priority needs of intended beneficiaries;
- Assess possible negative impacts;
- Evaluate possible social mitigation measures planned;
- Assessment of ownership by the municipality and representatives of intended beneficiaries;
- Review of records of all consultations and meetings held with stakeholders.

c) Environmental Appraisal

All sub-projects implemented by MSIP PMU have to be in compliance with local and national environmental rules and regulations, as well as with environmental policy of the World Bank. The PMU will ensure that an environmental assessment (EA) was carried out during the sub-project preparation, in line with the procedures outlined in the Environmental Assessment and Management Framework (EAMF). Furthermore, it will ensure that environmental monitoring as required will be carried out during sub-project implementation.

Municipalities must obtain all necessary permits and clearances from the institutions before final approval by the MSIP2 PMU of any project proposal. During project implementation, follow-up engineers will monitor the quality of works, including environmental standards.

Project screening for each sub-project has to be undertaken by an environmental consultant hired by the PMU who must complete the screening checklist (attached as Annex 4.6) and submit it for PMU endorsement and approval. The preparation of the environmental screening and categorization is compulsory for sub-loan agreement and grant agreement.

d) Resettlement Policy

The PMU has to verify that the sub-project presented by the municipality is in compliance with the Resettlement Policy Framework attached in Annex 4.3. All necessary palliative measures to the land acquisition issues encountered must have been taken, in accordance with this framework.

e) Financial and Economic Appraisal

The financial and economic sub-project analysis by the PMU includes the following:

- Review of financial viability;
- Review of the economic cost-benefit analysis;
- Assessment of efficiency and suitability of the financial resources;

- Estimation of the capacity to effectively utilize the resources and maintain the assets.

At the minimum, the following qualification procedures and financial principles will apply for selection of sub-projects:

- For the sub-projects that have either revenue earning or cost saving potentials ascertain that they have earned revenue or saved cost ;
- Investments need to be justified based on financial and economic net present value, or cost-effectiveness approach.
- Operation and maintenance cost of assets need to be covered by local resources (local government budgets or beneficiaries) and its affordability needs to be demonstrated.

Review of CSEs accounts: In case the CSE of a given municipality is involved in a sub-project presented to MSIP2, the PMU has to review its accounts, especially those in relation with the sub-project (in case of separate accounting). It must be carried out on the three previous years.

In general, it is a way of assessing the financial viability of the CSE, its institutional development and the way the project will beneficially (and detrimentally) impact it, especially whether the CSE will have the necessary funds for future operation and maintenance. For example, for water projects it might be a mean to estimate the price the water should be sold for the CSE to attain balance of budget.

All sub-project proposals will have to explain and justify the proposed investment in the context of the municipal development strategy and investment plan. The following minimum information will be required as a basis for appraisal of such sub-projects, including:

Sub-projects supporting schools and/or kindergartens beyond rehabilitation with cost-savings potential:

(i) Assessment of local and regional needs in primary education;
(ii) Existing school infrastructure and system in place;
(iii) Population and demographic growth by area/ municipal district, including growth projections in the short-, medium- and long-term;
(iv) Assessment of alternatives, including and not limited to: rehabilitation of existing buildings, transfer to other neighboring schools, regional consolidation;
(v) Assessment of other funding sources, in particular grants or interest free donor funds;
(vi) Detailed cost calculation, including operation, maintenance, and capital renewal cost of selected option and considered alternatives.

Sub-projects supporting the development of industrial/ economic development zones:

(i) Summary of existing urban planning and local development documents outlining strategy, implementation and monitoring plan (including Detailed Urban Plans, DUPs);

(ii) Assessment of considered alternatives, including existing inner-city areas, such as “brownfields” and/ or other under-used urban land;
(iii) Municipal development projections, competitiveness analysis and local economic trends;
(iv) Spatial development plan and demographic growth projections.

4.2.6. Approval from the MoF (and borrowing capacity)

Each municipality has to fill the necessary documents according to the general guidelines provided by the Ministry of Finance as presented in Annex 4.6 and submit the request to the Ministry of Finance.

The request specifies in short the characteristics of the sub-project, and the necessary financial information according to the guidelines:

- The name of applicant and the sub-project title;
- Description of the investment, amount of the investment, expected results, implementation period;
- Short technical report and assessment of the technical documentation;
- Cost estimation (necessary material, labor, equipment, services, and overheads etc. (based on an acceptable market value);
- Implementation and possibilities for implementation in phases;
- Evaluation of benefits: for the municipality, economic, financial, social, economic cost benefit analysis;
- Decision from the Council of the Municipality.

4.2.7. Sub-loan agreement

The on-lending agreement between the Ministry of Finance and the Municipality is prepared by the MoF and finalized by the PMU (template of the agreement is enclosed as Annex 4.7).

The Agreement includes the following information and documentation:

- Identity and contact information of the representatives of the applicant and of the contractors (if applicable);
- Total sub-project budget expressed in MKD;
- Terms and conditions of the sub-loan;
- The disbursement schedule, bank coordinates, signatories;
- Description of objectives, duties, liabilities and responsibilities of all parties;
- Duration, with schedule of works, bill of quantities and payment schedule;
- Performance measures clauses (for grant scheme);
- Specifications and necessary technical drawings;
- TOR for local supervisor if applicable;

- And other supporting documents.

4.2.8. Sub-project implementation and supervision

a) Procurement

Please refer to Chapter 4.3 below.

b) Implementation

Municipalities shall carry out its sub-projects with due diligence, efficiently, and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank. At all times municipalities will maintain policies and procedures adequate to enable it to (i) monitor and evaluate sub-project implementation; and (ii) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the PMU, MoF and the World Bank. The financial statements will be maintained in a manner adequate to reflect the operations, resources and expenditures related to the sub-project; and to be audited at the MoF or the Bank's request.

The Municipalities shall also enable the PMU, MoF and the Bank to monitor the sub-projects, its operation and any relevant records and documents; and prepare and furnish to the PMU, MoF or the Bank all such information as reasonably requested relating to the sub-project.

c) Supervision

Supervision of sub-project implementation will be performed by an independent consultant hired by the Municipality.

The Supervisor will provide supervisory services in the technical and financial control of the works; check the performance of the Contractor and verify that the execution of the project is in accordance with the contract documents as well as the World Bank's Guidelines.

During the construction phase, the Supervisor will carry out all the necessary inspections and testing of materials and of manufactured products in order to insure the compliance with accepted standards and practices. The materials should be checked before incorporation and their relevant quality has to be specified in the Technical Specifications of the contract's documents and approved by the Supervisor before the beginning of the works.

The Supervisor will instruct the contractor for the site testing, including in the supervision's and verification's phases of such a test.

The Supervisor will take care of reducing as much as possible the project expenditures and request the Contractors to take appropriate measures in view of improving the work's progress.

The Supervisor will prepare monthly progress reports including the monitoring of the works still to be executed and reviews of the project's expenditures for end cost estimate. These reports have to be submitted to the Municipality and to the PMU.

The Supervisor shall determine the actual quantities of the works executed by the Contractor, and this shall be paid for in accordance with the provisions of the Contract. The Interim payments have to be approved by the Supervisor, the Municipality and the PMU.

d) Payment

The payment process is described in Chapter 5.

4.2.9. Poverty/Social Inclusion Grant Agreements

As stated in Chapter 3.3.2, municipalities can apply for the poverty/social inclusion grant under component B, once they have successfully completed a sub-loan investment project and have mapped the poorest neighborhood on their territory. The procedures and steps are given in the Annexes 4.9.

If the municipality implements a number of different sub-projects, the grant amount will be calculated based on the total amount of all sub-loan agreements signed with the municipality.

4.2.10. Monitoring and Evaluation

Monitoring will include:

- Overall MSIP2 monitoring;
- Sub-project monitoring;

Further details are described in Chapter 7.

4.3. PROCUREMENT

a) Guidelines

Procurement of all civil works, goods and services to be financed by the Bank will be procured in accordance with the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 2011 and revised in July 2014. Procurement of consulting services under the project will follow the "Guidelines for Selection and Employment of Consultants by World Bank Borrowers" published in January 2011 and revised in July 2014.

Notification of Business Opportunity

In accordance with paragraph 2.5 of the Guidelines: Selection and Employment of Consultants by World Bank Borrowers and paragraph 2.7 of the Guidelines: Procurement

under IBRD Loans and IDA Credits, World Bank borrowers must advertise consulting/bidding opportunities:

- A General Procurement Notice (GPN) will be published in the United Nation Development Business (UNDB) online for any Bank-financed project that includes procurement of goods, works, non-consulting services on the basis of International Competitive Bidding (ICB) or large value consulting contracts (above US$ 300,000);

- For procurement under ICB procedures, a Specific Procurement Notice (SPN) or Invitation for Bids (IFB) must be published in UNDB online, in at least one newspaper of national circulation in the country of the project or and in the official gazette (if any) or an electronic portal with free access. SPNs should also be transmitted to those who responded to the GPN;

- Requests for Expressions of Interest (EOI) must be published in the national gazette or a national newspaper or an electronic portal with free access. EOIs for contracts expected to cost more than US$ 300,000 must be advertised in UNDB online.

b) Procurement Management

PMU will carry out supportive procurement management under the sub-projects on behalf of the Municipalities with their participation in all stages of the procurement process. Municipalities will be in charge of the preparation of the sub-projects, designs, technical specifications and other documentation, as needed, and will be in charge of the supervision of the contract implementation and acceptance of the deliverables. The contracts under the sub-projects will be signed by the Municipalities and the respective awarded contractors, suppliers and consultants. The Contracts under the performance Grants will be signed by the municipalities and the respective awarded contractors. Municipalities will receive adequate consulting services and technical assistance under project Component B for sub-projects' and performance investment grants' preparation and implementation including: feasibility studies; financial, environmental and social assessments; preparation of detailed designs; contract supervision, as needed. The PMU will establish close cooperation and good interaction with the Municipalities in all phases of the sub-project and/or grant execution. The roles and responsibilities of each party during the project implementation will be clearly defined in sub-loan agreements or grant agreements signed by the MoF and the Municipalities.

4.3.2. Procurement of Works

Works will be procured as follows:

Works procured under this Project would include rehabilitation, reconstruction and or construction of water supply and sewerage networks, rehabilitation of buildings (replacement of windows, thermo insulations, etc.), and other works related to the municipal investments .Thresholds for works shall be in accordance with the ones indicated in the procurement plan and they might be revised to address the needs of the project.

Detailed description of the steps under each method is presented in Annex 4.9.2.

4.3.3. Procurement of Goods

Procurement of goods and services other than consulting services and goods (Supply and Installation) would include: bulbs for street lights, metering equipment for water network, IT and office equipment for the PMU, etc., and other goods and services related to the municipal investments and performance investment grants. Thresholds for goods shall be in accordance with the ones indicated in the procurement plan and they might be revised to address the needs of the project.

Domestic preference in accordance with clause 2.55 and Appendix 2 of the guidelines will not apply.

Goods will be grouped to the extent possible and considering project objectives, in package sizes and homogenous groupings that will encourage International Competitive Bidding.

Detailed description of the steps under each method is presented in Annex 4.9.2.

4.3.4. Selection Procedures for Consulting Services

Consultants' services contracts procured under this project will include: detailed design, supervision, financial audit, feasibility and environmental studies, strengthening capacity of the Municipalities and CSEs, other TA, etc. The following selection methods will be used:

- Quality and Cost Based Selection (QCBS);
- Least Cost Selection (LCS);
- Selection under a Fixed Budget (FBS) may be used for assignments in accordance with paragraph 3.5 of the Consultants Guidelines;
- Selection Based on Consultants' Qualifications (CQ) procedures will be used for very small consulting assignments at the amount of less than EUR 300,000 equivalent;
- Individual Consultants (local and international) will be hired in accordance with the provisions of Section V of the Consultants' Guidelines;
- Single Source Selection (SSS) may be used, subject to the Bank's prior approval, for selection of consultants for some very specialized and low value contracts which meet requirements for SSS of the Consultants' Guidelines;
- Sole Source Selection would be used, subject to the Bank's prior approval, for hiring of the current staff of the PMU and other individual consultants who meet requirements of paragraph 5.4 of the Consultants' Guidelines.

The consulting services shall be in accordance with the ones indicated in the procurement plan and that they might be revised to address the needs of the project.

Detailed description of the steps under each method is presented in Annex 4.9.2.

4.3.5. Operating Costs

"Operating Costs" means incremental operating costs incurred by the PMU on account of Project implementation, management and monitoring, including dissemination of Project related information and publications, office rent and utilities, office and equipment insurance, maintenance and repair, vehicle insurance, maintenance and repair, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the Project, all based on periodic budgets and procured using the implementing agency's administrative procedures acceptable to the Bank. Operating cost will not include salaries of civil servants.

4.3.6. Training Costs

The Project will finance trainings (workshops, etc.) of the Municipalities and CSEs for project introduction, and sub-projects' implementation and completion, and other trainings as needed. The trainings will be carried out according to training plans, which the PMU will revise semi-annually and as needed and submit to the Bank for approval prior to implementation. The expenses will be covered under training category and disbursed based on SOE.

4.3.7. Review by the Bank of Procurement Decisions

In addition to the prior review supervision to be carried out by the Bank team, post reviews will be carried out on at least 20 percent of the contracts subject to post review. It is expected that a supervision mission in the field will be conducted every six months during which post reviews will be conducted. As a minimum, one post review report, which will include physical inspection with the Bank technical expert of sample contracts including those subject to prior review, will be prepared each year. Not less than 10 percent of the contracts will be physically inspected.

4.3.8. Procurement time schedule

The PMU, at appraisal developed an initial detailed Procurement Plan (PP) for project implementation (see Annex 4.9.1), which provides information on procurement packages, methods and Bank review method. The PP will be updated in agreement with the Bank project team annually or as required to reflect the actual project implementation needs and improvements in the implementing agency institutional capacity. PMU should not start any procurement if the respective contract is not in the procurement plan approved by the Bank.

Procurement of goods and services for the project would be carried out in accordance with the agreed procurement plan that would be updated annually by the PMU, included in the progress report, and reviewed by the Bank.

The Procurement Plan for the first year of project implementation has been prepared at appraisal, and will be updated every six months and included along with progress on procurement in the semi-annual progress reports. Details are in Annex 4.9.1.

4.3.9. Additional Provisions for National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Guidelines, the following criteria shall be followed in procurement under National Competitive Bidding procedures:

a) Generalities

Bidding shall be conducted using "Open Procedures." Furthermore, restricted procedure shall not be used without the express consent of the Bank and is subject to the following conditions:

- the contracting authority shall invite all the candidates that meet the selection criteria;
- no maximum number of selected candidates shall apply.

b) Registration

Bidding shall not be restricted to pre-registered firms;

If registration is required, bidders (i) shall be allowed a reasonable time to complete the registration process, and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification; and

Foreign bidders not from the territory of Republic of Macedonia shall not be precluded from bidding. If a registration process is required, a foreign bidder declared the lowest evaluated bidder shall be given a reasonable opportunity to register.

c) Advertising, time for submission of bids

Invitations to bid shall be advertised in at least one widely circulated national daily newspaper. Invitations could be also advertised on the web sites of the Public Procurement Bureau and respective ministry.

Time allowed for the preparation and submission of bids shall not be less than thirty (30) days from the time of the invitation to bid or the date of availability of bidding documents, whichever is later.

d) Pre-qualification

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper. Invitations could be also published on the web sites of the Public Procurement Bureau and respective ministry.

Time allowed for the preparation and submission of bids shall not be less than thirty (30) days from the time of the invitation to bid or the date of availability of bidding documents, whichever is later.

Minimum experience, and technical and financial requirements, shall be explicitly stated in the pre-qualification documents.

e) Participation by Publicly-owned enterprises

Publicly-owned enterprises shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

f) Bidding Documents

Procuring entities shall use the appropriate standard bidding documents acceptable to the Bank for procurement of goods and works.

g) Bid Opening, Bid Evaluation and Contract Award

Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened simultaneously at the public bid opening.

No bids shall be rejected at the bid opening except for late bids and bids shall not be evaluated as part of bid opening process.

Bidders' economic, financial and technical capacity of the bidders cannot be guaranteed by another entity, except joint venture and observing those criteria set up in the bidding documents.

Bids shall be evaluated strictly according to quantifiable criteria declared in the bidding documents; evaluation criteria other than price shall be quantified in monetary terms.

Bids not substantially responsive shall be rejected.

Extensions of bid validity will be allowed once only for not more than 30 days. No further extensions shall be requested without the prior approval of the Bank.

Contracts shall be awarded to the qualified bidder having submitted the lowest-evaluated and substantially responsive bid. No negotiation shall take place.

h) Rejection of all bids

All bids shall not be rejected and a new procurement process starts without the Bank's prior concurrence.

i) Price Adjustment

Civil works contracts of long duration (more than 18 months) shall contain an appropriate price adjustment clause.

j) Securities

Bid security and performance security should follow the generally accepted practice used in the local market.

Alternative methods such as bid securing declaration may be acceptable, in which case the Borrower may require bidders to sign a declaration accepting that if they withdraw or modify their bids during the period of validity or they are awarded the contract and they fail to sign the contract or to submit a performance security before the deadline defined in the bidding documents, the bidder will be suspended for bidding in any contract with the implementing unit.

No advance payment shall be made to contractors without a suitable advance payment security. These securities shall be included in the bidding documents in a text and format acceptable to the Bank.

k) Right to inspect and audit

Each contract financed from the proceeds of the Loan shall provide that the suppliers, contractors and subcontractors shall permit the Bank, at its request, to inspect their accounts and records relating to the procurement and performance of the contract and to have said accounts and records audited by Bank-appointed auditors. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

l) Fraud & Corruption

The Bank shall declare a firm or individual ineligible, either indefinitely or for a stated period, to be awarded a Bank financed contract, if Bank at any time determines that the firm or individual has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the World Bank Group.

5. FINANCIAL MANAGEMENT

5.1. MSIP2 FINANCIAL RESOURCES

To achieve its objectives and perform its functions, the MSIP2 mobilizes and operates with World Bank (IBRD) loan resources transferred to the MSIP2 by the Government of Republic of Macedonia.

5.2. USE OF MSIP2 FINANCIAL RESOURCES

The financial resources at the disposal of MSIP2 will be used exclusively for:

- loan financing of investment projects for municipalities;
- provision of technical assistance to support (i) capital investment planning, sub-project preparation/implementation and local capacity building for municipalities and CSEs to improve service delivery, (ii) strengthening municipal financial management systems and practices, and (iii) national level institutional strengthening;
- provision of poverty/Social Inclusion Investment Grants to the municipalities;
- financing of operating expenditures of MSIP PMU;

5.3. FINANCIAL MANAGEMENT AND ACCOUNTING PRINCIPLES

5.3.1. Implementing Entity

The Ministry of Finance, through the MSIP PMU, which has been mandated with a specific assignment of coordinating and managing the project, will act as the overall implementing agency for the MSIP and MSIP2. The MSIP PMU includes qualified and experienced financial management staff that will be further trained in disbursements and project financial management, as needed. One financial management specialist (currently the Financial Management Specialist acting as Lead Project Coordinator until appointment of the new Lead Coordinator which is planned immediately after the completion of the forthcoming parliamentarian elections) and one financial management assistant will perform the financial management function of the project. Under these temporary staffing arrangements, no single person has control and responsibility over all stages of a transaction, and there are several layers of controls performed by various PMU and Ministerial functions over contracting, approval of invoices and payments under the projects. Given the increased workload due to parallel implementation of two projects until 2019, the FM staffing capacity will continue to be regularly assessed throughout implementation and may be supplemented if the volume of activities requires it. The Lead Coordinator will direct and supervise the implementation activities.

5.3.2. Accounting Policies

The accounting books and records are maintained on the cash receipts and payment basis in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the MSIP2 Loan Agreement. On this basis, cash receipts are recognized when received and cash expenditures are recognized when paid rather than when incurred.

The MSIP2 Project accounts are kept in local currency i.e. in Macedonian Denars ("MKD"). The MSIP2 Project financial statements will be presented in EUR as this will be the reporting currency of the Project.

Additionally the MSIP PMU will ensure that its accounting policies and procedures also comply with the accounting principles and methodologies for budget users set by the Ministry of Finance.

5.3.3. Accounting standards

The accounting systems of MSIP PMU will: (i) reliably record and report all financial transactions, assets and liabilities of the MSIP2, and (ii) provide adequate financial information for MSIP2 managing and monitoring activities.

MSIP PMU will ensure that its accounting policies and procedures also comply with the accounting principles and methodologies set up by the Ministry of Finance.

5.3.4. Accounting Management

Day to day management of accounting is the responsibility of Financial Management specialist who reports directly to the Lead Coordinator.

5.4. PROJECT FINANCIAL MANAGEMENT SYSTEM (PFMS)

The MSIP PMU will establish a Project Financial Management System (PFMS) acceptable to the Bank, which will keep the accounts for the MSIP2. The PFMS should be designed to accomplish the following objectives:

- Regular and precise record keeping and denoting of all project financial accounting transactions according to the requirements, needs and applications of the legislative of the Republic of Macedonia and the World Bank;
- Produce Financial reports for two separate groups of users: i) World Bank reporting requirements – as per forms and principals laid down in the WB guidelines, and ii) statutory reporting requirements – in accordance with the Macedonian legislation;

The basic principles are designed to ensure that the accounting records are complete, relevant and reliable, and that the accounting practices are followed consistently from one

period to another, so that financial reporting is comparable. These terms are defined as follows:

- Complete: all appropriate transactions have been recorded in accordance with the accounting procedures manual;
- Relevant: accounting information is relevant when accounting transactions are recorded and reported in timely fashion; all accounts should be updated and reconciled on a monthly basis and reports should be issued no less frequently than each quarter. Financial information provided by the FMS influences the decisions of users by helping them evaluate past, present or future events or correcting their past evaluation;
- Reliable: information is reliable when it is free from material error, when it is neutral: that is, it is free from bias, and it can be depended upon to represent faithfully that which it either purports to represent or could reasonably be expected to represent;
- Comparable: users must be able to compare the financial statements of the Project over time in order to identify trends in its financial position and performance. Hence, the measurement and display of the financial effects of like transactions must be consistent over time

The PFMS include:

- Proper accounting system;
- Internal Controls system;
- Interim un-audited Financial Reports (IFRs);
- Auditing and monitoring of Project activities;
- Accounting and Financial Flows;
- Financial Control System.

5.4.1. Information system

It was agreed with the PMU that accounting data would be backed up on regular basis.

MoF uses the Treasury system for its accounting and reporting. The Treasury system was assessed by the diagnostic work in Macedonia and found to be sound with reliable reporting and ex-ante controls. The reporting is based on the Treasury reporting but due to the complexity of the project design and need for reliable and transparent timely information, Edusoft software is used for project accounting and reporting and supplements Treasury reports. Edusoft application is widely-used for project accounting and financial arrangements for the projects in Macedonia and is considered a satisfactory system for reliable and accurate project information. It provides reliable accounting information. IFRs will be generated automatically by the software.

The MSIP PMU purchased Edusoft software for the purpose assurance recording of business transactions related to the MSIP2. The project accounting software was upgraded

to accommodate the financial information for the new MSIP2 and to generate stand-alone IFRs for the MSIP2 .

The MSIP PMU financial management specialist supported by the financial management assistant will record, classify, report and interpret MSIP2 project financial data. To keep necessary financial records and prepare financial statements, the MSIP PMU financial staff will follow the accounting cycle, a six-step process including:

- analysis of transactions from source documents into an appropriate number of debits and credits to be entered into accounting records;
- journalization of transactions, i.e. recording transactions in a journal for later posting to the general ledger;
- posting the general ledger at the end of each month of operations;
- adjusting general ledger at the end of each quarter;
- closing and balancing the ledger at the end of the year;
- preparing financial statements in IFR format.

The MSIP2 accounting structure should reflect the sources of funds, project component, disbursement categories, location of activities performed and relevant expense accounts, broken down into the various types of expenditures for the project. The accounting structure should be able to produce financial reports that show budgetary items related to the current project financial data to measure MSIP2's performance in the implementation of the project.

5.4.2. Internal Control System

The MSIP2 internal control system should be able to ensure that financial records are reliable and complete. In particular, the internal control system should ensure proper recording and safeguarding as well as transaction control.

Key internal controls to be applied for the project include:

- appropriate authorizations and approvals;
- segregation of duties;
- different persons being responsible for different phases of transaction;
- reconciliations between records and actual balances, as well as with third parties should be performed on regular basis;
- complete original documentation should exist to support project transactions.

Adequate procedures and controls will be instituted and applied in practice for loans and grant lines to municipalities. The respective procedures are designed to ensure use of funds for intended purposes.

Key internal control procedures include:

- clear identification of the project name and number in order to avoid/prevent double-financing of the same activity from both sources of financing MSIP and MSIP2;
- clear description of eligibility criteria for beneficiaries;
- clear description of eligibility criteria for projects;
- procedures relating to evaluation and selection of municipalities, including determining and describing responsibilities for this process;
- procedures and processes of monitoring of grants implementation, including reporting back;
- the procurement processes for the grants;
- clear segregation of activities financed under the MSIP and MSIP2;
- separate accounting and recording for both projects (MSIP and MSIP2);
- flow of funds.

The municipalities publish tenders and are signatory to the contract. After receiving an invoice, municipalities forward the invoice and necessary supporting documentation to the PMU. Document evidencing that goods/services have been received and are in line with what has been contracted is a mandatory accompanying document. An engineer within the PMU will perform on site visits and checks that the quality and quantity of the delivery is in line with contracts. Independent consultants may also be contracted to perform verification that goods, services or works have been delivered to acceptable level prior to payments.

The invoice is then registers and checks by the financial management assistant and reviewed by the financial management specialist who controls the invoice. After putting his/her initials the invoice is reviewed by the project procurement/engineer staff. All relevant documentation shall be attached to the invoice enabling the Lead coordinator to immediately evidence that the necessary checks have been performed. Payment orders and the invoice with all designated approvals and signatories are submitted for payment. In the cases of loans or grants, the funds are transferred to municipalities, which are obliged to transfer the funds to suppliers in the shortest possible time. Any future request for payment by municipalities needs to be supported by appropriate documentation that the previous payments have been executed.

Commercial Bank Statements of the Designated Account are received daily by the PMU, and Treasury reports on regular basis. Municipalities submit statements of their accounts to the PMU on regular basis and frequency is defined by the on-lending/grant agreements. Based on the Bank Statements/Treasury reports the PMU Financial management specialist will record executed payments and perform due reconciliation of the bank balances.

The MSIP PMU would establish additional internal controls that would mitigate the risk of double-financing, i.e. one sub-project implemented by a municipality under MSIP to be financed under the MSIP2; financing the same activity from two different Projects or posting the expenses under the wrong Project. The following measures would prevent the MSIP2 from this type of risks;

(i) In line with the FM arrangements agreed on, the Borrower (Macedonia) through MoF should open a separate Designated Account in the National Bank of the RM

and a mirror Treasury account for the MSIP2 loan and maintain adequate analytical records to identify expenses per source of financing;

(ii) Sub loan/grant agreements stipulate that the municipality should open a separate Treasury account for any sub-loan/grant obtained under MSIP2, as well as maintain adequate analytical records to identify expenses per source of financing;

(iii) Each sub-loan/grant agreement should be declared at the Government Treasury System 15 working days after its signing, with notification of the Contract amount, date and number, Treasury account of the recipient of the funds (in our case the municipality) and the Treasury account of the payer of the funds (MoF) and the proposed schedule of payment. The Treasury system does not allow payments opposite of the declared instruction for payment.

(iv) Beneficiaries payment requests will clearly specify the sub-project name, source of financing (MSIP/MSIP2), and the documentation submitted (invoices, contract, bank statement) will contain references to the individual sub-project financed under MSIP2;

(v) The beneficiary's payment requests with all supporting documents will be carefully reviewed by the MSIP PMU civil engineer/procurement specialist at the first stage of internal control, than by the financial management specialist at the second stage of control and then will be submitted for approval to the Lead Project Coordinator. Payment orders are prepared based on the approved beneficiaries' requests.

(vi) PMU will monitor sub-projects in Excel and Edusoft per MSIP2 separately, per each municipality in terms of amount signed, amount spent, municipality contribution, and will book the expenses in analytical accounts per each source of financing;

(vii) PMU will report to the Bank on the breakdown of sub-loans and grants under both MSIP and MSIP2 on a quarterly basis;

(viii) The audit will have an extended scope from financial audit to ensure that sub-loans and grants funds have been given for the purposes intended, in accordance with the applicable procedures and they were used with efficiency.

5.4.3. Interim Financial Reports

Interim Financial Reports (IFRs) will be regularly provided in accordance with the World Bank requirements, as well as the reports requested by the Government of the Republic of Macedonia.

Project management-oriented IFRs will be used for monitoring and supervision of MSIP2 . The format of the IFRs is included in the Financial Management Manual, included as Annex 5.1 of the POM. The MSIP PMU will produce a full set of separate IFRs for each calendar quarter throughout the life of the MSIP2 project. They will be due 45 days after each quarter end. The IFRs will comprise the following reports presented in the agreed format:

- Designated Account statement;
- Project Cash Receipts and Payments;
- Uses of Funds by Project Activity;
- Unit of Output by Project Activity;
- Breakdown of Loans and Grants;

- Accounting Policies and Explanatory Notes.

The accounting for the project is cash basis with additional information provided for commitments on signed contracts.

5.4.4. Auditing of Project activities

The project's financial statements will be audited in accordance with terms of reference acceptable to the Bank by a private audit company acceptable to the Bank, and the audit report will be submitted to the Bank at the latest 6 months after the end of the period audited. The annual cost of the audits of the project will be covered by the project funds. Given the complexity of the components related to loans and grants for selected municipalities, the financial audit will have an extended scope and will check also if all loans/grants have been provided to municipalities for the purposes intended in accordance with the applicable conditions to ensure that the agreed outputs are delivered in an efficient manner.

5.4.5. Financial Control System

All transactions must be reflected by supporting documentation. The process of registering the supporting documents is the first step for record keeping.

a) Cash Control

A Petty Cash Fund is established to have small amounts of cash in Denar (MKD) for immediate payment of such items as office supplies, representation expenses, taxi fares, fuel, delivery charges, pay tolls, etc. All Petty Cash operations will be in line with the relevant articles from the Law on payment operations. The ceiling of Petty Cash Account will be regulated by the Decision for petty cash maximum issued by the Lead Project Coordinator. Whenever the petty cash fund drops below a certain balance it should be replenished through a withdrawal from the Project Designated Account. All disbursements from the petty cash fund must be documented with a corresponding receipt.

A system of internal control is established to ensure that petty cash amount is protected from theft or embezzlement. The Financial Management Assistant is managing the Project Petty Cash and the Financial Management Specialist is in charge of cash control. Internal control procedures include the following:

- Cash is under lock;
- Statement of cash flow reflecting the both cash receipts and cash disbursement records;
- Regular maintenance of the cash counts sheet by the Financial Assistant and periodical entrance of each petty cash expenditures into the general bookkeeping ledger with allocation of appropriate account. Bookkeeping is done by the Financial Management Specialist.
- Regular reconciliation between the physical cash, accounting and cash counts records;

- Random control of the cash operations by the individuals which are not financial staff of the MSIP PMU;

b) Fixed Asset Control

The internal control of fixed assets such as furniture, equipment, and office accessories and any other asset procured under the MSIP2 is to be maintained by the MSIP PMU. All employees are responsible and accountable for fixed assets in their possession. The controls over fixed assets include: maintaining an assets register, verifying the existence and condition of assets periodically and developing policies for authorisation of asset disposal

- An Assets Register should be established with an entry for each asset. Each asset should be given a unique reference number for identification purposes. The register will contain information about where and when the item was purchased; how much it cost; reference number or serial number and depreciation. The Assets Register should be checked by an inventory committee at the end of each calendar year and any discrepancies will be reported and appropriate action taken.
- Regular maintenance (eg vehicles and equipment) and budgeting funds for this purposes will help to improve safety and prolongs the life the assets, as well as preserving their value.

Any acquired or donated assets will be recorded in a Fixed Asset Record, if the item has a value of EUR100 or more. This record will include a description of the asset, date received, cost or estimated value, location, and an indication if it was purchased or donated. The financial management specialist will maintain the Fixed Asset Record.

5.4.6. Bank account management and Flows of Funds and Documents

Project funds will flow from: (i) the Bank, either as an advance via a Designated Account to be opened in the NBRM, which will be replenished under transaction based disbursement method, and managed as described below in the section on disbursement arrangements, or, if specific need arises, through direct payments to suppliers; and (ii) GoM, where payments will be executed by order of Ministry of Finance via the treasury system.

The transaction based disbursement method will be used for the MSIP2 Project. Once the Project becomes effective a Designated Account will be opened in the NBRM, to which the funds will be transferred from the World Bank. A mirror Denar account is opened within the Treasury Single Account to serve as an operating account for withdrawals from the foreign currency account. The mirror account is credited only with amounts coming from the Designated Account. The Denar account is, in essence, a zero or immaterial balance account, with all spending taking place through it, with a corresponding transfer of the Denar-equivalent amount from the foreign exchange account. The Designated Account will be managed and operated by MSIP PMU.

Municipalities which are sub-loans or sub-grants beneficiaries will open Denar accounts within the Treasury Single Account, to which the funds will flow from the Designated Accounts (passing through the mirror Denar accounts), and from which the funds will flow to

suppliers/contractors. Separate accounts and records will be kept if a municipality accesses several sub-loans/grants under MSIP and/or MSIP2.

The payments under Component C, will be managed and operated centralize, i.e. directly from the MSIP PMU, in that case, when payments to local suppliers are made, then a corresponding amount of foreign currency is exchanged in Denars and credited to the Denar mirror account. From there, the amount is transferred to the respective supplier. If a payment needs to be made to a foreign supplier in foreign currency, then the foreign currency equivalent amount is converted to Denars and credited to the mirror Denar account. The Denar account is then debited with the transaction amount, the Denars are converted to the appropriate foreign currency, and the respective amount transferred to the supplier. This flow of funds is followed even if the Designated Account and the payment due to the supplier are in the same currency. This ensures that the mirror Denar account, as part of the Single Treasury Account, captures all amounts paid to suppliers in the Treasury system.

The payments under Component A and Component B will be decentralized. Once the Municipality signs a Sub-Loan Agreement or Grant Agreement, the municipality is obligated to open a separate Sub-Loan or Grant Denar account within the Treasury Single Account, which will capture all transfers of funds related to that particular Sub-Loan or Grant. The Municipality Denar accounts are credited only with amounts comings from the MSIP2 Designated account through the mirror Denar account. When the Municipality has to make payments to local and foreign suppliers, than a corresponding amount of foreign currency from the MSIP2 Designated Account is exchanged in Denars and credited to the Denar mirror account. Than the same amount of Denar funds are debited from the Denar mirror account and credited to the municipality Sub-Loan or Grant Denar account. After that the municipality Sub-Loan or Grant Denar account is debited with the respective amount transferred to the supplier, i.e. funds flow from the Designated account, through the mirror Denar account, to the municipality Sub-Loan or Grant Denar account. The municipalities are obliged to transfer the funds to suppliers within five working days. Any future request for payment by municipalities needs to be supported by appropriate documentation that the previous payments have been executed.

The Ceiling for the Designated Account is indicated in the Disbursement Letter for the MSIP2.

Applications for replenishment of the Designated Account will be submitted quarterly or more frequently if needed.

Documentation requirements for replenishment would follow standard Bank procedures as described in Disbursement Handbook and would be in line with the Disbursement letter for the MSIP2. Supporting documentation should be provided with each application for withdrawal as set out below:

- For reporting eligible expenditures paid from the Designated Account:
    - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for: i) goods and non-consulting services against contracts valued at or more than EUR 160,000 equivalent; ii) works against contracts valued at or more than EUR 800,000 equivalent: iii) consultants' services against contracts valued at or more than EUR 80,000 equivalent for firms and EUR 40,000 equivalent for individual consultants;

- Statement of Expenditure in the prescribed form(Attachment 4 to the Disbursement Letter) for all expenditures / contracts, including training and operating costs;
- List of payments against contracts that are subject to the World Bank's prior review, in the prescribed form(Attachment 5 to the Disbursement Letter); and
- A designated account reconciliation statement (Attachment 6 to the Disbursement Letter) and related bank statement.

- For requests for Direct Payment: records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

The procedure of receiving and proceeding the documentation is the following:

- ❑ The office administrator receives from municipalities/contractors/suppliers documentation for payment (invoices, interim certificates for works, request for funds etc.) and registers it in the MSIP2 Project archives writing down the number and the date, as well as putting the stamp;
- ❑ The office administrator then hand over the documentation to financial staff. They review and approve the documentation and put his/her initials on it. After that documentation is reviewed by the project procurement staff.
- ❑ The checked documentation afterwards is submitted to the Lead Coordinator of the Project.
- ❑ After its verification by the Lead Coordinator, the documentation is once again submitted to the financial management specialist in order documents for payments to be prepared.
- ❑ The documents for payment prepared by the financial management specialist are submitted to the authorized signatures to be signed. In the end, the financial management specialist makes the payment and enters in the books.
- ❑ In the case of financing the on-lending loans/poverty social inclusion grants provided to the Municipality, the Municipality prior to request new portion of the loan/grant funds should submit to the MSIP PMU appropriate evidence that the previous payments have been executed.

All disbursements (payments) for local expenditures to suppliers, contractors, consultants, etc., from the IBRD loan funds will be made in the local currency of Republic of Macedonia (MKD) and for reporting purposes converted into EUR. All foreign expenditures will be made in a currency other than the Denar (MKD) in accordance with Annex 5.1.

The following disbursement method may be used under the MSIP2:

- ❑ Advance to designated account;
- ❑ Direct payment from the loan account at IBRD to a third party for amounts due
- ❑ Special Commitment.

World Bank Form "Application for Withdrawal" - Form 2380 together with the Summary Sheet when supporting documentation is requited or Statement of Expenditure (SOE) when

submitting applications without documentation will be used for any withdrawals of the MSIP2 loan funds.

6. REPORTING

6.1. DURING THE WHOLE DURATION OF THE MSIP2

The PMU has to transmit to the Coordination Committee and to the World Bank, on a semi-annual basis, a project progress report containing the following:

6.1.1. Project implementation

- Municipalities and sub-projects involved (already in progress and new ones);
- Progress of each sub-project;
- Specific issues encountered.

6.1.2. Procurement implementation

- Bidding in progress;
- Contracts (in progress and new ones);
- Specific issues.

6.1.3. Financial situation

- Disbursements;
- Situation of the accounts;
- Scheduled disbursements;
- Funding needs.

6.1.4. Monitoring

- MSIP2 Indicators;
- Communal Service Enterprises' performance indicators;
- Implementation's and Sub-projects' indicators;
- Discussion on various indicators' results.

6.2. DURING THE WORKS' PHASE

6.2.1. Supervisor

During the works, the Supervisor must transmit monthly to the Municipality:

- Project physical implementation;
  - Executed;
  - To be executed;
- Bills presented by the Contractors;
- Bills approved by the Supervisor;
- Specific execution issues;
- Monitoring indicators.

6.2.2. Municipalities

Municipalities on their side have to transmit monthly to the PMU:

- Current phase of the works in the Project Cycle;
- Supervisor's Report;
- Disbursements;
- Specific issues (on the project's implementation but also social, environmental, etc. problems encountered).
- Data on Monitoring indicators.

7. MONITORING AND EVALUATION

7.1. METHOD FOR MONITORING AND EVALUATION SYSTEM

In view of establishing a correct and efficient Monitoring and Evaluation system, one should follow the guidelines set by the World Bank in Ten Steps to a Results-Based Monitoring and Evaluation System (ref 29672):

- Conducting a readiness assessment;
- Agreeing on outcomes to monitor and to evaluate;
- Selecting key performance indicators to monitor outcomes;
- Setting baselines and gathering data on indicators;
- Planning for improvement – selecting results targets;
- Monitoring for results;
- Using evaluation information to support a result-based management system;
- Reporting the findings;
- Using the findings;
- Sustaining the M and E system within the organization;
- Making results-based M and E work for you and your organization.

7.2. MSIP2

This part deals with the monitoring and evaluation of the overall MSIP2 of which the MSIP PMU is responsible for. The MSIP PMU has to prepare semi-annual progress reports for the World Bank as the basis for supervision. For details on the semi-annual progress report, see Annex 6.1.

7.2.1 Project Development Objective Indicator and intermediate Results Indicators

The Project Development Objective (PDO) of MSIP2 is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities.

The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as municipalities and their communal service enterprises (CSEs).

MSIP2 PDO level results will be measured through the following indicators:

- Number of direct project beneficiaries, with breakdown on percentage of female beneficiaries and percentage of vulnerable/marginalized people that benefit from the project intervention (with marginalized measured as the number of unemployed, social assistance receiving or in other ways vulnerable population)

- Number of participating municipalities (i.e. municipalities which signed sub-loan agreements) that regularly publish sub-project progress information on their official websites or elsewhere - this indicator also is a citizens engagement indicator;

- Percentage of completed sub-projects that generated improved financial performance, including through increased revenue earnings or cost savings;

- Number of completed sub-projects that focus on social inclusion

Intermediate Results indicators will be as follows:

- Number of sub-loans signed
- Number of poverty/social inclusion investment grants signed
- Number of sub-projects, financed by sub-loans or grants, successfully completed
- Number of jobs generated, measured as the number of employees of contractors and engineering companies that perform works under the sub-projects
- Number of visits to websites that publish sub-project progress information
- Number of participants in consultation activities during sub-projects preparation, with breakdown on number of female (citizens engagement indicator, gender informative)
- Number of piped household water connections that are benefiting from rehabilitation works undertaken under the project (core sector indicator)
- Km of rural roads rehabilitated (core sector indicator)
- Km of non-rural roads rehabilitated (core sector indicator)

MSIP2 will also contribute to the selected World Bank core indicators related to specific sectors, citizen engagement and social inclusion. Gender disaggregated statistics, where applicable, will be monitored. Selected core sector indicators will track progress of outputs generated under the municipal investments. Three core sector indicators - number of piped households water connections that are benefiting from rehabilitation works undertaken by the project, km of rural and non-rural roads rehabilitated - are included in the list of Intermediate Results Indicators. In addition, information on core sector indicators, such as number of people in urban areas with access to regular solid waste collection under the project, number of people in urban areas provided with access to all-season roads within a 500 meters range, etc, will be tracked.

Project Development Objective Indicators			
PDO Statement : To improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities			
	Project Development Objective Indicators	**Description**	**Data Source / Methodology**
1	*PDO Level Indicator* One: Direct project beneficiaries	Total number of people who directly derive benefits from the project intervention – i.e. citizens of the participating municipalities that receive improved municipal services as a result of the project interventions	PMU monitoring and evaluation, data form participating municipalities, supervision missions/PMU semi-annual M&E and progress report
2	*PDO Level Indicator Two:* Female beneficiaries	Percentage of female beneficiaries in the total number of direct project beneficiaries	
3	*PDO Level Indicator Three:* Vulnerable/marginalized people with marginalized measured as the number of unemployed, social assistance receiving or in other ways vulnerable population that benefits from the project intervention	Percentage of vulnerable/marginalized people with marginalized measured as the number of unemployed, social assistance receiving or in other ways vulnerable population that benefits from the project intervention	
4	*PDO Level Indicator Four:* Number of participating municipalities (i.e. the municipalities which signed sub-loan agreements) that regularly publish sub-project progress information on their official websites or elsewhere	Number of participating municipalities (i.e. the municipalities which signed sub-loan agreements) that regularly publish sub-project progress information on their official websites or elsewhere	
5	*PDO Level Indicator Five:* Percentage of completed sub-projects that generated improved financial performance, including through increased revenue earnings or cost savings	Percentage of completed sub-projects that generated improved financial performance, including through increased revenue earnings or cost savings	
6	*PDO Level Indicator Six:* Number of the completed subprojects that focus on social inclusion	Number of the completed sub-projects that focus on social inclusion	

Intermediate Results Indicators			
	Project Development Objective Indicators	**Description**	**Data Source / Methodology**
1	Number of sub-loans signed	Number of sub-loans that have been signed	PMU monitoring and evaluation, data form participating municipalities, supervision missions/PMU semi-annual M&E and progress report
2	Number of poverty/social inclusion investment grants signed	Number of poverty/social inclusion investment grants that have been signed	
3	Number of sub-projects, financed by sub-loans or grants, successfully completed	Number of sub-projects financed by sub-loans or grants that have been successfully completed	
4	Number of jobs generated, measured as the number of employees of contractors and engineering companies that perform works under the sub-projects	Number of jobs generated which is measured as the number of employees of contractors and engineering companies that perform works under the sub-projects	
5	Number of visits to websites that publish sub-project progress information	Number of visits to websites that publish sub-project progress information	
6	Participants in consultation activities during sub-projects preparation	This indicator measures the level of community engagement in sub-projects preparation and is calculated as a number of participants in consultation activities during sub-projects preparation	
7	Participants in consultation activities during sub-projects preparation - female	Number of female participants in consultation activities during sub-projects preparation	
8	Piped household water connections that are benefiting from rehabilitation works undertaken by the project	Number of piped household water connections benefiting from rehabilitation works. This indicator is core sector indicator which measures as the number of piped household water connections benefiting from rehabilitation works undertaken by the project	
9	Roads rehabilitated, Rural	Kilometers of all rural roads reopened to motorized traffic, rehabilitated, or upgraded under the project. This indicator is core sector indicator	
10	Roads rehabilitated, non-rural	Kilometers of all non-rural roads reopened to motorized traffic, rehabilitated, or upgraded under the project. This indicator is core sector indicator	

Country: Republic of Macedonia,

Project Name: Second Municipal Services Improvement Project (P154464)

Results Framework

MSIP 2

/EMENT PROJECT

Project Development Objectives

PDO Statement

The proposed Development Objective of MSIP2 Project (PDO) is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities.

These results are at **Project Level**

Project Development Objective Indicators

Indicator Name	Core	Frequency	Baseline	Cumulative Target Values					
				2016	2017	2018	2019	2020	End Target
Direct project beneficiaries (Number)	√	Semi-annual	0.00	0	0	20,000	60,000	100,000	100,000
Female beneficiaries (Percentage - Sub-Type: Supplemental)	√	Semi-annual	0.00	0	0	50	50	50	50
Vulnerable/marginalized people with marginalized measured as the number of unemployed, social assistance receiving or in other ways vulnerable population that benefits from the project intervention (Percentage - Sub-Type: Supplemental)		Semi-annual	0.00	0	0	5	7	10	10
Number of participating municipalities (i.e. the municipalities which signed sub-loan agreements) that regularly publish sub-project progress information on their official websites or elsewhere (Number)		Semi-annual	0.00	2	4	8	14	20	20
Percentage of completed sub-projects that generated improved financial performance, including through increased revenue earnings or cost savings (Percentage)		Semi-annual	0.00	0	0	30	50	90	90
Number of the completed subprojects that focus on social inclusion (Number)		Semi-annual	0.00	0	0	5	9	17	17

Intermediate Results Indicators									
Indicator Name	**Core**	**Frequency**	**Baseline**	**Cumulative Target Values**					
				2016	**2017**	**2018**	**2019**	**2020**	**End Target**
Number of sub-loans signed (Number)		Semi-annual	0.00	3	5	10	15	20	20
Number of poverty/social inclusion investment grants signed (Number)		Semi-annual	0.00	0	0	5	9	17	17
Number of sub-projects, financed by sub-loans or grants, successfully completed (Number)		Semi-annual	0.00	0	3	10	20	37	37
Number of jobs generated, measured as the number of employees of contractors and engineering companies that perform works under the sub-projects (Number)		Semi-annual	0.00	200	500	900	1100	1,500	1,500
Number of visits to websites that publish sub-project progress information (Number)		Semi-annual	0.00	5,000	50,000	100,000	250,000	500,000	500,000
Participants in consultation activities during sub-projects preparation (Number)		Semi-annual	0.00	50	100	200	300	400	400
Participants in consultation activities during sub-projects preparation – female (Number - Sub-Type: Breakdown)		Semi-annual	0.00	15	30	60	90	120	120
Piped household water connections that are benefiting from rehabilitation works undertaken by the project (Number)	√	Semi-annual	0.00	100	200	300	400	600	600
Roads rehabilitated, Rural (Kilometers)	√	Semi-annual	0.00	0	0	10	20	30	30
Roads rehabilitated, non-rural (Kilometers)	√	Semi-annual	0.00	0	0	8	15	20	20

7.3 MONITORING OF SUB-PROJECTS

7.3.1 Supervision of works

For sub-project supervision during the works, the indicators will be set by the supervisor (independent consultant) who will realize the monitoring and evaluation of the works.

The first task, especially for construction works, is to separate the construction into different phases, as done for the general planning. For each of this phase, the supervisor and the contractor have to make a projection of the amount of time and the budget necessary to complete it, and set target values for the indicators.

For each phase, the supervisor has to monitor the:

- % of completion of the phase (time);
- % of budget used for this phase, compared to what was planned;

And include this in the monthly reports.

The supervisor can also monitor for each phase, the:

- Number of needed documents (permits) delivered;
- Number of needed documents of quality transmitted by the contractor (as built drawings…)
- Deliveries of material of quality, by type of product (quantity and price).

Depending on his findings, the supervisor has to instruct the contractor to take corrective measures.

7.3.2 Social and environmental monitoring

For the social and environmental monitoring of sub-projects during the implementation phase, please refer to Annex 4.2 Guidelines for Social Assessment, Annex 4.5 Environmental Assessment and Annex 4.6 Environmental Screening guidelines.

7.3.3 Results monitoring

This part concentrates on monitoring and evaluation of the impacts of the sub-project in itself. The monitoring and evaluation of the impacts is the responsibility of the PMU, in close collaboration with the Municipality and/or CSE in charge of the project. The results must be included in the semi-annual report to the World Bank.

The municipalities are responsible for sub-projects results monitoring, including ensuring regular data collection and reporting.

Some of the possible indicators are given as a list below and in detail in Annex 7.2.

The indicators have to be selected according to the nature and goals of the project:

- Water and waste water;
- Solid Waste management;
- Street Lighting;
- Building construction;
- Building rehabilitation;
- Roads and road infrastructures.

The indicators present in Annex 7.2 have been as much as possible normalized to make possible the comparison between different sub-projects, realized in the same or different municipalities.

ANNEXES

ANNEX 1.1: LOAN CHOICES WORKSHEET

Financial terms of IBRD loan, worksheet for loan choices

Loan Information:	
Country: Project: Borrower: Currency of Loan Amount Loan Amount:	Republic of Macedonia Second Municipal Services Improvement Project Republic of Macedonia EUR 25,000,000 EUR
Spread over reference rate	Variable spread
Repayment terms:	
Payments dates Grace period Total repayment term including grace period Amortization profile	15 March and 15 September 5 years 18 Level repayment
Front-end fee	Finance out of loan proceeds
Conversion options for fixed and variable spreads	Currency conversions Interest rate conversions

ANNEX 2.1: PROJECTS COMPONENTS

MSIP2 represents the second phase of the Municipal Services Improvement Project (MSIP, P096481) and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million has been prepared.

The proposed project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while with the poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project will cover operational costs associated with project implementation, and support project management. The three components are described below.

Component A: Municipal Investments – EUR 18,500,000. This component would provide sub-loans to municipalities for investments in municipal infrastructure, including revenue-generating/cost saving municipal infrastructure investments and other projects of high priority for the municipalities. Though sub-projects are not limited to certain sectors, it is expected that revenue-earning investments would be primarily for services and infrastructure provided by CSEs, while cost-saving projects could either be under CSEs or under the direct provision of municipalities. To qualify, sub-projects should therefore have to demonstrate either revenue earning or cost savings or to be of high priority for the municipality. It is expected that sub-projects will be considered for funding on a rolling basis by the PMU based on operational manual procedures. However, to allow for full implementation of the sub-projects there will be a time limit on submissions of sub-projects, set at one year before the project closing date. Municipalities and CSEs will be assisted with project preparation activities, including review of feasibility studies, preparation of detailed design and bidding documents as well as supervision of construction activities. The consultancy services for these preparatory activities will be provided to the municipalities and CSEs by the PMU and consultants it would hire (see Component C), and are not part of the sub-loans.

Sub-projects may include the following:

(i) *Water, sewerage and sanitation services:* finance for civil works, equipment, and consulting services to construct, reconstruct or rehabilitate water and sanitation services, including for source and consumption metering, leak detection and repair, network rehabilitation and optimization, pressure zoning, and equipment for

operations; and construction and urgent rehabilitation and repair of sewers, sewer maintenance equipment, and pipe network.

(ii) *Solid waste management:* finance for collection infrastructure and support equipment, such as collection bins, support vehicles, and other related equipment and consulting services; and to a limited extent, civil works and equipment to upgrade existing disposal sites to meet minimum sanitary standards.

(iii) *Other revenue-generating or cost-saving investments:* finance for civil works, equipment and related consulting services for constructing, upgrading and/or expanding of other services or facilities under the responsibility of municipalities, such as public lighting, storm water drainage systems, urban transport systems, green markets, kindergartens or insulation of public buildings to lower energy consumption or otherwise enhance efficiency.

Component B: Poverty/Social Inclusion Investment Grants – EUR 4,937,500. This component provides grants to municipalities as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions.

This component is specifically designed to target poorer and marginalized communities for municipal infrastructure improvements. Such communities will be identified via their geographic targeting of neighborhoods within participating municipalities. The municipalities themselves are in the best position to identify such a target community in line with reliable official community-level statistics. Community-level service coverage data on paved roads, drainage, piped water, public sewers, kindergartens and other could serve as a determinant of a neighborhoods poverty status. The Poverty/Social Inclusion Investment Grants would be subject to separate Grant Agreements under terms and conditions and in a format specified in the POM.

Component C: Project Management, Monitoring and Evaluation, and Capacity Building – EUR 1,500,000. This component will include consultancy services and technical assistance to support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. At the same time additional support for strengthening the municipal capacity for sound financial analysis would be given to the participating municipalities in order for them to be able to mitigate any residual risk of MSIP2 loan default. Support provided under this component could include technical assistance and capacity building support for (i) capital investment planning, sub-project preparation/implementation and local capacity building for municipalities and CSEs to improve service delivery, (ii) strengthening municipal financial management systems and practices, and (iii) national level institutional strengthening. In addition, it will support operational costs of the PMU and assists with project implementation and monitoring.

The component will finance staff and incremental operating costs incurred by the PMU, which would be responsible for overall project management and reporting to the WB and MoF. TA under this component would be limited to prospective participants of Component A and B, i.e. municipalities that receive sub-loans or would be expected to receive them after further preparatory work. In general, technical assistance grants to municipalities would be allocated on a “first come, first served” basis as far as permitted within the total allocation to this component. This amount will be reviewed at mid-term in light of demands and available resources.

The project management services will assist with project implementation in municipalities, provide guidance and support to local project entities, and ensure that the Bank fiduciary (procurement and financial management) and safeguard (environment, social/land acquisition or other) guidelines are observed. Due to the lack of capacity and knowledge of Bank procurement procedures at the municipal level, the PMU will take the lead responsibility for quality assurance and the management of the procurement process. The PMU will liaise closely with the Bank on all fiduciary and safeguard issues and on adhering to the legal agreements. The PMU would also be responsible for appraisal of sub-projects that become eligible during the course of project implementation. In addition, the PMU will establish a project portal website as central forum for stakeholder dialogue and feedback. Under this component an independent consultant will be hired to verify the poorest neighborhood within the municipalities eligible for receiving a poverty/social inclusion grants.

ANNEX 2.2: DETAILED PROJECT COST AND FINANCING PLAN (USD)

	World Bank (EUR)	**As share of Total %**
Component A (Municipal Investments)	18,500,000	74
Component B (Poverty/Social Inclusion Investment Grants)	4,937,500	19.75
Component C (Project Management, Monitoring and Evaluation, and Capacity Building)	1,500,000	6
Front End-Fee	62,500	0.25
Total	**25,000,000**	**100**

ANNEX 3.1: DECISION ON ESTABLISHING THE PROJECT COORDINATION COMMITTEE

REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
No. 02-26674/,
29.07.2009
Skopje

Pursuant to article 49 paragraph 1 and article 55 paragraph 1 of the Law on organization and work of state governing bodies (Official gazette of the Republic of Macedonia No. 58/2000, 44/2002 and 82/2008) article 25 of the Rulebook on organization and work of the Ministry of finance No. 01-14171/1 dated 31.03.2008, No. 01-14172/3 dated 03.10.2008, item 6 from the Draft - minutes of the 54th session of the Government of the Republic of Macedonia held on 24.02.2009 and item 14 from the Draft - minutes of the 66th session of the Government of the Republic of Macedonia held on 05.05.2009, the Minister of Finance has made the following

DECISION
to form a Coordinating Committee for
the Municipal Services Improvement Project

1. A Coordinating Committee for the Municipal Services Improvement Project is formed with the following structure:

a) President:

- Suzana Peneva, an employee at the Ministry of Finance, Department of Harmonization with EU and International Finance, at the position head of Department,

b) Members

- Ana Stojkova, an employee at the Ministry of Finance, Public Debt Management Department, at the position head of the Borrowing and Investment Unit;

- Kristina Pavlovska, an employee at the Ministry of Finance, Department of Harmonization with EU and International Finance, at the position assistant to the head of Department;

- Slavica Jakimovska, an employee at the Ministry of Local Self-Government, Department of Equal Regional Development, at the position head of Department;

- Kiril Kalkashliev, an employee at the Ministry of Environment and Physical Planning, Department of Sustainable Development and Investment, at the position investment advisor;

- Ljubisha Jovanovski, an employee at the Ministry of Transport and Communications, Department for housing-communal affairs, at the position head of department;

- Jasna Boljat, an employee at the Secretariat for European Affairs, European funds unit;

- Lolita Stojanovska - Association of Public Communal Services Providers, at the position executive director

- Krste Andonovski – manager of the financial department at the city of Skopje.

2. The Coordinating committee has the following authorities:

- to review and approve the text in the Operation manual of the Municipal Services Improvement Project as well as to approve future changes of the Operation manual which are acceptable to the World Bank;

- to provide communication between relevant ministries and other agencies in relation to project aims, rules, information regarding the implementation progress;

- to advise the Project unit regarding inter-ministry affairs that might affect the activities financed with the project;

- to enhance transparency in the selection of municipalities and sub-projects;

- to approve, upon prior approval by the World Bank, the annual budget of the Project unit;

- to approve the semi-annual and annual reports on project progress prepared by the Project unit, the portfolio status, implemented activities, execution of the annual budget and / or other possible issues that might occur.

3. The Coordinating committee meets at least once every three months or more frequently upon the request of its members.

4. With this decision, Decision No. 04-42572/1 dated 07.11.2007 ceases to be valid.

5. This decision takes effect as of the day it is made.

E L A B O R A T I O N

In connection with the Municipal Services Improvement Project and the discussions with the International Bank for Reconstruction and Development – World Bank regarding the Loan agreement of the abovementioned Project, on the 54th session of the Government of the Republic of Macedonia held on 24.02.2009 as well as the 66th session of the Government of the Republic of Macedonia held on 05.05.2009 conclusions were reached according to which the Ministry of Finance is obliged to prepare a Decision to form a Coordinating Committee for the Municipal Services Improvement Project, whereas the Ministry of Transport and Communications, Ministry of Local Self-Government, Ministry of Environment and Physical Planning, Secretariat for European Affairs, Association of Units of Local Self-Government and Association of Public Communal Services Providers should nominate the members of the Coordinating Committee.

On the basis of the above mentioned, it has been decided as stated in the conclusion of this decision.

VICE PRIME MINISTER AND
MINISTER OF FINANCE
Zoran Stavreski, MA

Delivered to:
- President
- members of the Coordinating Committee and
- archive of the Ministry

Prepared by: Daniela Jankova
Controlled by: Mile Nikolovski
Approved by: Georgi Stojkov

REPUBLIC OF MACEDONIA
MINISTRY OF FINANCE
No. 02-37269/,
02.11.2010
Skopje

Pursuant to article 49 paragraph 1 and article 55 paragraph 1 of the Law on organization and work of state governing bodies ("Official gazette of the Republic of Macedonia" No. 58/2000, 44/2002 and 82/2008) article 25 from the Rulebook on organization and work of the Ministry of Finance No. 01-19034/1 dated 02.06.2010, item 6 from the Draft - minutes of the 54th session of the Government of the Republic of Macedonia held on 24.02.2009 and item 14 from the Draft - minutes of the 66 session of the Government of the Republic of Macedonia held on 05.05.2009, the Minister of Finance has made the following

D E C I S I O N
to amend the Decision to from a Coordinating Committee for the Municipal Services Improvement Project

1. Decision No. 02-26674/1 dated 29.07.2009 to form a Coordinating Committee for the Municipal Services Improvement Project is amended as follows:

- item 1 – b) line 1 from the Decision "- Ana Stojkova, an employee at the Ministry of Finance, Public Debt Management Department, at the position head of the Borrowing and Investment Unit" is amended as follows:

"-Dejan Nikolovski, an employee at the Ministry of Finance, Public Debt Management Department, Borrowing and Investment Unit, placed at the position of debt advisor;"

- item 1 – b) line 6 from the Decision "-Jasna Boljat, an employee at the Secretariat for European Affairs, European funds unit" is amended as follows:

"-Sofche Zafirovska, an employee at the Secretariat for European Affairs, Unit for bilateral and multilateral assistance;"

2. This decision takes effect as of the day it is made.

E l a b o r a t i o n

On 14.10.2010, the state advisor, Suzana Peneva submitted a request for amendment of the Decision to form a Coordinating Committee for the Municipal Services Improvement Project (MSIP) to the Legal and Administrative Affairs Department due to Decision No. 04-28325/2 dated 23.08.2010 with which the working relation of Ana Stojkova becomes inactive due to her reappointment to work abroad, by which her rights and obligations within the Ministry of Finance become inactive as a result of her election to become an Economic promoter "in Serbia and Bulgaria" by the Agency for Foreign Investments and Export Promotion of the Republic of Macedonia as well as missive No. 14-34324/1 dated 08.10.2010 with which the Secretariat for European Affairs informs about the nomination of a member to the Coordinating Committee for the Municipal Services Improvement Project suggesting Sofche

Zafirovska, an employee at the Secretariat for European Affairs, Unit for bilateral and multilateral assistance.

After review of the request and in connection with article 25 from the Rulebook on organization and work of the Ministry of Finance No. 01-19034/1 dated 02.06.2010, item 6 from the Draft - minutes from the 55th session of the Government of the Republic of Macedonia held on 24.02.2009 and item 14 from the Draft - minutes from the 66th session of the Government of the Republic of Macedonia held on 05.05.2009 and in accordance with the abovementioned Decision with which the working relation of Ana Stojkova becomes inactive, as well as the abovementioned missive from the Secretariat for European Affairs to nominate Sofche Zafirovska to be a member of the Committee, it has been decided as stated in the conclusion of this decision.

DELIVERED TO:

-President

-members; and

-archive of the Ministry

VICE PRIME MINISTER AND
MINISTER OF FINANCE
Zoran Stavreski, MA

Prepared by: Frosina Bajlozova
Reviewed by: Mile Nikolovski
Approved by: Igor Dimitrov

ANNEX 3.2: DECISION ON ESTABLISHING THE PROJECT MANAGEMENT UNIT (PMU)

REPUBLIC OF MACEDONIA

MINISTRY OF FINANCE

No. 04-18070/1

23.04.2008

SKOPJE

Pursuant to article 49 and 55, paragraph 1 of the Law on Organization and Work of the State Administrative Authorities ("Official Gazette of the Republic of Macedonia number 58/2000 and 44/02), and with reference to the Conclusion from the hundred thirty second of the Government of the Republic of Macedonia, held on 18.02.2008, with regard to the Information about the current situation of the projects financed from proceeds from loans from international financial institutions and bilateral creditors, as well as the projects that are expected to be signed in 2008, the Minister of Finance hereby passes the following

DECISION

on the formation of a Project Implementation Unit for the Municipal Services Improvement Project of the Government of the Republic of Macedonia, financed with a loan from the World Bank

1.For the purposes of implementing the Municipal Services Improvement Project of the Government of the Republic of Macedonia, financed by a loan from the World Bank, a Project Unit **SHALL HEREBY BE FORMED** which shall be an independent body which will cooperate with the Ministry of Finance.

The project unit shall be formed by further equipping the existing PDPL Project Unit at the Ministry of Finance with additional staff.

The Municipal Services Improvement Project aims at improving the performances of the urban economies and the quality of management at municipal level, by providing financial and appropriate support to several selected municipalities and their public utility enterprises in the area of municipal planning, provision of utility services with a better quality and urban planning and management.

2.The staff employed in the Project Unit shall be responsible for administering the Project in accordance with procedures defined in the Operating Manual, prepared by the World Bank.

The project unit shall identify, evaluate, approve, implement, supervise and monitor the sub-projects with the Municipal Services Improvement Project.

3. The project unit shall have a supervisory committee which shall be chaired by a representative from the Ministry of Finance and shall comprise representatives from the Ministry of Local Self Government, the Ministry of Transport and Communications, the

Ministry of Environment and Physical Planning, the Association of Units of Local Self Government (ZELS) and the Association of Utility Service Providers (ADKOM).

4. The project unit shall be managed by a Lead Coordinator, as an executive authority, while the financial management specialist and the procurement specialist shall be taken from the PDPL Project Unit. The remaining staff will involve engaging appropriate professionals that will perform the activities and the tasks specified with the Operating Manual.

The financial management specialist and the procurement specialist shall continue to perform their regular obligations regarding the implementation of the PDPL Dutch Grant until its completion.

The engagement of professionals and consultants in the Project Unit shall be in accordance with the Operating Manual and the procedures of the World Bank.

5. The project Unit shall be fully responsible for preparing the reports to be submitted to the World Bank, the Ministry of Finance and the Supervisory Committee.

6. This decision shall become legally effective on the day when it is enacted.

SUBMITTED TO:

- Sector for harmonization with the EU and international finances
- The archives of the Ministry

MT

MINISTER

Dr. Trajko Slavevski

ANNEX 3.3 PMU TERMS OF REFERENCE

A Project Management Unit (PMU) has been established in the Ministry of Finance. The Ministry of Finance was selected to be the PMU seat due to the relevance of the project to the fiscal decentralization issues and EU accession requirements.

The MSIP PMU operates under the supervision of a Coordination Committee created for the MSIP and MSIP2 projects. The MSIP PMU is managed by a Lead Coordinator

The PMU has the full authority to manage and administer its program under operating guidelines and procedures set out in this Operational Manual. The PMU will recruit office staff and technical consultants on a competitive basis according to qualifications and selection criteria set out in the Procurement section. The PMU will enter into consultant services and civil works contracts, and will manage the project's financial accounts.

The PMU will be responsible for all aspects of project implementation with consideration of relevant requirements set forth by Republic of Macedonia and the World Bank. In particular, the PMU will be responsible for procurement, financial management, monitoring and evaluation of the project, including all sub-projects and grant projects to be implemented within the scope of the project. The PMU will be responsible for finalizing sub-loan agreements with the municipalities and reviewing the agreements between the municipality and the CSE. The PMU will also be responsible for finalizing poverty/social inclusion grants agreements with the municipalities. The PMU will liaise closely with the Bank on all fiduciary and safeguard issues and on adhering to the legal agreements.

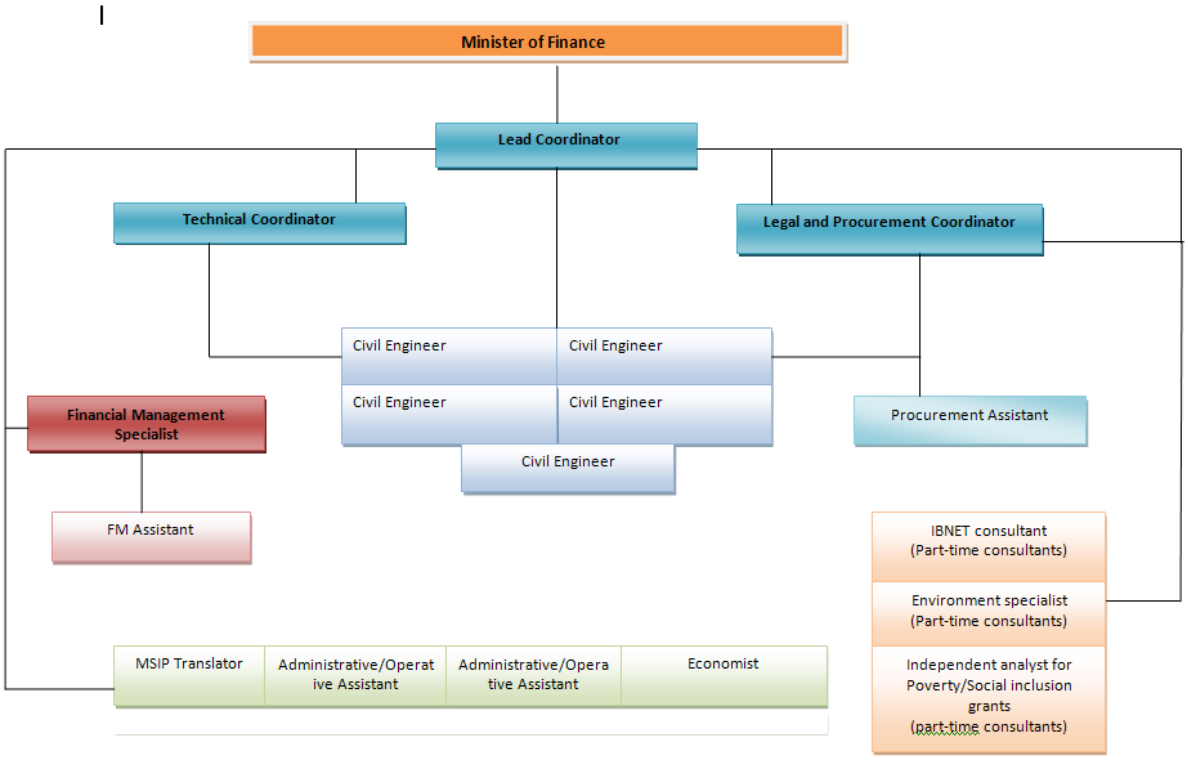
The PMU will be responsible for promoting the project amongst the municipalities, establishing a database for project proposals for future reference, soliciting and receiving proposals and applications for technical assistance and project funding. It will be responsible for liaising with the Bank with regard to sub-project preparation related to sub-loan financing and performance grant financing. The PMU would use the services of engineering, procurement, legal and other specialists to support finalization of sub-project preparation and implementation. For the purpose of environmental and social assessment, an environmental and social specialist shall be engaged on a consultancy base.

ANNEX 3.4. PMU ORGANIZATION AND STAFF; STAFF RULES

a) General principles

Contracting and management of all MSIP PMU personnel is exclusively governed by, and must be in full compliance with the procurement rules. The Sole Source Selection would be used, subject to the Bank's prior approval, for hiring of the current staff of the PMU and other individual consultants who meet requirements of paragraph 5.4 of the Consultants' Guidelines.

b) Organogram of the MSIP2 organizational structure



c) Employment Contract

Eligibility for 2 PMU Employment: All candidates for a MSIP PMU position must be able to speak, read and write Macedonian and English (good working knowledge of English and be able to fully understand spoken or written communications and/or documents). No MSIP PMU staff can hold another position in another public sector entity.

Salaries

Salaries will be paid according to the Procurement Plan, depending exclusively on the position occupied by the employee. Payments will be made directly into the employee's bank account.

d) Principles of Business Conduct

General Principles

The principles of professional responsibility in the exercise of employment in the service of MSIP2 are outlined below. As highlighted, all MSIP PMU staff is under strict obligation to observe confidentiality, impartiality and strict discipline in performing their duties.

The MSIP PMU will not practice any form of discrimination or preferential treatment in its relations with third parties, be they beneficiaries of activities of MSIP2 or suppliers to MSIP2 of goods or services, or persons or institutions involved in any way in the MSIP2 activities or the results of those activities. Any third party will be treated exclusively in accordance with the decision-making and selection procedures described in the POM.

Conflict of Interest

No staff of the MSIP PMU will, directly or through an intermediary, hold any interest in companies or exercise responsibilities in public or private institutions with commercial activities related to the implementation of MSIP2, or benefiting from its activities. They will not receive any remuneration, commission or fee of any kind from such companies or institutions.

Code of Public Behavior

Under the agreement with the Government, the MSIP PMU is required to perform a public service. Its employees are accordingly under an obligation to observe confidentiality, impartiality and discipline similar to that required of civil servants. Nor may they, in the performance of their functions, engage in political activities. MSIP PMU staff is expected to accord equal treatment to its clients and their representatives, the beneficiaries of works or operations, and the contractors.

The working week in MSIP PMU is of 40 hours.

Working hours are between 8:30 am and 16:30 pm.

All employees must use a compulsory 1/2 hour break per day.

Professional and support staff is not entitled to paid overtime.

Each staff that spends over 10 hours in the field is entitled to remuneration, as established according to the Law.

Overnights spent in the field will be fully compensated, based on the Law.

Staff is generally not encouraged to work on weekends and holidays, however there might be circumstances in which this engagement would be necessary. In that case, each staff member will be compensated for each hour worked, based on the value of the working hour as per their net salary. Work during weekends and holidays will be possible only with the authorization of the PMU Lead Coordinator.

MSIP PMU staff is paid once a month, generally between the first and fifth day of the next month.

The Finance officer keeps the official personnel files for each employee of the MSIP PMU. Staff may view their files during normal business hours. The PMU Lead Coordinator and PMU Legal and Procurement Coordinator are the only employees with access to employment records.

Under no circumstances will an employee be permitted to view another employee's personnel records, with the exception of the PMU Lead Coordinator and PMU Legal and Procurement Coordinator.

MSIP PMU staff earns their annual vacation at the rate of 2 days per month. MSIP PMU provides 24 vacation (working) calendar year prorated monthly from starting date.

Staff may carry over unused annual vacation days from one year to the next.

All vacation time must be approved in advance by the Project Lead Coordinator.

All employees leaving the MSIP PMU for whatever reason will be paid for vacation time earned but not taken. Any unearned but advanced vacation that has been paid to a departing employee will be recovered from an employee's final pay.

All efforts will be made to accommodate the schedule for summer vacation while planning the summer vacation schedule for MSIP PMU.

Staff may accrue up to six (6) sick days per year employed. If staff does not take these accrued sick days by the end of the year, the sick days will be lost.

The MSIP PMU will not pay employees for unused sick days under any circumstance.

A continuous sick-leave absence of more than three (3) days requires medical documentation from a physician. This documentation must be submitted to the Financial Officer, who will submit it for approval to the PMU Lead Coordinator.

Time off with regular pay is provided for up to five (5) working days if a death occurs in the staff's immediate family. In the event of the death of a spouse or child, special arrangements for additional time off can be made through the PMU Lead Coordinator.

If staff are absent from MSIP PMU offices for 3 or more days a week or 7 consecutive work days a month without informing the supervisor or the PMU Lead Coordinator of the reasons for absence, staff will be automatically dismissed from employment at MSIP PMU.

Extended absences, inclusive of extended travel for official purposes, will be approved by the PMU Lead Coordinator only on a case-by-case basis.

Employees are entitled to leave without pay only with the approval of the PMU Lead Coordinator, who shall decide on a case by case.

MSIP PMU will observe holidays that are observed by the Government, unless otherwise notified, in cases of important office obligations. Holidays can only be used on the days, which they occur. They may not be accumulated or carried over to the following year.

Staff may receive compensation days for working on official MSIP PMU holidays or weekends in extraordinary circumstances. In this case, all compensation days must be approved by the PMU Lead Coordinator.

Health and pension benefits shall not be paid by MSIP PMU and will be staff member's responsibility.

Travel and participation in meetings and seminars will be approved on a case-by-case basis by the PMU Lead Coordinator.

MSIP PMU will pay regular economy class air fare for employees traveling to official meetings. Per Diem will be paid according to local regulations. Any request for payment of extraordinary expenses must be accompanied by receipts.

ANNEX 3.5. TERMS OF REFERENCE FOR PMU KEY STAFF

TERMS OF REFERENCES OF THE LEAD COORDINATOR

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition, it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of project implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation.

Scope of the Assignment and Specific Tasks

The PMU will be responsible for overseeing MSIP2 implementation and day-to-day management of the Project activities, including procurement, reporting, accounting, auditing, etc. under the Loan Agreement.

The following specific tasks will be carried out by the PMU Lead Coordinator:

- Manage everyday operations;

- Represent project vis-à-vis Government institutions, local government units, international finance institutions and other multi-lateral and bilateral donors
- Prepare the project Long-Term Business Plan and any amendments to the Plan;
- Coordinate any amendments and changes to the Project Operational Manual and submit them to the Coordination committee for approval;
- Assign work responsibilities to PMU staff in accordance with the corresponding arrangements described in the chapter 3 of the POM.
- Propose and organize meetings of the Coordination Committee;
- Participate in all meetings of the Coordination Committee without voting rights;
- Prepare documentation for submission to the Coordination Committee meetings and prepare and issue minutes of the meetings;
- Ensure close coordination between technical assistance and investment activities funded under the project funds;
- Prepare recommendations to Coordination Committee (Minister of Finance) for the approval of funding for specific investment or technical assistance projects;
- Monitor overall project implementation;
- Prepare semi-annual and annual progress reports for submission to the Coordination Committee, the Government of the Republic of Macedonia, and/or the World Bank and/or any other donor as well as any other periodic or exceptional report and/or documentation on MSIP/MSIP2 activities or technical or financial performance that may be required by the Government of Republic of Macedonia, and/or the World Bank and/or any other donor.
- Monitor and evaluate, on a continuing basis, the performance of investment and technical assistance programs, and oversee the effective implementation of such monitoring and evaluation;
- Oversee the well-functioning of the designed financial management system, established system of internal controls and (b) smooth working/operation of the financial system;
- Control over the running of accountancy, preparing and submitting financial statements according the Budget and Budget's Users Accountancy Law of Republic of Macedonia.

Qualifications

The PMU Lead Coordinator has to meet the following requirements:

- University Degree in Economics or Business Administration, or Public Administration;
- At least 10 years of working experience in government and/or other public sector institutions, or international organizations, or international private sector, or in the NGO sector;
- Minimum 3 years of relevant professional experience in activities related to project management or project financial management;
- Good knowledge of the Macedonian state institutions both at the central and at local level and good understanding of Government regulations and systems at central levels;
- Previous experience in implementation of World Bank Projects would be considered as advantage;
- Good communication and social skills;
- Fluency in Macedonian and English.

Outputs

The major output of the work will be management and implementation of the MSIP2 strategic goals as well as conducting satisfactory and professionally all financial procedures under the project. Lead Coordinator shall be a full time position with the PMU. Lead Coordinator will be offered opportunities to develop professionally by attending relevant WB training events and courses during the term of the contract.

The remuneration will be paid on a monthly basis.

Reporting

Lead Coordinator will report directly to the Minister of Finance and to the President of the MSIP Coordination Committee. The Minister of Finance will supervise all tasks related to the daily engagement of the consultant.

Lead Coordinator will prepare the semi-annual and mid-term reviews reports for the World Bank and for the Ministry of Finance that should be approved by the MSIP Coordination Committee prior to be sent to the Bank. Based on the submitted reports, the Ministry of Finance and the World Bank shall make annual reviews of the performance of the Project Lead Coordinator.

Lead Coordinator will prepare and submit to the MSIP Coordination Committee, MSIP2 progress reports on a monthly, quarterly or semi-annual basis based on the request of the Committee.

Duration

The Contract shall be concluded for 3 (three) years and will be subject for possible extension after March 31 2021.

TERMS OF REFERENCES OF THE LEGAL AND PROCUREMENT COORDINATOR

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of project implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation.

Scope of the Assignment and Specific Tasks

The PMU will be responsible for overseeing MSIP2 implementation and day-to-day management of the Project activities, including procurement, reporting, accounting, auditing, etc. under the Loan Agreement.

The following specific tasks will be carried out by the Legal and Procurement Coordinator:

- Manage everyday project operations from the legal and procurement aspects;
- Assist in preparation of the semi-annual and annual progress reports for submission to the Coordination Committee, the Government of the Republic of Macedonia, and/or the World Bank and/or any other donor as well as any other periodic or exceptional report

and/or documentation on project activities that may be required by the Government of Republic of Macedonia, and/or the World Bank and/or any other donor;

- Coordinate any amendments and changes to the Project Operational Manual and submit them to the Coordination committee for approval;
- Support the Lead Coordinator to represent the project vis-à-vis Government institutions, local government units, international finance institutions and other multi-lateral and bilateral donors;
- Based on the work plans, develop annual implementation plans and procurement plans for MSIP/MSIP2 and have it approved by the WB;
- Monitor of the overall project implementation;
- Monitor and evaluate, on a continuing basis, the performance of investment and technical assistance programs, and oversee the effective implementation of such monitoring and evaluation;
- Consolidate requests for procurement of goods, works, technical and consulting (TA) services;
- Prepare, in conjunction with project sector teams, procurement documents (e.g., invitations to bid, standard bidding documents, bid clarification and eventual amendments, bid evaluation reports, etc.); obtain timely relevant approval for procurement documents;
- Obtain timely WB no-objections for procurement documents;
- Arrange advertising in the UN Development Business and national newspapers for the procurement of goods, works, technical and consulting (TA) services, required for the project;
- Organize and help manage pre-bid conferences; conduct the bid opening process and prepare the minutes of bid opening; in due time for bid evaluations, organize and support evaluation committees, take part in the evaluation committees, (as appropriate, economize evaluation efforts by identifying standing members to serve on various evaluation committees under the project); ensure proper documentation of committees' deliberations and findings; review the draft contract and obtain "no objection" for evaluation reports and draft contracts from the WB;
- Prepare correspondence and coordinate with the WB, and ensure the forwarding of copies of signed contracts to the WB to facilitate disbursement;
- Help with correspondence and actions needed with the designated bank for handling payment mechanisms for the goods ordered, and enabling withdrawal of loan proceeds;
- Track progress of procurement activities against the plans set forth in the PIP; highlight variations in progress, record reasons and identify remedial actions; report this to the Project Lead Coordinator on a monthly basis;
- Prepare and submit for Bank review periodic procurement progress reports, keep list of completed, on-going and planned contracts and keep updated list of contracts subject to the WB post review;
- Revise the procurement plan in coordination with all PMU staff, as needed, and submit to WB for no-objection if necessary.

Qualifications

The PMU Legal and Procurement Coordinator has to meet the following requirements:

- University degree in Law;
- Minimum 10 years general/professional experience and 7 years respectively specific/relevant experience in procurement for goods, works, technical and

consulting (TA) services associated with the implementation of projects financed by the WB or other international donor;
- Knowledge of Project Cycle Management;
- Knowledge of Contract Management;
- Knowledge of guidelines and procedures of Macedonian and WB procurement processes;
- Knowledge of planning and holding tenders for goods, works, technical and consulting (TA) services;
- Macedonian and English language proficiency;
- Computer operations.

Outputs

The major output of the work will be management and implementation of MSIP2 strategic goals as well as conducting professional implementation of the World Bank procurement procedures under the project. Legal and Procurement Coordinator shall be a full time position with the PMU. Legal and Procurement Coordinator will be offered opportunities to develop professionally by attending relevant WB training events and courses during the term of the contract.

The remuneration will be paid on a monthly basis.

Reporting

Legal and Procurement Coordinator will report directly to the Minister of Finance, to the President of the MSIP Coordination Committee and to the Lead Coordinator.

The Legal and Procurement Coordinator will provide full support to the Lead Coordinator in preparing semi-annual and mid-term reviews reports for the World Bank and for the Ministry of Finance that should be approved by the MSIP Coordination Committee prior to be sent to the Bank. Based on the submitted reports, the Ministry of Finance and the World Bank shall make annual reviews of the performance of the Project Lead Coordinator.

Legal and Procurement Coordinator will prepare and submit to the MSIP Coordination Committee, MSIP progress reports on a monthly, quarterly or semi-annual basis based on the request of the Committee.

Duration

The Contract shall be concluded for 3 (three) years and will be subject for possible extension after March 31 2021.

TERMS OF REFERENCES OF THE TECHNICAL COORDINATOR

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of project implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation.

Scope of the Assignment and Specific Tasks

The PMU will be responsible for overseeing MSIP2 implementation and day-to-day management of the Project activities, including procurement, reporting, accounting, auditing, etc. under the Loan Agreement.

The following specific tasks will be carried out by Technical Coordinator:

- Manage everyday project operations from the technical / civil engineering aspects;
- Oversee the completion of the delegated assignments by the Lead Coordinator of the PMU Civil Engineers;
- Provide technical data for preparation of the semi-annual and annual progress reports for submission to the Coordination Committee, the Government of the Republic of

Macedonia, and/or the World Bank and/or any other donor as well as any other periodic or exceptional report and/or documentation on project activities or technical or financial performance that may be required by the Government of Republic of Macedonia, and/or the World Bank and/or any other donor;
- Support the PMU Lead Coordinator to represent the project vis-à-vis Government institutions, local government units, international finance institutions and other multi-lateral and bilateral donors;
- Monitor of the overall project implementation in reference to the technical /civil engineering side;
- Assist prospective clients in the identification of investment project proposals;
- Ensure the preparation of feasibility studies in accordance with the criteria detailed in the POM;
- Evaluate results of feasibility studies;
- Coordinate and quality assure the preparation of the necessary preliminary and detailed engineering and design studies
- Conduct, in close coordination with Procurement and Financial staff the final appraisal of the technical, financial, and economic feasibility of the proposed investments, including review of least cost alternatives, economic assessment (calculation of IRR or NPV, cost-benefit analysis, etc);
- Ascertain the compliance of the all investment project proposals with the regulations and/or requirements of the respective ministries of the Government and ensure that all necessary permits or licenses are obtained;
- Prepare the project documentation required for approval of loan and grant financing by the MSIP Coordination Committee;
- Assist the Legal and Procurement Coordinator in the preparation of the necessary procurement documents;
- Assist the Legal and Procurement Coordinator in the evaluation of bids and the preparation and signing of contracts for works and/or supply of goods;
- Carry out site supervision of implementation of investment projects and ensure the adequate management of contracts for works and/or supply of goods.

Qualifications

The PMU Technical Coordinator has to meet the following requirements:

- University Degree in Civil engineering;
- Minimum 15 years of relevant professional experience in infrastructure project preparation and management, civil works including detailed design and supervision;
- Experience in working with World Bank-financed projects and familiarity with Bank reporting and procurement procedures would be an advantage;
- Good understanding of national regulations pertaining to the environment, communal services, and procurement through government agencies;
- Good communication skills;
- Very good Computer skills (Word, Excel, Access);
- Fluency in Macedonian and excellent knowledge of English Language;

Outputs

The major output of the work will be management and implementation of MSIP2 strategic goals as well as conducting professional implementation of the civil engineering under the

project. Technical Coordinator shall be a full time position with the PMU. Technical Coordinator will be offered opportunities to develop professionally by attending relevant WB training events and courses during the term of the contract.

The remuneration will be paid on a monthly basis.

Reporting

The Technical Coordinator will report directly to the Minister of Finance,to the President of the MSIP Coordination committee and to the Lead Coordinator. The Technical Coordinator will provide full support to the Lead Coordinator.

Duration

The Contract shall be concluded for 3 (three) years and will be subject for possible extension after March 31 2021.

TERMS OF REFERENCES FOR THE FINANCIAL MANAGEMENT SPECIALIST

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of both projects implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation. These Terms of Reference refer only to responsibilities to be carried out under MSIP2, in parallel to the tasks required under MSIP.

Scope of Services

The Objective of the assignment is to assist the MSIP PMU to:

1. Further develop and operate a financial management system which would include the following aspects:

   i. Flow of Funds Process, including policies, procedures and arrangements for receipt of funds from various sources to the Project(s), and flow of funds within the Project(s) to the various implementing entities.

ii. Accounting System, that covers Entire Project(s) i.e. all sources of funds for the Projects(s) (e.g.: Government of Macedonia, IBRD, and other donors); and all utilization of funds. This would include:

   a) *Chart of Accounts:* The Chart of Accounts would be used to: (a) capture financial data under appropriate headings; and (b) classify and group financial data for the various financial reports. The structure of the Chart of Accounts should cater for data to be captured by: (i) Project(s) components and sub-components; (ii) expenditure categories; (iii) IBRD disbursement categories for the Project(s); and (iv) implementing entities.

   b) *Financial and Accounting Policies*: Simple, clear and transparent financial and accounting policies, which would govern financial management of and accounting for the Project(s) should be developed. These would include both: (i) Accounting Policies for accounting and financial reporting for the Project(s); and (ii) Financial Policies and Procedures e.g. policies and procedures for transfer of funds and accounting for expenditures (including payment of advances, recovery of amounts); policies regarding expenditures which can be treated as Project(s) expenditures, and the classification of these expenditures under appropriate headings in the Charts of Accounts; etc.

   c) *Design of formats of the various accounting books*, records and statements e.g., cash and bank books, journals, various ledgers, trial balance, voucher formats, etc.

iii. Financial and Accounting Procedures. The most important considerations in the various procedures are: (i) a satisfactory system of internal controls: and (b) smooth working/operation of the financial system. These procedures should incorporate standard internal checks/controls such as delegation and separation of duties, authorization of transactions, physical custody of assets, periodic and regular reconciliations, independent verification, conformity to Project procurement policies and procedures, etc.

iv. Preparation of Budgets: The budgeting system should be integrated with the accounting system to enable comparison of actual performance with budgets/targets.

v. Preparation of Financial Forecasts: Financial forecasts should be based on projected work programs and actual performance. Forecasts should include both short-term forecasts (say 2 quarters), and longer-term forecasts over the life of the Project.

vi. Procurement and Contract Administration Monitoring: Develop and implement a solid system for monitoring of procurement processing of contracts. This system should be linked to the financial accounting system wherever needed.

vii. Financial Reporting: Preparation of the various periodical financial reports for the Ministry of finance, World Bank and others stakeholders. The financial reports should provide quality and timely information to Project management, implementing entities, and various stakeholders on Project performance. The financial reports should also include all the Project Management Reports (financial statements, output monitoring reports, and procurement management reports).

viii. Support the Auditing Arrangements: Safe custody of all financial records for review by Bank Missions and External Auditors.

2. The financial management system should conform to the relevant polices of the Government of Macedonia and should also conform to the relevant guidelines and operational policies of the World Bank.

3. Running of accountancy, preparing and submitting financial statements according the Budget and Budget's Users Accountancy Law of Republic of Macedonia.

Necessary qualifications

- University Degree in Economy or Finances or Accounting;
- Minimum 5 years of relevant professional experience in Financial Management;
- Experience in working with World Bank Financial Management would be a strong advantage;
- Good understanding of Government financial management regulations and systems at central levels
- Good communication and social skills;
- Computer skills (Word, Excel, Access);
- Fluency in Macedonian and working knowledge of English;
- Have a clean police record, dispose of all civil rights and no previous implication in embezzlement.

Working conditions

The Financial management specialist will be stationed in the MSIP PMU premises in Skopje, but should be ready to travel and hold numerous meetings throughout the country, and work under pressure.

Outputs

The major output of the work will be satisfactory, professionally conducted financial procedures under the MSIP2.

The Financial Management Specialist will be a full time position at the PMU. The Financial Management Specialist will be offered opportunities to develop professionally by attending relevant WB training events and courses during the term of the contract. The remuneration will be paid on a monthly basis.

Duration

The initial Contract shall be concluded for 1 (one) year and will be subject for possible extension, based on the annual work evaluation, but not to exceed the duration of the MSIP2 Project (till March 31, 2021).

Reporting

The Financial Management Specialist will work full-time within MSIP PMU premises. The person will report to the Lead Coordinator.

TERMS OF REFERENCES FOR THE FINANCIAL MANAGEMENT ASSISTANT

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of both projects implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation. These Terms of Reference refer only to responsibilities to be carried out under MSIP2, in parallel to the tasks required under MSIP.

Scope of Services

The Objective of the assignment is to:

1. Assist in operation of the financial management system, under the supervision of the Financial Management Specialist, which includes the following aspects:

ix. Flow of Funds Process, including policies, procedures and arrangements for receipt of funds from various sources to the Project(s), and flow of funds within the Project(s) to the various implementing entities, and documentation of the use of funds for project purposes.

x. Accounting System, that covers Entire Project(s) i.e. all sources of funds for the Projects(s) (e.g.: Government of Macedonia, IBRD, and other donors) and all utilization of funds, as per the chart of accounts and procedures in place.

xi. Financial and Accounting Procedures. The most important considerations in the various procedures are: (i) a satisfactory system of internal controls: and (b) smooth working/operation of the financial system. These procedures should incorporate standard internal checks/controls such as delegation and separation of duties, authorization of transactions, physical custody of assets, periodic and regular reconciliations, independent verification, and conformity to Project procurement policies and procedures, as described in the Project Operational Manual (POM) and other relevant project documents etc.

xii. Preparation of Budgets: The budgeting system should be integrated with the accounting system to enable comparison of actual performance with budgets/targets.

xiii. Preparation of Financial Forecasts: Financial forecasts should be based on projected work programs and actual performance. Forecasts should include both short-term forecasts (say 2 quarters), and longer-term forecasts over the life of the Project.

xiv. Procurement and Contract Administration Monitoring: Implement a solid system for monitoring of procurement processing of contracts. This system should be linked to the financial accounting system wherever needed.

xv. Financial Reporting: Assist in preparation of the various periodical financial reports for the Ministry of finance, World Bank and others stakeholders. The financial reports should provide quality and timely information to Project management, implementing entities, and various stakeholders on Project performance. The financial reports should also include all the Project Management Reports (financial statements, output monitoring reports, and procurement management reports).

xvi. Support the Auditing Arrangements: Safe custody of all financial records for review by Bank Missions and External Auditors.

2. Support in running of accountancy and preparing of various financial reports and statements according to the relevant guidelines and operational policies of the World Bank and the Budget and Budget's Users Accountancy Law of Republic of Macedonia.

3. Fulfil other operational assignments according to the request of the PIU Project Lead Coordinator, including:

i. updating the FM section of the POM with any changes in the financial and disbursement arrangements of the project;

ii. liaising with the project-supported municipalities to provide information and support, as needed and for monitoring and reporting; etc.

Necessary qualifications

- University Degree in Economy, Business Administration, Finances, Accounting;
- Minimum 3 years of relevant professional experience in Financial Management;
- Good understanding of Government financial management regulations and systems at central levels;
- Good communication and social skills;
- Computer skills (Word, Excel);

- Fluency in Macedonian and working knowledge of English;
- Have a clean police record, dispose of all civil rights and no previous implication in embezzlement.

Working conditions

The Financial Management Assistant will be stationed in the MSIP PMU premises in Skopje, but should be ready to travel and hold numerous meetings throughout the country, and work under pressure.

Outputs

The major output of the work will be satisfactory, professionally conducted financial procedures under MSIP2.

The Financial Management Assistant will be a full time position at the PMU. The Financial Management Assistant will be offered opportunities to develop professionally by attending relevant WB training events and courses during the term of the contract. The remuneration will be paid on a monthly basis.

Duration

The initial Contract shall be concluded for 1 (one) year and will be subject for possible extension, based on the annual work evaluation, but not to exceed the duration of the MSIP2 Project (till March 31, 2021).

Reporting

The Financial Management Assistant will work full-time within MSIP PMU premises. The person will report to the Financial Management Specialist and to the Lead Coordinator.

TERMS OF REFERENCE FOR ECONOMIST

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of project implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation.

Scope of the Assignment and Specific Tasks

The MSIP PMU will be responsible for overseeing Project implementation and day-to-day management of the Project activities, including procurement, reporting, accounting, auditing, etc. under the Loan Agreement.

The following specific tasks will be carried out by the Economist:

Developing, and reviewing the Project Appraisal Documents for the designated municipalities having the following factors as a structural approach:

- Sub-project description: general information on the municipality, demographic and economic profile, general description of the project;

- Social impact: sociological study (analyzed variables: Social diversity and gender, Institutions, rules and behaviour, Stakeholders, Participation, Social risks), and resettlement issues;
- Technical solution: description, analysis, evaluation and potential amendments;
- Financial analysis: project costs, loan repayment, review of communal state enterprise accounts, analysis of the financial feasibility of the project;
- Cost benefit analysis: identification and valuation of relevant costs and benefits, assumptions, analysis of the economic feasibility of the project, sensitivity analysis, cost effectiveness analysis (in case of multiple scenarios and when benefits cannot be expressed in monetary values);
- Risk analysis;
- Choice of scenario;
- Recommendations;
- Assist in defining a relevant and measurable sub-project monitoring indicators and provide support in their collection and presentation.

Necessary qualifications

- University Degree in Economy or Business administration or Finances.
- Minimum 8 years of relevant professional experience, comprising of 5 years of experience in related fields (such as Investments, Financial and Economic Analysis of investments, etc.);
- Experience in developing of Project Appraisal Documents or Feasibility Studies for investment projects;
- Proven successful expertise in the last 3 years in preparations, evaluation or appraisal of at least 3 infrastructure investment project;
- Proven successful experience in collaboration with government institutions including local self government (municipalities) and international financial institutions;
- Computer skills and Fluency in Macedonian and working knowledge of English.

Working conditions

The Economist will be stationed in the MSIP PMU premises in Skopje, but should be ready to travel and hold numerous meetings throughout the country, and work under pressure. The Economist will be a full time position at the PMU. The remuneration will be paid on a monthly basis

Outputs

The major output of the work will be developing and reviewing Project Appraisals Documents and Feasibility Studies as well as performing Economic Analysis upon any raised need under the MSIP2.

Duration

The initial contract shall be concluded for 1 (one) year and will be subject for possible extension, based on the annual work evaluation, but not to exceed the duration of the MSIP2 Project (till March 31, 2021).

Reporting

The person will report to the Lead Coordinator.

TERMS OF REFERENCE FOR THE PROCUREMENT ASSISTANT

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of project implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation.

Scope of the Assignment and Specific Tasks

The MSIP PMU will be responsible for overseeing Project implementation and day-to-day management of the Project activities, including procurement, reporting, accounting, auditing, etc. under the Loan Agreement.

1. The following specific tasks will be carried out by the Procurement Assistant:
    - Assist the Procurement Specialist to consolidate requests for procurement of goods, works, technical and consulting services;
    - Assisting the Procurement Specialist in reviewing the submitted procurement packages (documents) from the municipalities requesting approvals for conclusions of contracts with selected vendors /suppliers and preparing draft approvals for conclusion of contracts;

- Ensuring that procurement of goods, civil works and services under Loan and Grant Agreements are implemented in accordance with the provisions of the Loan and Grant Agreements, World Bank Procurement Guidelines, and MSIP2 Project Operation Manual;
- Assisting the Procurement Specialist in keeping an effective system for monitoring of procurement process and contract implementation on behalf of the PIU (recording the dates of all important approvals, contract awards, amounts etc.), as well as an adequate system record keeping system to ensure quick finding of procurement information;
- Assisting the Procurement Specialist in preparing: procurement documents (e.g., invitations to bid, standard bidding documents, bid clarification and eventual amendments, bid evaluation reports, etc.); obtain timely relevant approval for procurement documents;
- Assisting the Procurement Specialist in organizing and help managing pre-bid conferences; conduct the bid opening process and prepare the minutes of bid opening; in due time for bid evaluations, organize and support evaluation committees, take part in the evaluation committees, (as appropriate, economize evaluation efforts by identifying standing members to serve on various evaluation committees under the project); ensure proper documentation of committees' deliberations and findings; ensure timely approval by the Project Lead Coordinator recommendations (including, as appropriate, PCC review) and of prospective contracts; review the draft contract and obtain "no objection" for evaluation reports and draft contracts from the WB;
- Assist the Procurement Specialist in forwarding of copies of signed contracts to the WB to facilitate disbursement;
- Assist the Procurement Specialist in tracking progress of procurement activities against the plans set forth in the PIP; highlight variations in progress, record reasons and identify remedial actions; report this to the Procurement Specialist and Project Lead Coordinator on a monthly basis;
- Maintain regular communication with Procurement Specialist to ensure that procurement tracking information is well coordinated with other project planning, project budgeting and other project financial reporting information;
- Execute any other task required by the Procurement Specialist and Project Lead Coordinator.

Qualifications

The PMU Procurement Assistant has to meet the following requirements:

- Relevant University degree;
- minimum 5 years general/professional experience and 2 years respectively specific/relevant experience in procurement for goods, works, technical and consulting (TA) services associated with the implementation of projects financed by the WB or other international donor;
- Familiarity with guidelines and procedures of Macedonian and WB procurement processes;
- Familiarity with planning and holding tenders for goods, works, technical and consulting (TA) services;
- Macedonian and English language proficiency;
- Computer operation.

Outputs

The major output of the work will be satisfactory, professionally conducted procurement procedures under the MSIP2 project.

The PMU Procurement Assistant will be a full time position with the PMU. The remuneration will be paid on a monthly basis.

Reporting

The PMU procurement Assistant will work full-time within the premises of the PMU of the MSIP2 Project. The person will report day to day to the Legal and Procurement Coordinator and to the Lead Coordinator.

Duration

The initial Contract shall be concluded for 1 (one) year and will be subject for possible extension, based on the annual work evaluation, but not to exceed the duration of the MSIP2 Project (till March 31, 2021).

TERMS OF REFERENCES FOR THE CIVIL ENGINEER [2]

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of project implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation.

Scope of Services

The Objective of the assignment is to assist the PMU to:

- assist prospective MSIP clients in the identification of investment project proposals;
- ensure the preparation of feasibility studies in accordance with the criteria detailed in the OM;
- evaluate results of feasibility studies;
- coordinate and quality assure the preparation of the necessary preliminary and detailed engineering and design studies;

2 One of the hired Civil Engineers shall be responsible for environmental safeguards implementation.

- conduct, in close coordination with Procurement and Financial Management Operations Officers the final appraisal of the technical, financial, and economic feasibility of the proposed investments, including review of least cost alternatives, economic assessment (calculation of IRR or NPV, cost-benefit analysis, etc);
- ascertain the compliance of the all investment project proposals with the regulations and/or requirements of the respective ministries of the Government and ensure that all necessary permits or licenses are obtained;
- prepare the project documentation required for approval of MSIP2 loan and grant financing by the MSIP Coordination Committee;
- assist the PMU Legal and Procurement Coordinator in the preparation of the necessary procurement documents;
- assist the Legal and Procurement Coordinator in the evaluation of bids and the preparation and signing of contracts for works and/or supply of goods;
- carry out site supervision of implementation of investment projects and ensure the adequate management of contracts for works and/or supply of goods;
- prepare periodic implementation progress reports for the Lead Coordinator.

Necessary qualifications

- University Degree in Civil engineering, Masters degree would be an advantage;
- Minimum 5 years of relevant professional experience in infrastructure project preparation and management, civil works including detailed design and supervision;
- Experience in working with World Bank-financed projects and familiarity with Bank reporting and procurement procedures would be an advantage;
- Good understanding of national regulations pertaining to the environment, communal services, and procurement through government agencies;
- Good communication skills;
- Very good Computer skills (Word, Excel, Access);
- Fluency in Macedonian and excellent knowledge of English.

Working conditions

The Civil engineer will be stationed in the MSIP PMU premises in Skopje, but should be ready to hold numerous meetings in the field and work under pressure. Payment shall be made on a monthly basis, in accordance with the Contract provisions.

Duration

The initial Contract shall be concluded for 1 (one) year and will be subject for possible extension, based on the annual work evaluation, but not to exceed the duration of the MSIP2 Project (till March 31, 2021).

Reporting

The Civil engineer specialist will work full-time within MSIP PMU premises. The person will report to the Lead Coordinator and to the Technical Coordinator.

TERMS OF REFERENCES

FOR THE ADMINISTRATIVE /OPERATIVE ASSISTANT

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of project implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation.

Scope of Services

The Objective of the assignment is to assist the PMU to:

- Assist the Civil Engineers in quality assurance of the preparation of the necessary preliminary and detailed engineering and design studies;
- Assist the Civil Engineers to ascertain the compliance of the all investment project proposals with the regulations and/or requirements of the respective ministries of the Government and ensure that all necessary permits or licenses are obtained;
- Assist the Civil Engineers in preparing the project documentation required for approval of MSIP2 loan and grant financing by the MSIP Coordination Committee;

- Assist the Civil Engineers in ensuring the preparation of project appraisal documents in accordance with the criteria detailed in the OM;
- Assist the Civil Engineers in evaluation of results of project appraisal documents;
- Assist the Civil Engineers to conduct, in close coordination with PIU staff the final appraisal of the technical, financial, and economic feasibility of the proposed investments, including review of least cost alternatives, economic assessment (calculation of IRR or NPV, cost-benefit analysis, etc);
- Assist the Civil Engineers in carrying out site supervision of implementation of investment projects and ensure the adequate management of contracts for works;
- Support in organizing the MSIP PMUs' activities and procedures;
- Coordinate and communicate with municipalities, ministries and other state bodies and institutions whenever necessary;
- Keep evidence of the entire Project documentation;
- To update and maintain the project website;
- Assist in preparation and organization of meetings, as well as prepare the minutes from the meetings;
- Regular review of electronic information (web pages of the relevant institutions, ministries, agencies etc), related to the project activities;
- Any office assistance, operational and secretarial activities as requested by the Lead Coordinator and other Coordinators.

Necessary qualifications

- University Degree preferably in architecture or civil engineering;
- Knowledge of relevant Macedonian construction law;
- Experience in administrative and office work and ability to operate all general office equipment;
- Good coordination and organizational skills and teamwork spirit will be considered as advantage;
- Ability to maintain high level of accuracy in preparation and information and documents proceeding;
- Computer skills (Word, Excel, Power Point, Outlook, web);
- Fluency in spoken English and knowledge of written English;
- Excellent oral and written communication skills;
- Driving license: B category.

Working conditions

The Administrative/Operative will be stationed in the MSIP PMU premises in Skopje, but should be ready to hold numerous meetings on the field and work under pressure. Payment shall be made on monthly basis, in accordance with the Contract provisions.

Duration

The initial Contract shall be concluded for 1 (one) year and will be subject for possible extension, based on the annual work evaluation, but not to exceed the duration of the MSIP2 Project (March 30, 2021).

Reporting

The Administrative/Operative specialist will work full-time within MSIP premises. The person will report to the Lead Coordinator.

TERMS OF REFERENCES

FOR THE TRANSLATOR/ADMINISTRATOR

Background

Given the persistent need for improving municipal infrastructure the Government of the Republic of Macedonia requested a series of Municipal Services Improvement Projects. The original MSIP was launched in 2009, supported by the additional financing in 2012 and further extended with additional grant funds for rural infrastructure provided by the EU (MSIP, P096481). The MSIP2 represents the second phase of the Municipal Services Improvement Project and a response to the continuing strong demand by municipalities for local infrastructure financing. Given the persistent need for improving municipal infrastructure and based on the positive experience of MSIP implementation, a new project in the amount of EUR25 million was prepared.

The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as water supply, sewerage, solid waste management, energy efficiency improvements of municipal buildings, local roads, and any other services delivered by municipalities.

MSIP2 will continue to support affordable finance to municipalities, a demand-driven process with participating municipalities selecting priority investments, technical assistance to municipalities throughout the sub-project cycle, to help them in becoming more transparent and accountable institutions.

The project will provide sub-loans to municipalities for infrastructure investments of high priority and clear impacts on welfare or efficiency, while by poverty/social inclusion grants it will enhance inclusive service delivery in targeted poorer and marginalized communities for infrastructure improvements. In addition it will support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. The project would cover operational costs associated with project implementation, and support project management.

The implementation arrangements of MSIP2 will follow the implementation mechanisms of the existing MSIP operation to capitalize on the already established and well-functioning PMU at the MoF. The existing PMU will be responsible for all aspects of project implementation, according to the requirements of the Borrower and the World Bank, and will have full responsibility for project financial management, supervision of sub-project implementation, and monitoring and evaluation.

Scope of Services

The Objective of the assignment is to assist the MSIP PMU to:

- prepare and implement of the Project Management Unit (MSIP PMU) policies;
- support in organizing the MSIP PMUs' activities and procedures;
- prepare the time-sheets;
- coordinate and communicate with municipalities, ministries and other state bodies and institutions whenever necessary;
- keep evidence of the entire Project documentation;
- translate messages, letters, reports, manuals, technical specifications, terms of reference, contracts, agreements, laws and by-laws and other documents of

technical, scientific, legal and economic nature related to the MSIP Project (including economic, financial and legal documentation used within the Project);
- prepare and organize meetings, as well as prepare the minutes from the meetings;
- prepare preliminary information regarding the feasibility studies;
- regular review electronic information (web pages of the relevant institutions, ministries, agencies etc), related to the Project activities;
- organize the regular maintenance of the Project's facilities and eventual repairmen's;
- any office assistance and secretarial activities as requested by the PMU staff.

Necessary qualifications:

- University Degree preferably in administration or social science;
- Minimum 3 years of relevant professional experience in office management and documents proceedings and minimum 3 years of intensive experience in English translation / interpretation;
- Fluency in spoken English and thorough knowledge of written English;
- Excellent oral and written communication skills;
- Experience in administrative and office work and ability to operate all general office equipment;
- Ability to maintain high level of accuracy in preparation and information and documents proceeding;
- Working Experience in international and regional institutions will be considered as advantage;
- Computer skills (Word, Excel, Power Point, Outlook, web);
- Good coordination and organizational skills and teamwork spirit will be considered as advantage

Working conditions:

The Translator/Administrator will be stationed in the MSIP PMU premises in Skopje, but should be ready to hold numerous meetings on the field and work under pressure. Payment shall be made on monthly basis, in accordance with the Contract provisions.

Duration

The initial Contract shall be concluded for 1 (one) year and will be subject for possible extension, based on the annual work evaluation, but not to exceed the duration of the MSIP2 Project (March 30, 2021).

Reporting

The Translator/Administrator will work full-time within MSIP premises. The person will report to the Lead Coordinator.

TERMS OF REFERENCES

INDEPENDENT SPECIALIST FOR VERIFICATION OF POVERTY/SOCIAL INCLUSION GRANTS

Background

MSIP2 represents the second phase of the MSIP and a response to the continuing strong demand by municipalities for local infrastructure financing. The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as municipalities and their communal service enterprises (CSEs). Since MSIP2 will improve delivery of municipal services in the participating municipalities, its primary beneficiaries will be local communities – i.e. citizens of the participating municipalities. Through its Poverty/Social Inclusion Investment Grant component, MSIP2 will support pro-poor investments in marginalized neighborhoods and will therefore directly benefit poorer households in need of better public services. Institutional beneficiaries include staff within the participating municipal administrations, but also communal service enterprises and other service agents.

MSIP2 is consisted of the three components and is financing investments in the areas of water and sanitation, road infrastructure (including construction and rehabilitation activities) and other revenue generating or cost saving investments in communal services or of high priority to municipalities; provision of poverty and social inclusion investments infrastructure in poorer and marginalized communities within respective municipal jurisdictions.

Component A (Municipal Investments): will provide sub-loans to municipalities for investments in municipal infrastructure, including revenue-generating/cost saving municipal infrastructure investments and other projects of high priority for the municipalities. The project will focus on improving the delivery of services under the responsibility of participating municipalities and their CSEs. Types of investments will include water supply, sewerage including small-scale wastewater treatment, solid waste management, energy efficiency improvements of municipal buildings, local roads, markets, street lighting, storm water drainage, rehabilitation and limited construction of schools, kindergartens and other facilities for early childhood development.

Component B (Poverty/Social Inclusion Investment Grants): will provide investment grants to municipalities as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions. This component is specifically designed to target poorer and marginalized communities for municipal infrastructure improvements. Such communities will be identified via their geographic targeting of neighbourhoods within participating municipalities. Municipalities by themselves will need to identify such a target community in lieu of reliable official community-level statistics. Community-level service coverage data on paved roads, drainage, piped water, public sewers, kindergartens and other services as well as population data (vulnerable people, socially insecure people, receivers of the social welfare benefits, unemployed, etc) could serve as a determinant of a neighbourhoods poverty status.

Component C (Project Management, Monitoring and Evaluation, and Capacity Building): This component would supports operational costs of the PMU and assists with project implementation and monitoring, as well as support the relevant Ministries and other

agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. Support provided under this component could include technical assistance and capacity building support for (i) capital investment planning, sub-project preparation/implementation and local capacity building for municipalities and CSEs to improve service delivery, (ii) strengthening municipal financial management systems and practices, and (iii) national level institutional strengthening.

Scope of Services

The assignment is related to Component B (Poverty/Social Inclusion Investment Grants) and the objectives of the assignment are:

- Develop set of proxies and guidelines. The set of proxies and guidelines shall correspond with the core of the Component B to support pro-poor investments in marginalized neighbourhoods and therefore poorer households in need of better public service will have direct benefit. The consultant shall bear in mind during developing the proxies and guidelines that such communities shall be identified via their geographic targeting of neighbourhoods within participating municipalities.
- Develop template check list with incorporation of the crucial criteria for evaluation of the grant application in order to support poorest and marginalized communities for municipal infrastructure improvements.
- Conduct review of necessary documentation, prepared by the municipality applying for the grant.
- Evaluate results of the municipalities in fulfilment of the requested criteria in eligibility for the receiving grant.
- Prepare the verification report and a recommendation:

- that the municipality has fulfilled the criteria and is eligible for the grant, or
- that the municipality needs to further apply with different and marginalized community/ neighbourhood for municipal infrastructure improvements.

- Develop template of poverty/social inclusion investment grant indicators.

At the beginning of the assignment the consultant shall propose further clarification of the required fulfilment criteria, proxies and guidelines to ensure transparent and objective assignment. Such clarification/qualification would be subject to approval by PMU Lead Coordinator and the Bank prior to putting into practice.

Necessary qualifications:

- University Degree in Social Sciences, Economics and Finances or other relevant field. Masters degree or PhD level;
- Knowledge and experience in area of poverty/social inclusion investments.
- Minimum 5 years of experience in evaluating and monitoring the social impacts of infrastructure investments projects.
- Good communication skills;
- Very good Computer skills (Word, Excel, Access, MS Project);
- Fluency in Macedonian and excellent knowledge of English;

The consultant should understand that working papers prepared under World Bank project are subject to the review by MSIP2, MoF, Municipality and/or World Bank designated staff.

Reporting Requirements

The Consultant will report directly to the MSIP2 PMU Lead Coordinator. The consultant has to prepare and submit time-sheets to account the actual days worked on this assignment. Reports and Time sheets will be submitted to the MSIP2 PMU Lead Coordinator, and they will form a base for payment after approval of the report by the Coordination Committee.

Report	Report Contents	Deliverable Time Frames
Report on Guidelines for targeting the poorest and marginalized communities within the municipal jurisdiction	• Guidelines and template of the check list as well as list of municipal documents required for reliable verification of the targeting the poorest and marginalized communities for municipal infrastructure improvements.	a) 10 days after contract signing
Final Verification Report per municipality	• Conducted review of necessary documentation prepared by the municipality applying for the grant, • Evaluated results of the municipalities in fulfillment of the required criteria, ensuring that all undertaken activities are compliant with the relevant legislation, • Prepared verification and a recommendation that: - municipality has fulfilled the criteria and is eligible for the grant, or - municipality needs to further apply with different and marginalized community/ neighbourhood for municipal infrastructure improvements qualification for the grant, • Monitoring of the poverty/social inclusion investment grant indicators.	**b)** 20 days upon request by the eligible municipality

Deadline for report submission will be agreed on each assignment.

Duration of the assignment and type of procurement

The consultant shall be engaged with time-based contract for the first grant application with duration of 30 working days with in the period of 6 months, depending on the performance the contract could be extended for next assignments. It is expected that the Consultant will work “on demand” basis. The exact timing of the “on demand” services will be agreed among the MSIP2 PMU and the Consultant.

It is expected that work will start immediately after signature of the contract.

An individual consultant shall be selected in accordance with the World Bank’s *Guidelines: Selection and Employment of Consultants by World Bank Borrowers*, published by the World Bank in January 2011, revised July 2014.

The Contract shall be standard World Bank time-based Contract for small assignments also in accordance with the WB Guidelines for Selection and Employment of Consultants' by World Bank borrowers.

Working conditions:

The Consultant should be ready to hold numerous meetings in the field.

TERMS OF REFERENCES

ENVIRONMENTAL CONSULTANT

Background

MSIP2 represents the second phase of the MSIP and a response to the continuing strong demand by municipalities for local infrastructure financing. The project development objective is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities. The project aims to achieve this objective by enabling investments into municipal services and infrastructure and in support of institutions responsible for delivering these services, such as municipalities and their communal service enterprises (CSEs).Since MSIP2 will improve delivery of municipal services in the participating municipalities, its primary beneficiaries will be local communities – i.e. citizens of the participating municipalities. Through its Poverty/Social Inclusion Investment Grant component, MSIP2 will support pro-poor investments in marginalized neighbourhoods and will therefore directly benefit poorer households in need of better public services. Institutional beneficiaries include staff within the participating municipal administrations, but also communal service enterprises and other service agents.

MSIP2 is consisted of the three components and is financing investments in the areas of water and sanitation, road infrastructure (including construction and rehabilitation activities) and other revenue generating or cost saving investments in communal services or of high priority to municipalities; provision of poverty and social inclusion investments infrastructure in poorer and marginalized communities within respective municipal jurisdictions.

Component A (Municipal Investments): will provide sub-loans to municipalities for investments in municipal infrastructure, including revenue-generating/cost saving municipal infrastructure investments and other projects of high priority for the municipalities. The project will focus on improving the delivery of services under the responsibility of participating municipalities and their CSEs. Types of investments will include water supply, sewerage including small-scale wastewater treatment, solid waste management, energy efficiency improvements of municipal buildings, local roads, markets, street lighting, storm water drainage, rehabilitation and limited construction of schools, kindergartens and other facilities for early childhood development.

Component B (Poverty/Social Inclusion Investment Grants): will provide investment grants to municipalities as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions. This component is specifically designed to target poorer and marginalized communities for municipal infrastructure improvements. Such communities will be identified via their geographic targeting of neighbourhoods within participating municipalities. Municipalities by themselves will need to identify such a target community in lieu of reliable official community-level statistics. Community-level service coverage data on paved roads, drainage, piped water, public sewers, kindergartens and other services as well as population data (vulnerable people, socially insecure people, receivers of the social welfare benefits, unemployed, etc) could serve as a determinant of a neighbourhoods poverty status.

Component C (Project Management, Monitoring and Evaluation, and Capacity Building): This component would supports operational costs of the PMU and assists with project implementation and monitoring, as well as support the relevant Ministries and other agencies both at the National and Municipal level to strengthen the institutional and financial systems and practices for sustainable municipal service delivery. Support provided under

this component could include technical assistance and capacity building support for (i) capital investment planning, sub-project preparation/implementation and local capacity building for municipalities and CSEs to improve service delivery, (ii) strengthening municipal financial management systems and practices, and (iii) national level institutional strengthening.

General objectives of the assignment

The Consultant is envisaged to assist the MSIP PMU in preparation and reviewing of the required Environmental Plans for the sub-projects that might be in following areas: replacement of water supply pipes, sanitation, street lighting, installation of thermal heating pumps and waste collection equipment. The consultancy will cover the preparation, assessment and implementation phase of each sub-project.

Scope of Services

In order to achieve the general objective the consultant shall:

- ❑ Prepare the Environmental checklists for the sub-project, in accordance with the Environmental Assessment and Framework Document;
- ❑ Review and propose improvements and/or changes of draft Environmental Mitigation Plans, contained in the respective feasibility studies and detailed designs of the sub-projects, in accordance with the Environmental Assessment and Framework Document;
- ❑ Review and check for completeness the Environmental Monitoring Plans of the sub-project in accordance with the Environmental Assessment and Framework Document;
- ❑ Supervise the implementation of the Environment Mitigation Plans and Environment Monitoring Plans during implementation of works in the municipalities;
- ❑ Prepare Environmental Monitoring Reports including Project Progress reports for each ongoing sub-project, in accordance with PAD and POM.
- ❑ The consultant should understand that working papers under World Bank project can be subject to the review by MSIP PMU, MoF, Municipality and/or World Bank designated staff
- ❑ Participate in regular supervision missions.

The consultancy activities will be conducted in accordance with the articles stated in the MSIP2 POM.

Necessary qualifications:

- University Degree in Civil engineering, Technology, Environmental Sciences, Environmental Engineering, Natural sciences, Natural Resources Management or related field. Masters degree would be an advantage;
- Minimum 5 years overall professional experience including experience in preparing and control on the implementation of environmental plans, multidisciplinary environmental assessments, experience in EIAs;
- Experience in similar assignments in Republic of Macedonia;
- Good communication skills;
- Very good Computer skills (Word, Excel, Access)
- Fluency in Macedonian and excellent knowledge of English.

Reporting Requirements

The Consultant will report directly to the MSIP Lead Coordinator. The consultant has to prepare and submit to the Project Lead Coordinator time-sheets to account the actual days worked on this assignment.

The consultant shall submit reports no later than 5 working days after each completed phase from the particular sub – project.

Reports and Time sheets will be accepted formally by the Lead Coordinator and they will form a base for payment.

Duration of the assignment and type of procurement:

The consultant shall be engaged as part-time consultant. It is anticipated that he/she will work approximately 50 man days over the period of a year. It is expected that the Consultant will work "on demand" basis. The exact timing of the "on demand" services will be agreed among the MSIP PMU and the Consultant.

According to the Loan Agreement the project will last till March 31, 2021. The initial contract with the consultant shall be conducted for 1 (one) year and will be subject for possible extension, based on the annual work evaluation, but not to exceed the duration of the MSIP2 Project.

The assignment will start immediately after contract is signed and expected to be completed by March 31, 2021.

An individual consultant shall be selected in accordance with the World Bank's *Guidelines: Selection and Employment of Consultants by World Bank Borrowers*, published by the World Bank in May 2004, revised October 2006 and May 2010. www.worldbank.org.

The Contract shall be standard World Bank time-based Contract for small assignments also in accordance with the WB Guidelines for Selection and Employment of Consultants' by World Bank borrowers.

Working conditions:

The Consultant should be ready to hold numerous meetings in the field.

TERMS OF REFERENCE FOR THE IBNET DATA COLLECTION SUPPORT CONSULTANT

Background

In order to improve transparency, financial sustainability and delivery of local services which are essential for fostering local economic growth and improving living standards in municipalities, the Government of Republic of Macedonia has proposed the Municipal Services Improvement Project (MSIP) to be financed by the World Bank.

The major objective of the MSIP project is to support infrastructure investments in participating municipalities and their communal service enterprises, in the area of water supply, sanitation, and solid waste management, as well as support to other functions such as energy efficiency improvements, urban transport, and other services under municipal provision.

Ministry of Finance (MoF) is in charge for overall implementation and therefore the special Project implementation unit (PIU) is established within the Ministry.

One of the criteria to participate in MSIP is membership of municipal communal state enterprise (CSE) in Association of Municipal Communal Enterprises (ADKOM) and contribution to the IBNET database.

IBNET is benchmarking program on water utilities. Experience from MSIP project implementation to date demonstrates that many CSEs have difficulties in systematically collecting and reviewing available data for their reliability and to usefully apply the data for operational performance and benchmarking with their peers. Since, IBNET data collection is one of the basic eligibility criteria for participation in additional financing of the MSIP it was identified need and importance of providing technical support to CSEs in collecting, reviewing, submitting and interpreting performance data under the Project.

Scope of Services

The general objective of this assignment is to improve the performance of the water utilities through monitoring of performance targets and benchmarks allowing the municipalities to apply for MSIP funding.

In order to achieve the general objective the consultant shall:

- Conduct review of IBNET databases prepared by the CSEs of municipalities participating in MSIP project and gathered by the PIU/ADKOM;
- Recapitulate the completeness of collected data;
- Conduct data quality control of provided indicators;
- Evaluate capacity of CSE in fulfilment of the IBNET data provision;
- Assist CSEs to build capacity to improve the collection and the reliability of the technical and financing data within CSEs operating in water and sanitation sectors: train more than one person in each municipal CSE participating in Project in IBNET data preparation, explain the methodology on data gathering, input into electronic format and verification;
- Prepare short report on each municipal CSE capacity to provide IBNET database, recommend necessary trainings and identify gaps in collected data;
- Analyze IBNET indicators for each CSE;
- Supervise the correction of database in line with comments and provide plausibility check of the provided data;
- Consult CSE on comparison of indicators and conclusions on real market position in regards to performances;

- Provide advice and support to CSEs in developing operational performance improvement plans;
- Prepare aggregated report on IBNET data (on annual basis) comparing all municipal CSE and their work. Publication of this report will have a positive effect on stimulating CSEs to improve their performance and to continuously improve the quality of their services provided to the clients.

Individual reports on separate CSEs and final report will be submitted to the PIU, which will share them with ADKOM and the World Bank for comments.

Necessary qualifications

- Relevant University Degree. Masters degree or PhD would be an advantage;
- Minimum 5 years of relevant knowledge, skills, abilities and experience in communal services management, financial management, water and wastewater municipal management;
- Previous experience in collecting and analyzing data on water and wastewater utilities;
- Good understanding of national regulations pertaining to the environment, communal services, and municipal accounting and financial management;
- Good communication skills;
- Very good computer skills (Word, Excel);
- Fluency in Macedonian and excellent knowledge of English.

Working conditions

The Consultant should be ready to hold numerous meetings in the field. He/she will be provided working place at PIU office, but it is expected that most of the time the consultant will spend in the field working with CSEs.

Duration

According to the Loan Agreement the project will last till March 31, 2021. The initial contract with the consultant shall be conducted for 1 (one) year and will be subject for possible extension, based on the annual work evaluation, but not to exceed the duration of the MSIP2 Project. The assignment will start immediately after contract is signed and expected to be completed by March 31, 2021.

The consultant shall be engaged as part-time consultant. It is anticipated that he/she will work approximately 50 man days over the period of a year. It is expected that the Consultant will work “on demand” basis. The exact timing of the “on demand” services will be agreed among the MSIP PMU and the Consultant.

An individual consultant shall be selected in accordance with the World Bank’s *Guidelines: Selection and Employment of Consultants by World Bank Borrowers*, published by the World Bank in May 2004, revised October 2006 and May 2010. www.worldbank.org.

The Contract shall be standard World Bank time-based Contract for small assignments also in accordance with the WB Guidelines for Selection and Employment of Consultants’ by World Bank borrowers.

Reporting

The IBNET consultant will work closely with municipal CSEs and ADKOM. The Consultant will report directly to the MSIP PMU Project Lead Coordinator. The consultant has to prepare and submit to the Project Lead Coordinator time-sheets to account the actual days worked on this assignment. They will form a base for payment.

ANNEX 4.1 GUIDELINES FOR FEASIBILITY STUDIES

Table of Contents

ANNEX 4.1 GUIDELINES FOR FEASIBILITY STUDIES 117
INTRODUCTION 118
PROJECT DESCRIPTION 119
GENERAL INFORMATION ON THE MUNICIPALITY 119
DEMOGRAPHIC AND ECONOMIC PROFILE 119
GENERAL DESCRIPTION OF PROJECT 119
SOCIAL IMPACT OF PROJECT 121
SOCIOLOGICAL STUDY 121
OTHER FIELDS OF CONSIDERATION 122
RESETTLEMENT ISSUES 122
CONCLUSION ON THE PROJECT POTENTIAL SUCCESS AND RECOMMENDATIONS 122
ENVIRONMENTAL IMPACT OF PROJECT 123
MITIGATION PLAN 123
MONITORING PLAN 123
LOCAL ENVIRONMENTAL ACTION PLAN 123
TECHNICAL SOLUTION 124
DESCRIPTION 124
ANALYSIS, EVALUATION AND POTENTIAL AMENDMENTS 124
CONCLUSIONS AND RECOMMENDATIONS 124
FINANCIAL ANALYSIS 125
PROJECT COST 125
REPAYMENT OF THE LOAN 125
REVIEW OF CSES ACCOUNTS 125
ANALYSIS OF THE FINANCIAL FEASIBILITY OF THE PROJECT 125
ECONOMIC COST BENEFIT ANALYSIS 129
GENERAL INFORMATION 129
IDENTIFICATION AND VALUATION OF THE RELEVANT COSTS AND BENEFITS 130
OTHER ASSUMPTIONS 131
RESULTS FROM THE COST-BENEFIT ANALYSIS 132
SENSITIVITY ANALYSIS 132
COST-EFFECTIVENESS ANALYSIS 132
FURTHER GUIDANCE 132
RISK ANALYSIS 134
AFFORDABILITY CONSIDERATIONS 134
RECOMMENDATIONS 135

INTRODUCTION

These guidelines aim at establishing a procedure to follow in view of producing feasibility studies including all the necessary information for the correct realization of sub-projects. The sub-projects can be of different types. Those included into the MSIP2 are mainly infrastructure projects of water supply, distribution and treatment, wastewater collection and treatment, solid waste collection and treatment, street lighting and cleaning, parks, and markets creation or rehabilitation. The feasibility studies of course have to be adapted to the corresponding sub-projects but the core structure of a feasibility study always stays the same. This document will present one appropriate structure.

PROJECT DESCRIPTION

GENERAL INFORMATION ON THE MUNICIPALITY

Here should be found a general description of the municipality or agglomerate of municipalities the sub-project is taking place in. This part includes a location map of the municipality within the Republic of Macedonia and basic data on the municipality: size, number of inhabitants and of important settlements, historical and geographical contexts and main points of interests.

DEMOGRAPHIC AND ECONOMIC PROFILE

This part should include:

- a demographic table, based on the last census, containing data on demography, infrastructure, education, economy, employment, public spending and politics;
- Age repartition
- Gender repartition
- Urban – rural repartition
- Minorities repartition
- Employment repartition
- Description of the economic activities distributed between the 3 principal sectors with attention to the specificities of the area concerned.
- Relevant extracts of the Local Economic Development Plan

GENERAL DESCRIPTION OF PROJECT

This part should include a general description of the project:

- why the project is made, following which studies, which policies and included in which global plan;
- where the project will take place – maps recommended - and the number of inhabitants and size of the area which will be impacted by the project;
- thorough and precise analysis of the existing situation sustained by numbers, quantities, maps, schemes and sketches when relevant (efficiency of the current system, problems encountered…);

- analysis of the future situation based on justified assumptions and sustained by numbers, quantities, maps, schemes and sketches when relevant (future water demand, urban development on a new area creating the necessity for new utilities and services, increase in population density incurring an augmentation of waste to be collected and disposed in an area, changes in the economic or social dynamics, …);

- the defined goals of the project sustained qualitatively and quantitatively;

- what the project consists of (replacement of pipes, investment in new trucks for waste collection, lamps replacement…) sustained by numbers, quantities, maps, schemes and sketches when relevant. In case of multiple scenarios, all must be described in such way. If only minor changes differentiate the scenarios, the statement of those might be sufficient.

SOCIAL IMPACT OF PROJECT

This part must follow the document 'Social Development Outcomes' (see Appendix 4.2) redacted by the World Bank.

In case of multiple scenarios: as many sociological studies are needed as scenarios which can have different social impacts.

SOCIOLOGICAL STUDY

A sociological study of the impact of the project must be carried out by an expert of the field and must answer the Five Entry Points procedure described in the afore-mentioned document.

Those five entry points are:

- ❑ Social diversity and gender
- ❑ Institutions, rules and behavior
- ❑ Stakeholders
- ❑ Participation
- ❑ Social risk

The sociological study must be performed on the field and include surveys, meetings with focus groups and interviews with the relevant institutions and groups. At the very least, it should include face-to-face interviews with the municipal top 4 or 5 officials (mayor, three councilors and general manager of the public utility companies…).

This interview can be carried out through this set of questions:

- o Which are the development priorities of the city/municipality, according to the opinion of the municipal officials?
- o Which are the development priorities of the citizens of the municipality?
- o How many of the citizens are direct beneficiaries of the project?
- o Are the citizens fully informed of the projects, its goals, costs and consequences?
- o Which of the shareholders are more influential in the process of decision making at the local level?
- o Which of the stakeholders support, are indifferent or are against the loan project?

- Does the project cause a feeling of inequality among the citizens and do the citizens feel that a minor group imposes the project in order to get some personal or group benefits by its realization?
- Are the citizens ready to participate directly in the projects?
- Does some group, organization or institution might cause some problems in the realization of the projects?
- In case such problems appear in the realization of the project, how to solve them?
- Could there be some technical or/and economic obstacles and difficulties in the future realization of the projects or in its maintenance after the completion of the construction phase?
- Which would be the real assumptions to adopt for a correct realization of the project?

OTHER FIELDS OF CONSIDERATION

Depending on the sub-projects, some other fields might have to be answered: improvement on health or in quality of living, increase in the quality of the service… Those might require specific additional studies.

The other fields especially concern the beneficial impacts of the project, that could then, if quantifiable, being taken into account in the cost benefit analysis of the sub-project.

RESETTLEMENT ISSUES

Special attention has to be given to the resettlement issues linked to the projects. It is the reason why maps of existing and projected situation are critical to a good completion of the projects.

See ‘Resettlement policy framework’ in Appendix 4.8.

CONCLUSION ON THE PROJECT POTENTIAL SUCCESS AND RECOMMENDATIONS

Here must be analyzed and discussed the potential social success of the project. A project cannot be carried out without a positive conclusion on its social success and without a good resolution of all the resettlement issues.

Recommendations on the social aspect have to be made here: better communication on the project for the citizen and institutions…

ENVIRONMENTAL IMPACT OF PROJECT

In case of multiple scenarios: as many mitigation and monitoring plans are needed as scenarios which can have different environmental impacts.

MITIGATION PLAN

The mitigation plan must be established according to the 'Environmental Assessment Guidelines' (see Appendix 4.5).

Must first be identified the adverse environmental impacts of the projects, in which phase of the project they expressed themselves and can be avoided (design, construction, after completion), and then the corresponding mitigations measures.

MONITORING PLAN

The monitoring plan must be established according to the 'Environmental Assessment Guidelines' (see Appendix 4.5).

Must be identified the type of issue to monitor, where this issue occurs, how and when to monitor it, what is the qualitative cost of its monitoring and who is responsible for this monitoring.

LOCAL ENVIRONMENTAL ACTION PLAN

If the local environmental action plan is available, if the sub-project is included in it, and if it is relevant for the sub-project, produce it here.

TECHNICAL SOLUTION

This part depends mostly on the quality of the sub-project's detailed design. The better the detailed design is, the shorter is this part.

In case of multiple scenarios: for each scenario, the technical solutions must be described, analyzed, discussed, evaluated and amended. If only minor changes differentiate the scenarios, the statement of those and of their impacts might be sufficient after having treated the most characteristic scenario.

DESCRIPTION

The technical aspects of the project which have not been mentioned or fully discussed in part II have to be described here.

It is not useful to be too specific if it is not relevant for the technical solution's part: if there is no issue to solve or clarification to be made.

ANALYSIS, EVALUATION AND POTENTIAL AMENDMENTS

Here the technical solution has to be evaluated. The problems, inaccuracies, errors or lack of clarity encountered in the project's detailed design have to be discussed and solved.

Must be quantified and if necessarily recalculated the projected benefits of the project. This will be then used in the Financial and Cost Benefit Analysis.

CONCLUSIONS AND RECOMMENDATIONS

Here must be discussed the general quality of the design, eventual studies to correct the design or complementary studies that are necessary and could not be integrated into V.B. (for time, competency or financial reasons), the relevancy of the assumptions that have been made and their impact on the technical success of the project, and recommendations for slight changes in the project design.

In case of multiple scenarios: here must be discussed, analyzed and sorted by quality of technical solution the different scenarios.

FINANCIAL ANALYSIS

In case of multiple scenarios: as many financial analyses are needed as scenarios which can have significantly different financial results.

If only minor changes differentiate the scenarios, the statement of those and of their financial results might be sufficient after having treated the most characteristic scenario.

PROJECT COST

Here must be placed a summary table of the principal fields of the project's costs: design, geotechnical study, earthwork, installation.

The costs before and after VAT must be specified and the costs will preferably be expressed in the local currency and then converted into EUROS.

REPAYMENT OF THE LOAN

Here must be established at least one plan of repayment of the loan.

First must be stated the conditions of the loan: amount, interest rate, duration of the loan, grace period and expected annual payment amount.

The amount of the loan might be different than the project's cost, depending on the conditions of the loan expressed by the Ministry of Finances: for example if the costs for design and supervision or of the VAT can be included in the loan or not.

Then the plan on the overall period of the loan must be incorporated into a table that has to specify year by year the actualized principal amount, the portion of repayment due to the interests and the actual amount being repaid.

REVIEW OF CSES ACCOUNTS

When the CSE of a given municipality is involved in a sub-project presented to MSIP2, here must be reviewed and discussed its accounts, especially those in relation with the sub-project (in case of separate accounting). It must be carried out on the three previous years.

In general, it is a way of assessing the financial viability of the CSE, its institutional development and the way the project will beneficially (and detrimentally) impact it.

ANALYSIS OF THE FINANCIAL FEASIBILITY OF THE PROJECT

The overall financial analysis is established on a savings' perspective between the situations before and after the projects.

The analysis is focused on the sub-projects in themselves rather than on the borrowing entity.

Those savings are compared to the investments materialized by the loan's annual payments. From this point are calculated the Internal Rate of Return and the Net Present Value. A project is considered acceptable if:

- IRR> 5%
- NPV>0

Time horizon

The time horizon usually used for a feasibility study corresponds to the duration of the loan granted to the municipalities or CSEs, grace period included. It can for example be of 13 years, with 3 years of grace period and 10 years of reimbursement of the loan.

The length of the time horizon is of the same order of magnitude than the estimated useful life of the investment (usually more than 50 years for water project) of an infrastructure project.

Limitations of the analysis

Here must be described the various problems encountered during the realization of this analysis and which could make it limited: exactitude of the information gathered and of the assumptions previously made that could have an impact on the FA, difficulty in differentiating the bearer of the impacts of the project, assumptions made in the FA...

Initial investments

The initial investment is usually equal to the amount of the loan.

The approach usually selected considers the initial outlay as not being equal to the initial investment in fixed assets, but to the discounted value of the debt repayment. The rationale for this is the fact that the municipality (or the CSE) does not make the initial investment, but they borrow this amount and repay the debt on more than a decade. Therefore, the investment cost to the municipality (CSE) is equal to the discounted value of the future debt payments.

Projection of operating cash flows

For the projections we use the nominal values of the revenues and costs, disregarding the possible changes in the currency rates. This is justified by the fact that the Government has taken on itself the currency risk, while the municipality (CSE) will repay the debt in denars.

Assumptions

As we are dealing with Municipal improvement projects, we have to take a number of assumptions on the project such as the increase in population, because the revenues and savings due to the project will directly be influenced by it. All the assumptions have to be yearly rates of increase or decrease.

As examples, it can concern the growth of the population (for a project linked with consumption) and/or of GDP, rate of utilization of services and other relevant rates.

See the analysis of the future situation and assumptions made in II.C.

Main revenues (benefits) from the project

In order to assess the financial feasibility of the project, here must be listed the revenues and savings that are a direct result from the project operations. They must be detailed, sustained and resumed yearly in a table following the time horizon of the project.

See the benefits of the project in II.C.

Operating costs

Here must be listed the additional operating costs that are a direct result from the project operations. They must be detailed, sustained and resumed yearly in a table following the time horizon of the project.

See the benefits of the project in II.C.

Other assumptions

Residual value

The residual value reflects the net benefits from the project after the period of projection. It is usually appropriate to use the method of capitalization of the future benefits.

Here must be detailed and explained the reasons for the choice of the residual rate.

Income tax

Here must be explained the reasons for the choice of the income tax rate on the additional revenues.

Note that the impact of the income tax on the additional revenues could be disregarded because most of the times (and if the project concerns the CSEs), the overall cash flow of the CSE will still be negative. However, as a project point of view has been adopted, the inclusion of the income tax in the calculations is relevant.

Discount rate

The projected cash flows will be discounted using the cost of capital.

For most of the projects, the only source of financing will be the loan from the World Bank, notably because the project might have to be adjusted to fit the loan's envelope. Thus to adopt the discount rate of 10% the World Bank usually uses in project's appraisal makes sense.

Others

Other assumptions can be adopted and thus discussed here, as can be for example the evolution of the price of the service and the price this service costs to be made.

Results of the financial analysis

Here must be summed up and discussed the results of the financial analysis through the two indicators IRR and NPV.

Must also be included here the calculations' tables.

Sensitivity analysis

The sensitivity analysis is based on the previous tables of the financial analysis.

Its usefulness resides in the analysis of the IRR and NPV indicators depending on variable parameters. We mainly make the benefits and the costs generated by the project vary from -10% to +10%.

It enables the consideration of the consequences on the project's financial aspect if the project goes a little astray compared to the predictions made at the beginning.

Must only be summarized in a table here the results of this sensitivity analysis. Those results must be discussed.

Financial Impact of sub-project on CSE

Here must be discussed the impact of the sub-project on the CSE's finances, especially if the CSE will have the necessary funds for future operation and maintenance. For example, for water projects it might be a mean to estimate the price the water should be sold for the CSE to attain balance of budget. It must be based on the data in VI.C.

ECONOMIC COST BENEFIT ANALYSIS

In case of multiple scenarios: as many cost-benefit analyses are needed as scenarios which can have significantly different economic results. If only minor changes differentiate the scenarios, the statement of those and of their economic results might be sufficient after having treated the most characteristic scenario.

In case of multiple scenarios and if there are important factors (goals) which cannot be valued monetarily, please refer to G. Cost-effectiveness analysis.

GENERAL INFORMATION

This section of the study will provide a different view on the feasibility of the project. Unlike the traditional financial feasibility which concentrates on the profitability of the project, this approach tries to measure the broader impact of the project on the communal welfare through the identification and quantification of its economic impacts. In other words, it is not only the financial profitability that matters when public projects are concerned, but all their positive and negative impacts that influence the welfare of the community members. Sometimes these projects are not financially viable, but their broader net-positive economic impact could justify its implementation.

Purpose

The purpose of this section is to identify, quantify and value the economic impacts of a project, including all externalities that could be positive or negative. The valuation of economic benefits includes any welfare enhancement accruing to the household or society at large and being the direct or indirect result of the project intervention.

Some of these impacts may be difficult to quantify – for example health effects – since they are influenced by more factors than the project intervention alone; health outcomes are as much influenced by the level of education of the household as by providing access to potable water or sewage collection to that household, so attributing impacts to the project is complicated by confounding factors. In such a case, the likely benefits should be mentioned but not quantified, and the rational for why these benefits may be important could be highlighted by – following the same example – statistics that show the incidence of water borne diseases in the project area.

Scope

At the beginning it is necessary to define the scope of the cost-benefit study. The financial analysis was based on a project point of view, while the economic analysis looks at the project from a broader social point of view and takes into consideration all benefits that arise to the project intervention.

The borrowing entity is the Ministry of Finance or the country of Macedonia, which on-lends to municipalities. Unless different financing schemes are compared with each other, there is no need to include the borrowing cost in an economic analysis. Other than in the financial analysis, which adopted as time horizon the loan amortization period, an economic analysis is based on

the life-time of assets created or rehabilitated, which is assumed for most infrastructure investments to be about 20 years.

Sometimes, benefits are localized and only accruing to residents within the municipality or even specific user groups (for example, households with piped water access may benefit from improvements). However, in many circumstances, the benefits are not-exclusive and accrue to anybody that uses, for example, the newly constructed bridge or rehabilitated road. Benefits may also be of global nature (for example, biodiversity or global pollutants).

IDENTIFICATION AND VALUATION OF THE RELEVANT COSTS AND BENEFITS

Costs

Yearly financial cost over the life of the project need to be identified and shall mirror the construction cost schedule and include all additional cost as they occur during the lifetime of the assets, i.e. any resources valued at their economic cost that are spent to realize, maintain and operate the assets, and any externalities (cost to environment, social disturbance or other).

Financial cost need to be converted into economic cost, using standard conversion factors (CFs) or shadow pricing. Market prices (financial cost) may not reflect the true cost of resources, as some are distorted through taxation or subsidies, and other cost may not have a market price, such as air pollution.

The revaluation depends on the type of cost incurred during construction or operation. For example, high skilled labour is typically considered a rare resource in Macedonia, resulting in a CF=1: i.e. the financial costs are equal to the economic cost for skilled labour. Unskilled labour is abundant in Macedonia, so that economic resource cost are below the financial ones, meaning the CF<1 and typically set at about 0.7, which means the economic wage of unskilled labour is about 70 percent of the financial wage costs. Generally, tradable goods in an open economy have fewer distortions and, if imported without any trade barriers, the CF=1.

All the different costs identified in VI.A on the project costs must be computed this way. All applied conversion factors have to be explained. See templates in Appendix for examples.

Quantifiable Benefits

The quantifiable benefits must be listed and detailed here, as well as an explanation on how they will be included into the Cost Benefit Analysis calculations. These benefits are to be annualized over the lifetime of the assets and after the assets have been put in place and benefits are reaped by the beneficiaries. They include any welfare enhancement accruing to the household or society at large and are the direct or indirect result of the project intervention.

Similar to cost, all benefits need to be expressed in economic terms. This will require, giving an example for improved water supply, to express the benefit to a household of receiving improved water as an economic welfare gain, which requires an understanding how that household received water before the project. If that household had to complement its current use of water by hauling water from a well, the convenience of better access through piped services could be valued as the time saved per day and monetized at the lowest unskilled wage labour for women

(the opportunity cost). If that household had to install filters or other treatment devices before using that water and the project addressed low water quality, then the benefit for that household is that they no longer would have to use these treatment devices and its annual savings is the depreciation cost of such device.

Similar approaches can be developed for investments into road rehabilitation, thermal insulation and other municipal investments, but each require a very logical thinking of what type of changes are to be expected for the citizens, thus needing a good understanding on the current situation, let it be the current traffic on that road, the amount of energy spent over the past years and seasons in a school, or the existing intermittency or inadequacy of water supplied to households.

Unquantifiable Benefits

There are few benefits that are truly unquantifiable, but there are many benefit categories that are difficult to quantify and require techniques that go beyond the scope of a feasibility study. For example, health impacts from improved water or sanitation investments can be quantified using survey techniques and accounting for concomitant influences on health outcomes (such as the mother's level of awareness of pathways of infections often proxied by education). Likewise, the benefits of improving urban landscapes or restoring historic buildings can be quantified by conducting Willingness-to-Pay (WtP) surveys or using revealed preference techniques (existing entrance fees) if applicable. These type of surveys need to be expertly prepared and are not recommended to be carried out under the scope of a feasibility study.

However, where such investments are proposed, the demand or need for carrying out these investments should be demonstrated through, for example, local incidence of water-borne diseases as revealed in statistics over time prepared by the local health center, or demand for recreational assets through interviews and focus group discussions; etc.

OTHER ASSUMPTIONS

Discount rate

The discount rate reflects the time preference of consumption or spending today versus consumption or spending in the future. Therefore the financial discount rate is just the cost of capital or inflation, since a person would be financially equally well off receiving USD 10 today compared to receiving USD 11 tomorrow, if the daily inflation rate is 10 percent. The social discount rate applied to economic analyses is more complex, since the benefits of some investments are only reaped in a distant future (for example, investments into education or prevention of global pollutants) and possibly only by future generations.

It is proposed to continue under the second phase of MSIP with a 10% discount rate adopted for all types of infrastructure and municipal investments. However, direct investments into health, education, environment and other social investments could apply a lower discount rate of 5 percent.

Treatment of taxes and subsidies

Since tax payments or subsidies represent transfer payments, they are excluded from an economic analysis.

RESULTS FROM THE COST-BENEFIT ANALYSIS

The Economic NPV and the Economic IRR are calculated on the basis of the projected flows of costs and benefits. In order for the project to be acceptable from society's point of view, the ENPV should be positive and the EIRR should be higher than the chosen discount rate. Therefore the cost and benefit tables, along with the computed ENPV and EIRR and assumptions need to be displayed in the results.

SENSITIVITY ANALYSIS

The sensitivity analysis is based on the previous tables of the cost-benefit analysis. Since an economic analysis makes a prognosis for the future without knowing all parameters with 100 percent certainty, it is best to vary some of the assumed or less certain parameters and value the impact of their variation on the ENPV/EIRR.

COST-EFFECTIVENESS ANALYSIS

When the need of an intervention is without doubt (for example, replacing the roof of the local primary school, after it got damaged) and benefits are difficult to express in monetary values, then the question would be how to best and most cost-effectively achieve the results (for example, replace that roof). Such a cost-effectiveness analysis (CEA) calculates cost-effectiveness ratios of different options and then compares the resulting ratios so that the most efficient option is chosen.

When the results can be expressed in numbers but not monetary values (like for example the improvement of safety among workers), then the cost-effectiveness of an option is calculated by dividing the present total cost of that option by the number of non-monetary quantitative benefits it generates, in this case the number of workers protected, so that the ratio provides a unitary estimate.

This method still requires the quantification of results, even if not in monetary terms, so data relative to the set goals must be acquired.

FURTHER GUIDANCE

The online handbooks listed below provide further information and shall guide the economic cost and benefit analyses prepared under MSIP2

- Belli P. et al (1998), Handbook of Economic Analysis of Investment Operations, Operational Core Services Network Learning and Leadership Center, The World Bank, Washington DC.

- Belli P. et al (2001), Handbook of Economic Analysis of Investment Operations, Analytical Tools and Practical Applications, World Bank Institute, Washington, DC.
- EC (2008), Guide to Cost-Benefit Analysis of Investment Projects, European Commission, Directorate General Regional Policy, Brussels.

RISK ANALYSIS

In case of multiple scenarios: as many risk analyses are needed as scenarios which can have significantly different results.

If only minor changes differentiate the scenarios, the statement of those and of their risks might be sufficient after having treated the most characteristic scenario.

Here must be analyzed, discussed and assessed the different risks identified in the previous sections

They can be divided into two parts:

- Technical and implementation risks factors, including the risks due to project preparation and the risks due to project implementation: assumptions made, data that are not entirely consistent or cannot be verified or precisely assessed risks due to works…
- Financial and cost-benefit analysis risk factors: mainly the assumptions and unreliable or vague data from the municipalities and CSEs.

Those can be summed up in a table with an indicator of their importance and a proposed mitigation measure (if applicable).

AFFORDABILITY CONSIDERATIONS

Almost equally important to selecting the investment that brings the highest benefit to the community or society (as supported by a good economic cost-benefit analysis) is the question of how the assets that have been financed under the project are being operated and maintained, and who is paying for that. During the financial and economic analyses, the cost for operating and maintaining the assets financed under the project have been identified. Under an affordability analysis, one needs to lay out who is financing these costs for operation and maintenance (O&M). Since it is a cash-flow question, the financial cost for O&M need to be considered, unless there are simultaneous attempts to increase the financial cost – for example water tariffs – to reflect the true cost of provision (without implicit subsidies), in which case the future tariffs would be assumed when assessing affordability.

A principal rule is that O&M cost need to be borne by the users or the beneficiaries. In the case of water supply, the benefits are clear and the household receiving piped water should pay for its consumption. In the case of sewage collection system (instead of a septic tank), the beneficiary is also the household, as it no longer would have to arrange for emptying its septic tank at its own cost. However, in the case of sewage treatment or garbage collection, the benefits are reaped by society from cleaner environments, better quality surface water and lower disease burden, but the source of pollution is still the household or, in the case of industrial treatment, the firm, and most societies have adopted the “polluter-pays principle” to allocate cost of treatment to those that cause the pollution.

Most municipal investments (such as roads, street lighting, parks or bridges) are not exclusive, unless fees are applied for their use (toll road or entrance fees, etc.). In these cases, the municipality shoulders the cost for their upkeep and receives revenue for doing so from taxes and fees levied on the population living within the municipal boundaries.

- Therefore the first step of an affordability analysis is to understand who should pay for O&M.

One could argue that – in addition to O&M – private beneficiaries (such as those getting better water) should also bear the cost of capital depreciation, since the systems will have to eventually rebuild and if the costs are not covered by the users/beneficiaries, they will have to be borne by the tax payer.

- Therefore, a second step (related to the first) would assess the potential and rationale for recovering capital depreciation costs in a tariff/fee to be levied on beneficiaries.

Once it is clarified who should pay for the O&M cost (and possibly capital depreciation cost), one needs to understand whether the beneficiary household or the municipality (it has to be one or the other for municipal investments) have sufficient income or revenue to shoulder the monthly O&M obligations.

- Therefore, the third and final step is to assess – at given household incomes and municipal revenues – whether additional expenditure for O&M for the newly proposed service/asset is affordable.

For municipal revenues, the task should be easy since the financial analysis already takes into consideration whether the municipality can meet its financial obligations for paying back the loan. For assessing household affordability constraints, statistics on average rural monthly household income, and the monthly household income of households in the lower income decile or quintile, should be taken into considerations. These are readily available from sources like Eurostat, the OECD and the World Bank, if not published by the Ministry of Finance of Macedonia.

RECOMMENDATIONS

Final recommendations – general or by scenario – are made here. They have to be followed to improve the overall quality of the feasibility study and for a good appraisal of the project.

Recommendations can also be made on the general organization of the municipalities, CSEs. For example, they can be asked to improve their return on billing.

ANNEX 4.2 GUIDELINES FOR SOCIAL ASSESSMENT

Social Development Outcomes

TABLE OF CONTENT

A. DEFINITIONS 138
1. *Social inclusion* *138*
2. *Empowerment* *138*
3. *Security* *138*
B. SOCIAL ANALYSIS 140
1. *Definitions* *140*
2. *Macro-Social Analysis - Poverty and Social Impact Analysis (PSIA),* *140*
3. *Social Analysis at project level* *141*
4. *Social Assessment* *141*
C. ENTRY POINTS FOR SOCIAL ANALYSIS 143
1. *Social diversity and gender* *143*
2. *Institutions, rules and behavior* *145*
3. *Stakeholders* *147*
4. *Participation* *148*
5. *Social risk* *149*

DEFINITIONS

The social development outcomes of individual projects fall under the following three headings:

Social inclusion

Social Inclusion is the removal of the institutional barriers and the enhancement of the incentives to increase access of diverse groups and individuals to development opportunities (access to development opportunities)

Social Inclusion measures can include:

- Access to public goods and services generated by the project
- Access to market opportunities created by the project
- Access to information
- Addressing the separate needs of men and women in the project

Empowerment

Empowerment is the enhancement of assets and capabilities of diverse individuals and groups to function, engage, influence and/or hold accountable the institutions that affect them.

Empowerment measures can include:

- Enhancement of physical or financial assets
- Strengthening of capabilities in the form of human or social capital
- Increased voice and participation in the project
- Increased transparency and accountability

Security

Security includes improved management of social risks arising out of development interventions.

Security measures can involve:

- Mitigation of adverse impacts of resettlement
- Security of property

- Rule of law
- Addressing social tensions and conflict
- Post-conflict reconstruction
- Increased social cohesion/ social reintegration
- Improved access to the judicial system

SOCIAL ANALYSIS

Definitions

Social analysis during project preparation and appraisal focuses on the opportunities and constraints, and the likely outcomes, impacts and risks of a project. It asks whether the social benefits and outcomes of the project have been made clear and then determines whether the opportunities offered by the investment outweigh the social costs. It can help to identify social groups that may be excluded from project benefits It also assesses alternatives to the project and provides inputs to feasibility studies and design.

The Bank's instruments of Social Analysis include:

(1) upstream **macro-social analysis**, undertaken by the Bank as inputs into the Country Assistance Strategy (CAS), or to support policy formulation and sector strategies;

(2) project-**level social analysis**, undertaken by the Bank for sociological appraisal of the opportunities, constraints and likely impacts as an integral part of project appraisal, to examine whether the project's likely social development outcomes justify Bank support; and

(3) **social assessment**, undertaken by the Borrower to incorporate stakeholders' views into the project design and to establish a participatory process for implementation and monitoring.

For a distinction between Social Analysis and Social Assessment, see Figure 1

Macro-Social Analysis - Poverty and Social Impact Analysis (PSIA),

The social analysis agenda of the Bank has become increasingly more systematic and upstream which is efficient and potentially offers cost savings to the client. Among the many approaches that “macro social analysis” can adopt, several are applicable to Bank-supported urban operations that involve policy or regulatory reform, such as Poverty and Social Impact Analysis (PSIA),

PSIA

examines the distributional impact of policy reforms on the well-being of different stakeholder groups, with an emphasis on the poor and vulnerable.

incorporating social development into development strategies, sector reforms, policy dialogue, or Bank-financed policy lending

utilizes multiple social and economic analytical tools.

is conducted upstream to inform the design policies and sector strategies, and

addresses both the risks to their implementation and the risks their implementation may create.

Social Analysis at project level

Social analysis is undertaken by the Bank, and can help design and implement a project-specific social development strategy to achieve one or more of social development outcomes.

Social analysis does so by:

examining the social opportunities, constraints and likely impacts relevant to the project;

assessing the role of beneficiaries in project design and implementation;

helping to explicitly identify and monitor the project's expected social development outcomes and social risks.

These outcomes are achieved by measures that:

increase access of the poor to markets and public services,

increase the social and economic assets and the capabilities of the people, especially the vulnerable and the poor,

mitigate adverse impacts and address social tensions and conflict,

increase the accountability of public institutions to citizens.

Social Assessment

Social assessment is the instrument the Borrower uses to analyze social issues and solicit stakeholder views for the design of Bank-supported projects. Through a social assessment, the Borrower

weighs the likely social benefits and costs of proposed projects.

identifies key stakeholders

ensures an appropriate framework for their participation and helps to involve and give voice to the poor.

makes the project responsive to social development concerns.

In many projects, social assessments provide a framework for beneficiaries to participate in the project's preparation, implementation and monitoring. Social assessment assists in reaching the vulnerable and the poor and ensures that the project objectives are acceptable to the intended beneficiaries...

Social assessment is analytical. It uses the five entry points of social analysis as described in C).

It is process-driven. It facilitates continuous feedback from beneficiaries and stakeholders during preparation and implementation.

It is operational. It combines analysis of the socio-cultural and institutional context with stakeholder consultations to generate operational recommendations for the project.

Social assessment facilitates the systematic participation of relevant stakeholders in project design and/or implementation. During implementation, it increases the likelihood that those for whom the project is intended benefit from an equitable access to the development opportunities. By operationally gathering and analyzing relevant information, social assessment allows the Borrower -Municipality- to articulate the project's social development outcomes and impacts and to establish meaningful indicators and systems to monitor and evaluate them. Those responsible for social assessment on the Borrower's side examine project design and the institutional arrangements surrounding the project. In order to enhance equitable access to project benefits, they may recommend modifications of those arrangements or even suggest new institutional structures for project implementation. In some cases, a social assessment may lead to redesigning the project.

- Plan the social assessment as an integral part of project formulation.
- Clarify the project's social development outcomes.
- Identify and assess social safeguard issues relevant to the project.
- Identify sources of information for analyses of social diversity, institutions, stakeholders, participation and social risks, and additional data-collection methods.
- Assess the significance of social diversity and gender issues.
- Examine formal and informal institutions that may bear on the project's social development outcomes, and the informal rules and behaviors of those institutions.
- Examine the interests and influence of key social and institutional stakeholders.
- Examine key stakeholders' opportunities for participation in project design and implementation.
- Assess the social risks, including likely adverse impacts and uncertainties that might affect the project's objectives.
- Drawing on the above, formulate a strategy to include intended beneficiaries, especially the vulnerable and the poor, in project benefits; recommend institutional arrangements to achieve the project's objectives and social development outcomes; prepare a participation plan for the project; and develop indicators to monitor inputs, outputs, processes and social development outcomes of the project.

ENTRY POINTS FOR SOCIAL ANALYSIS

Social reality, like economic reality, is complex and can be approached from many different angles. Five "entry points" for social analysis are usually used as common framework for social analysis. The entry points are not intended as a checklist, they represent a framework for examining related dimensions of social reality. By combining those dimensions a wholly different view of social reality emerges, one that is greater than the sum of its parts.

Depending on the circumstances and context of a particular project, the scope of social analysis may be restricted or expanded. Some entry points may be more salient than others.

If the five entry points of social analysis are properly used, then the resulting social analysis will enable task teams to plan their projects with a full understanding of its complex social environment. Teams will have a clear map of the socio-cultural barriers and bridges to project goals, a good sense of the institutional arrangements and resources they will need and a set of indicators against which to measure their success in meeting the project's development objective.

The description of the five entry points is subdivided into three parts:

- An overview of the entry point, defining broadly its line of actions;
- A project's view, explaining its use and relevancy into a project social assessment;
- A set of questions to explore during project preparation and to consider during project design and appraisal. The exact nature of the questions will invariably need to be adapted to the country context and the nature of the project. If the task team feels that the information is sufficient to complete the social analysis for the project, they may draw on this information when considering the project's design and institutional arrangements. If the task team finds many unanswered questions, the best solution is to advise the Borrower-Municipality early during project preparation to undertake a social assessment.

Social diversity and gender

Overview

Social analysis first examines how people are organized into different social groups, based on the status ascribed to them at birth—according to their ethnicity, clan, gender, locality, language, class, or some other marker—or on the status or identity they have achieved or chosen—civil servant, industrial laborer, white collar worker, environmentalist.

Project's view

All societies are composed of diverse social groups that may be identified on the basis of gender, ethnicity, religion, age and culture, as well as "spatial" (geographic) and economic characteristics. These social categories are important to investigators for the simple reason that they are important to the people who use them to define themselves and their neighbors. They

can form the basis for vested interests, provoke or restrain action, and determine access to opportunity. People have no choice about some social categories. Gender, age, ethnicity, language, race and religion are among such *ascribed* categories. If you are a 70-year-old man of a certain clan, you are an "elder"—this is not a matter of choice. But social diversity also includes *achieved* categories, such as those based on occupation, other social roles, or membership in social movements. In reality, individuals—and occasionally groups—do "cross over" from one social category to another and the degree of social mobility can be a good indicator of social development. With increasing inter-ethnic marriages, even ethnicity has become fluid in many societies, and occasionally the gender barrier is also crossed. Moreover, how people and groups perceive themselves, and their relationship with others, does not always match how they are perceived by others.

Ascribed	Mixed	Achieved
Age	Language	Citizen/Migrant
Caste	Native/Immigrant	Education
Ethnicity or Race	Religion Spatial/Geographic	Ideology
Gender	Location	Land-Ownership
	Disability	Occupation/Livelihood
		Urban/Rural

A good analysis of diversity and gender:

- ❑ reveals the lines along which a society is organized.
- ❑ identifies how social diversity affects opportunities for development effectiveness;
- ❑ generates indicators to be monitored during project implementation

If the project intends to address issues of diversity, its monitoring systems should disaggregate beneficiaries and other relevant social actors on the basis of gender, age, ethnicity, location and other characteristics. Because it identifies social groups, analyzes the relations among them, gauges constraints to opportunity, and defines indicators sensitive to social diversity, the analysis of social diversity and gender is an important step toward a complete social analysis. Yet the complete picture also includes the institutions, rules and behavior that structure the activities of social groups.

Questions

- o Does the information and analysis provide an understanding of the interests and impacts on socially differentiated groups:
    - based on ascribed status (e.g. ethnicity, gender)?
    - based on achieved status (e.g. civil servants, unionized workers, traders, members of professional organizations)?

- Does the information and analysis provide an understanding of the characteristics and project impacts on the vulnerable and the poor?
- Does the information and analysis of gender issues allow an assessment of likely gender-based impacts?
- Does the information and analysis provide an understanding of the characteristics of and project impacts on ethnic minorities or other disadvantaged groups?
- Can social analysis help to overcome some of the constraints faced by any of the above disadvantaged groups to increase their access to opportunities and benefits?

Institutions, rules and behavior

Overview

Institutional analysis examines the rules of the game that govern group behavior and structure the incentives in political, economic, and social spheres of life. These rules – whether formally constructed into laws or regulations or informally embedded in cultural practice – mediate and may distort, sometimes fundamentally, the intended impacts of projects and policy reforms. Failure to account for them can lead to an operational design that is unworkable or make a project susceptible to conflict or corruption..

Project's view

This entry point is used to understand the relationship between organizations and institutions, that is, the formal and informal rules of the game in society. This is critical because many development interventions, including projects and policy reforms, depend for their implementation on institutional change. It is often assumed that institutions (including markets) function smoothly and according to formal rules. In practice, though, transaction costs, ineffective enforcement and lack of competition or accountability can lead to sub-optimal performance of the government, the market, or civil institutions.

Social analysis of institutions, rules and behavior complements institutional analysis conducted to appraise the institutional capacity of the project executing agency. Social analysis focuses on institutional rules and behaviors, both formal and informal, that are likely to affect the attainment of a project's development objectives. Like other forms of institutional analysis, social analysis takes as its subject organizations and institutional rules at the level of the state, the market and the community. The social analyst studies the written and unwritten behaviors of formal and informal institutions, examining the relationships among formal organizations e.g. government agencies, NGOs, donors and coordinating bodies engaged in the project, or the accountability channels within them that are relevant to the success of the project. The focus is on the rules that help or hinder people's access to opportunity—their inclusiveness, their accountability, their accessibility, their ownership— rather than on their efficiency as providers of goods or services. This may also involve a consideration of national legal or regulatory frameworks that influence the way in which utilities are regulated at the urban and/or neighborhood level.

Good social analysis of institutions, rules and behavior should produce sound judgment of key institutional players' effects on project outcomes. If certain rules and behavior patterns pose problems for the project's goals, then those responsible for the project need to know whether and how to overcome them. The quality of the institutions, on which the project implementation depends (e.g. their efficiency, non-discriminatory functioning, transparency and accountability), has direct implications for the project results. The project's success may depend on understanding these issues which can thus help make institutions more inclusive and accountable. The analyst can use several tools to back up his or her judgment:

- Static and process maps of the relevant organizations and institutions. A static map is a snapshot of structures and roles. A process map follows the path of money, decisions and information through an organization.

- An enumeration of enabling conditions for the institutions and organizations needed for project success to work and achieve the objectives of the project. Involving key stakeholders, including those directly responsible for implementation and the intended beneficiaries, often helps to identify the possible solutions to the institutional constraints in the formal rules and informal norms affecting policies, systems, procedures, or implementation in a manner that is more effective in achieving the project's objectives.

- The monitoring of indicators that will be tracked during project implementation. Such indicators usually pertain to enabling conditions— policy changes, procedural innovations, involvement of social groups in key activities, training and capacity-building—that are essential to achievement of the project's objectives.

Questions

- Does the analysis provide an understanding of formal organizations and institutions at the policy-making and local level?

- Does the analysis provide an understanding of relevant government institutions and market-based organizations that will affect project outcomes?

- Does the analysis enable an understanding of the informal rules and behaviors in those institutions that are likely to affect project outcomes?

- Does the analysis provide adequate information on the formal and informal relationships among social groups?

- Does the analysis provide adequate information on the relationships between social groups and formal organizations and institutions?

Stakeholders

Overview

Stakeholders include the various groups who have an interest or a stake in the project. They include those who are likely to be affected by the project as well as those who may have an influence over the project. They can be winners, losers, or indifferent. The interests of various groups in the development process are the subject of stakeholder analysis. Questions are cast in a way that helps to clarify social dynamics. For example, the analyst asks not just what divisions exist in a society, but also which of those divisions really count in the context of a particular development intervention. Stakeholder analysis examines the characteristics and interests of the vulnerable and the poor as well as powerful stakeholders who may have greater influence on the project. In looking at social differentiation, social analysis examines not just where boundaries lie but also how permeable they are.

Project's view

Stakeholders, be they organizations, groups, or individuals, have interests—something at stake—in the project's outcome. They may also have some degree of influence over the project. Stakeholders thus include both those who affect and those who are affected by the project.

Stakeholder analysis reveals the nature and magnitude of social actors' interests in and influence on a project. The first step is to identify the stakeholders. Stakeholders are not limited to those affected by the project. They also include those who can affect the project. They can be winners, losers, or indifferent. The analyst must distinguish between the actual effects of the project on the different stakeholders and those stakeholders' perceptions of the same. The next step is to analyze the interests and influence of the players, examining their assets and capabilities, both material and intangible. Among the intangibles are long-standing patron-client relationships, access to the media, membership in global networks and public perception of the group's legitimacy and integrity. The third step is to differentiate stakeholders by their attachment to the status quo or, conversely, their desire for change.

Stakeholder analysis yields four major outputs:

- Potential winners and losers—those who will be positively or negatively affected by the project—are identified.

- Participants' commitment to the goals of the project—their ownership of the project—is assessed. Ownership assessment determines stakeholders' willingness to stick with the project's goals. A low level of ownership means that the stakeholder cannot be counted on, and that the stakeholder's weak commitment may affect other stakeholders. There is no simple test of ownership. Assessing it requires knowing the interests of the particular stakeholders and the pressures under which they work. It is also important to recognize that many people will readily agree to something if they see it as necessary to get the proposed project benefits, but may be less enthusiastic about implementing the agreed-upon actions once the project has been formally approved. A realistic assessment of ownership may have to go beyond words and promises to assess actions and other concrete evidence.

- The likelihood of the stakeholders' support or opposition to the project's design, development objectives and implementation is evaluated, as well as the possibilities for them to capture project benefits

- Monitoring stakeholder involvement during implementation can be done through indicators that involve decisions and outcomes, such as agreement on eligibility requirements, changes in policies and procedures, added institutional responsibilities

Questions

- Have the key stakeholders, that will affect or be affected by the project, been clearly identified?

- Have all the institutional stakeholders, including those within the government and outside the government (incl. private sector, civil society, media, etc), been clearly identified?

- Have the characteristics, interests and influence of the key stakeholders been analyzed?

- Is the information available sufficient for the task team to incorporate stakeholder priorities and concerns in project design?

- Is the available information sufficient for the task team to decide how to address stakeholders that may undermine or oppose the project's objectives, or capture its benefits?

Participation

Overview

Social analysis also examines opportunities and conditions for participation in the development process. Participation refers to the extent to which stakeholders can influence development by contributing to project design, influencing public choices, and holding public institutions accountable for the goods and services they are bound to provide. Participation also refers to the extent to which poor or excluded people are likely to benefit from access to opportunity.

Social analysis identifies the assets poor people own or control, including the physical and financial capital they are able to mobilize. It also examines their capabilities— in the form of their own human capital (health, education, skills, and experience) and their social capital (organizational networks and relationships).

Project's view

Effective participation includes participation of beneficiaries in project design and implementation. It also includes the equity of opportunity for them to participate in project benefits. When using participation as a dimension of social analysis, the analyst first examines the degree to which social groups affected by a project can participate in the opportunities created by the project. The analyst then studies existing modes of participation to improve the effectiveness of stakeholder participation, or to organizing effective participation.

A participation study has three key outputs:

- ❑ An analysis of equity of opportunity, which project leaders use to judge whether the social benefits of the project are likely to reach all targets
- ❑ Strategies for involving stakeholders as participants
- ❑ A plan for meeting the costs of participation

Questions

- o How and at what stage are stakeholders involved in project design and implementation?
- o Is information available for the task team on the opportunities and constraints for effective stakeholder participation?
- o Is the information sufficient for the task team to prepare a participation action plan for stakeholder involvement in project implementation and monitoring?
- o Where relevant, is information available to increase public access to information and making government institutions more accountable for the goods and services that they are responsible to provide?

Social risk

Overview

Social analysis looks at what might go wrong—for the project, for the Borrower and for vulnerable groups—when constraints are removed and people compete for the opportunities created by a project. Social tensions or conflict between groups can undermine project objectives just as surely as ignoring political economy can allow powerful stakeholders to

capture or undermine project benefits. Identifying such risks early and monitoring them carefully during implementation are essential to project success. Equally important is assessment of the social risks emanating from the project. These range from the obvious, such as involuntary resettlement, to more subtle impacts, such as institutional reforms that affect access to goods and services. Project interventions that change the terms for provision of goods and services may increase efficiency but also inadvertently increase vulnerability to exogenous factors such as an imperfect market or fluctuations in global market prices. Social analysis examines these risks and explores how the project might address them so as to achieve its development objectives. Together the entry points help project planners understand how the pieces of the social puzzle fit together—and how to design operations, monitoring systems and evaluations that will maximize the project's development objectives and social development outcomes.

Project's view

This entry point is crucial. It is here that the analyst asks, "What can go wrong? What sort of risk management measures should be designed to address identified risks? Once we take all risks and risk management measures into account, is the project still justified?" Answering these questions requires pursuing the other entry points of analysis. The social risks of any project can be broken down into five categories:

- Vulnerability risk includes increased exposure or susceptibility, especially of the vulnerable and poor, to endemic risks or external shocks. The analyst explores how to manage such risks. Three other kinds of risk can affect the project itself.

- Country risks—e.g. political instability, ethnic or religious tensions, violent conflict and the militarization of society— are often beyond the control of individual task managers but must be considered during project appraisal.

- Political economy risks are those that might affect the project's intended beneficiaries as an indirect result of the project. Undermining of goals and elite capture of benefits are good examples of this type of risk.

- Institutional risks include inappropriate institutional arrangements, weak governance, complexity and low capacity.

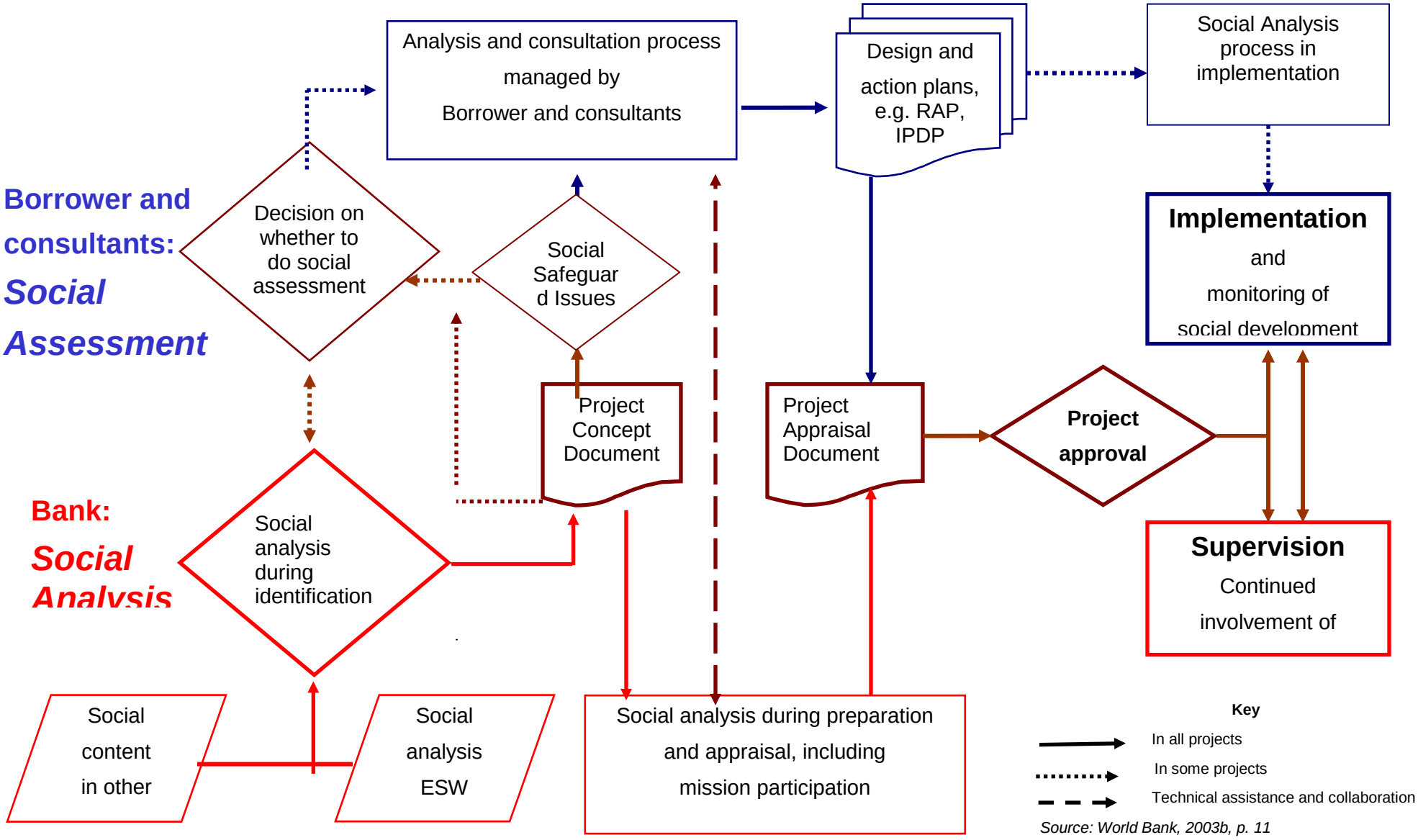
- Exogenous risks, such as regional conflict or macroeconomic changes that are likely to affect social development outcomes.

The principal output of social risks analysis is a full picture of the risk and vulnerability of the target population and other groups potentially touched by the project. The next step is to develop a risk mitigation strategy that adequately addresses the identified risks. Finally, the risks can be managed by integrating the risk mitigation strategy into the project which the task team operationalizes through project supervision.

Questions

- Has the analysis identified significant social risks to the project (country risks, political economy risks, institutional risks) and risks emanating from the project (vulnerability risks, exogenous risks)?
- Is the country prone to political instability or ethnic, religious or social tensions that could affect project outcomes?
- Is there any risk of the project's objectives being opposed or undermined by powerful interest groups?
- Is the project exposed to institutional risks (such as inappropriate or overly complex institutional arrangements, poor governance, weak ownership or capacity)?
- Is the project expected to increase vulnerability of the poor (e.g. through involuntary resettlement, or other adverse social impacts)?
- Is the project likely to increase exposure of the poor or other social groups to exogenous shocks (e.g. exchange rate fluctuations, global market prices, external trade barriers)?
- Have the identified risks been assessed in terms of the likelihood of their occurrence and importance to the project?
- Have risk mitigation strategies been developed that adequately address is identified risks?
- Is the task team aware of any other significant social risks that should be analyzed and mitigated?

Figure 1: Social analysis and Social Assessment sequencing in World Bank investment projects



Source: World Bank, 2003b, p. 11

ANNEX 4.3. RESETTLEMENT POLICY FRAMEWORK

Resettlement Policy Framework (RPF)

World Bank
Second Municipal Services Improvement Project (MSIP2)

Skopje, October 2015

TABLE OF CONTENTS

EXECUTIVE SUMMARY 155
ABBREVIATIONS 156

INTRODUCTION 157

1.1 PROJECT BACKGROUNG 158
1.2 RATIONALE FOR PREPARATION OF A RESETTLEMENT POLICY FRAMEWORK 158
1.3 OBJECTIVES AND PRINCIPLES OF THE RESETTLEMENT POLICY 159
1.4 PROCESS FOR PREPARATION AND APPROVAL OF RESETTLEMENT ACTION PLAN 159
1.4.1 Resettlement Action Plan 159
1.4.2 Resettlement (Land expropriation) Screening Process 160

INSTITUTIONAL AND LEGAL FRAMEWORK 162

2.1 INSTITUTIONAL AND LEGAL FRAMEWORK 162
2.1.1 Institutional Framework 162
2.1.2 Legal Framework 163
2.1.3 Expropriation Process 163
2.2 WB PRINCIPLES AND PROCEDURES OF RESETTLEMENT ADOPTED IN THIS RPF 165
2.2.1 The World Bank Safeguards and Involuntary Resettlement Policy 166
2.3 GAP ANALYSIS – MACEDONIAN LEGISLATION FOR EXPROPRIATION AND WORLD BANK SAFEGUARD POLICIES 167
2.3.1 Legal framework for land expropriation in Macedonia and fit with WB OP 4.12 169
2.3.2 Consultations with PAP 170

ELIGIBILITY AND ENTITLEMENTS 171

3.1 ELIGIBILITY 171
3.2 ENTITLEMENTS AND VALUATING AFFECTED ASSETS 171

ARAP INFORMATION REQUIREMENTS 176

4.1 CENSUS AND INVENTORY OF PROJECT AFFECTED PERSONS 176
4.2 IDENTIFICATION OF LOSSES 176
4.3 BASELINE SURVEY 176
4.4 COMPENSATION OFFERED 176
4.5 IMPLEMENTATION ARANGEMENTS 177

IMPLEMENTATION ARRANGEMENTS 178

5.1 ARAP DEVELOPMENT AND APPROVAL PROCESS 178
5.2 RAP IMPLEMENTATION PROCESS 178
5.2.1 RAP Implementation Unit 178
5.2.2 Complaints and Grievances 179
5.2.3 Expropriation Proceedings 179
5.2.4 Court 180

MONITORING AND EVALUATION 181

6.1 INTERNAL MONITORING 182
6.2 EXTERNAL MONITORING 183

PEOPLE'S PARTICIPATION 184

COSTS AND BUDGETS 185

ANNEXES 186

ANNEX 1: CHECKLIST FOR CENSUS INFORMATION 187
ANNEX 2: LIST OF DATA FOR CENSUS SURVEY 188
ANNEX 3: LIST OF DATA FOR INVENTORY OF LOSSES 189
ANNEX 4: DATA FOR BASELINE SURVEY 192

EXECUTIVE SUMMARY

The Resettlement Policy Framework (RPF) provides the World Bank's and Macedonian Regulation for land acquisition and resettlement issues considering the best international practice. The document is a framework manual to ensure consideration of interests of all involved parties and problematic issues arisen by them and introduction of such an attitude that most strict and reasonable demands of any party be reviewed with due diligence and taken into account.

This Resettlement Policy Framework defines the procedures for involuntary land acquisition, resettlement, also sets out objectives, principles, compensation entitlements, legal frameworks, consultation procedures and grievance redress mechanisms for remaining property that needs to be acquired for successful realization of this Project.

In accordance with the World Bank resettlement policy (OP 4.12), a RPF needs to be prepared if the extent and location of resettlement cannot be known at appraisal because the project has still to determine the exact amount of land that needs to be acquired.

Given the scale of the project there will most probably be no resettlement of homes or displacement of people. Types of impact could include partial temporary or permanent expropriation of either agricultural or construction land or establishment of right of way for the underground infrastructure. There is also a possibility for temporary displacement of small business such as a kiosk or selling tent or temporary facility serving as a business. The RPF will offer ways how to compensate according to OP/BP 4.12 for all possible types of impacts. Through the RPF illegality will not be base for exclusion of the resettlement assistance.

ABBREVIATIONS

ARAP - Abbreviated Resettlement Action Plan
CSEs- Communal Service Enterprises
EU - European Union
IBRD - International Bank for Reconstruction and Development
LAR - Land Acquisition and Resettlement
MSIP - Municipality Service Improvement Project
NGOs - Non Governmental Organizations
OP - Operational Policy
PAP - Project Affected Persons
PIU - Project Implementation Unit
RAP - Resettlement Action Plan
RIU - RAP Implementation Unit
RPF - Resettlement Policy Framework
TA - Technical Assistance
WB - World Bank

1. INTRODUCTION

1.1 Project Background

The Government of the Republic of Macedonia has requested the World Bank's support for continuing the Second phase of the MSIP project and for that purpose borrow loan in amount of 25 Mil Euro. Since this loan will be used to finance program, the Government should prepare Resettlement Policy Framework (RPF). This document will be a framework upon which the local authority will prepare Resettlement Action Plan (RAP) in case when there will be a need of resettlement of project affected persons and/or land acquisition.

The proposed project development objective is to support sustainable delivery of municipal services. The project would focus on infrastructure and services under the responsibility of participating municipalities and their communal service enterprises (CSEs), such as water supply, sanitation, and solid waste management; but may also include other municipal functions such as urban planning, urban transport, and other services under municipal provision (investments in local roads, waste water treatment plants, landfills, water supply network, storm water network, sewage network, and electrification and (re)construction of buildings owned by the municipality). The broader development objective of the project would be to promote continued strengthening of local self governance and help Republic of Macedonia meet its requirements for EU accession.

The project would finance investments in basic local infrastructure and municipal services; provide Technical Assistance (TA) to municipalities and CSEs; and support institutional reforms in municipalities through performance grants.

In implementation of the infrastructural projects it is not expected resettlements of local population. However, in case of either resettlement or expropriation of assets the local authorities will be bound to prepare and abbreviated version of RAP that will be as a part of the complete documentation required for application for receiving the loan.

1.2 Rationale for Preparation of a Resettlement Policy Framework

This document represents the Resettlement Policy Framework (RPF) for the proposed MSIP2 project. It describes the policies, procedures and processes that will be followed throughout the project in the course of mitigation of adverse social impacts due to project activities among the project affected persons, with and without legal title, whose land/properties, businesses and other assets are expropriated for the execution of the construction works.

Resettlement Policy Framework is prepared to guide potential land acquisition and potential resettlement for the construction of infrastructural projects in accordance to the requirements of the World Bank (WB) - International Bank for Reconstruction and Development (IBRD) and its Operational Policy 4.12 and fit with the national legislation.

WB OP 4.12 indicates that a Resettlement Policy Framework (RPF) needs to be prepared at appraisal if the extent and location of resettlement cannot be known because the project has multiple components.

By the time of preparation of this document the type of the infrastructural projects which will be supported by this program is unknown. Thus framework is being prepared and not Resettlement Action Plan.

1.3 Objectives and Principles of the Resettlement Policy

The Resettlement Policy Framework (RPF) provides details on the likely impacts resulting from land acquisition for the above mentioned activities and the mitigating measures that will be put in place to address these adverse impacts.

The objective is to guide the preparation of Resettlement Action Plans (RAP) that will ensure that, future land acquisition and potential resettlement issues, all persons affected by it will be properly consulted, made available to affordable and accessible grievance mechanisms and properly and in time compensated at replacement cost or market value (which ever higher) for their losses, and provided with rehabilitation measures so that they are at least as well off as they would have been in the absence of the Program.

The main objectives of the RPF are to:

- Provide details on the policies governing land expropriation, the range of adverse impacts and entitlements;
- Present a strategy for achieving the objectives of the resettlement/ land acquisition policy;
- Provide a framework for implementation of the stated strategies to ensure timely acquisition of assets, payment of compensation and delivery of other benefits to project affected persons (PAP);
- Provide details on the public information, consultation and participation, and grievance redress mechanisms in project planning, design and implementation;
- Provide identified sources and estimates of required resources for implementation of the RAP;
- Provide a framework for supervision, monitoring and evaluation of resettlement implementation.

The principle is that involuntary resettlement should be avoided where feasible, or minimized, exploring all viable alternatives in project design. If unavoidable, resettlement activities should be conceived and executed as sustainable development Programs, providing sufficient investment resources to enable the person displaced by the project to share in the benefits of the project. Furthermore, displaced persons should be meaningfully consulted and should be involved in planning and implementing resettlement Programs and be assisted in their efforts to improve their livelihoods and standards of living; or at least to restore them, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of Program implementation, whichever is higher.

1.4 Process for Preparation and Approval of Resettlement Action Plan

1.4.1 Resettlement Action Plan

This RPF guides the preparation of Abbreviated Resettlement Action Plan (ARAP). Project's ARAP, consistent with this RPF, will be created and submitted to the World Bank for its approval.

According to WB OP 4.12, all projects that entail land acquisition or/and resettlement require a RAP. The scope and level of detail of the resettlement plan vary with the magnitude and complexity of land acquisition or/and resettlement impact, i.e. a full RAP is required whenever land acquisition in a project affects more than 200 people, takes more than 10

percent of any holding, and involves physical relocation of population. An abbreviated RAP is acceptable if fewer than 200 people are displaced. Even if more than 200 people are affected, if all land acquisition is minor (10 percent or less of all holdings is taken) and no physical relocation is involved, an abbreviated RAP is acceptable. This project does not include displacement of any PAPs.

An Abbreviated RAP will include the following elements:

- A census survey of affected PAP and valuation of assets;
- Description of compensation and other resettlement assistance to be provided;
- Consultations with affected PAPs about acceptable alternatives;
- Institutional responsibility for implementation and procedures for grievance redress;
- Arrangements for monitoring and implementation; and
- A timetable and budget.

In case some of the affected PAPs lose more than 10% of their productive assets or require physical relocation the plan will also covers a socioeconomic survey to determine the livelihood provision impact and, if needed, income restoration measures.

First, draft version will be shared with WB for no objection before disclosure and than last version of Abbreviated RAP will be submitted by the local government to WB in order to obtain no objection and afterwards implementation will start. ARAP implementation will be completed prior to commencement of the works. After no objection has been obtained, compensation, resettlement and rehabilitation activities will be initiated, and will be completed before awarding contracts of construction works. Once the implementation of the ARAP is completed, local authorities will prepare ARAP completion report and the report will be submitted to the Bank for NoB. Once the ARAP completion report is done than the awarding of the contracts for the works can be finalized.

1.4.2 Resettlement (Land expropriation) Screening Process

The following steps describe the Resettlement process:

1. Completing the final design of the project (Civil engineering design company);
2. After completing the final design local government will engage external company if needed for conducting Expropriation Report which will serve as a cut-off date;
3. Local government informs general public on the period for conducting of Geodetic survey (Land Survey) for the Expropriation Report;
4. After completed Expropriated report is used to prepare the draft ARAP and determine the magnitude of the potential impacts on PAPs.
5. Draft ARAP is prepared and send to WB through the PIU for review;
6. WB will review and provide no objection draft ARAP;
7. Local government will disclose draft ARAP and organize consultations with impacted PAPs to determine the magnitude of impacted PAPs, means of compensation and the proposed mitigation and compensation measures;
8. Conclusions implemented in draft ARAP;
9. Final ARAP send to WB for no objection;

10. Disclosure of ARAP;
11. ARAP is part of the sub-project PAD-Project Appraisal Document/Package
12. Completing the expropriation process.

2. INSTITUTIONAL AND LEGAL FRAMEWORK

2.1 INSTITUTIONAL AND LEGAL FRAMEWORK

2.1.1 Institutional Framework

Following institutions, each with different roles and responsibilities, are main actors in the process of expropriation are:

State Attorney's Office of the Republic of Macedonia is an Governmental institution which takes a measures and legal means for legal protection of property rights and interests of the Republic of Macedonia and performs other duties prescribed by law.

Ministry for Transport and Connections is the governmental body responsible for issuing permits for construction and monitoring the process of expropriation in means of completion of the process of expropriation.

The Real Estate Cadaster Agency of the Republic of Macedonia holds and registers the information on ownership rights of the land in Republic of Macedonia. It can be consulted during the process of obtaining valuable and valid information on ownership and current land use/leasing.

Ministry of Agriculture, Forestry and Water Supply conducts transformation of agricultural land into construction land.

The following institutions offer wide spectrum of assistance that can enable, support and facilitate the consultation process for implementation of RAP.

National level:

Ministry of Agriculture, Forestry and Water Supply can be consulted during the process of creation of packages for compensation. Also it can be consulted in the process of estimating compensation for lost crops.

Ombudsman can be consulted on various legal advices related to litigations of PAPs with the governmental bodies.

Local level:

The Inter-municipal Centre for Social Work established by the Government that can be consulted during the process of realization of RAP. The Center can give valuable input into identification, communicating and addressing of the vulnerable social groups, thus giving appropriate direction for setting compensation means/packages for such groups.

Local community level: Official representatives of the municipalities can be consulted for and actively involved in the preparation and execution of resettlement processes in their area of jurisdiction. They might be consulted and involved as mediators in the processes of redressing the complaints/grievances, before those are deposited with the Grievance Redress Committee.

2.1.2 Legal Framework

In the Republic of Macedonia, the legislative acts given below regulate the issues of obtaining State ownership rights to privately owned land parcels based on the necessary public needs caused due to road constructions activities:

- Law on Expropriation (Official Gazette of Republic of Macedonia No. 95/12, 131/12, 24/13, 27/14, 104/15);
- Law on Public Roads (Official Gazette of the Republic of Macedonia No. 84/08; 52/09; 114/09; 124/10; 23/11; 53/11; 44/12; 168/12; 163/13; 187/13; 39/14; 42/14; 166/14, 44/15, 116/15 and 150/15);
- Law on Construction (Official Gazette of Republic of Macedonia No. 130/09, 124/10, 18/11, 36/11, 54/11, 13/12, 144/12, 25/13, 79/13, 137/13, 163/13, 27/14, 28/14, 42/14, 115/14, 149/14, 187/14 and 44/15 and 129/15);
- Law on Assessment (Official Gazette of the Republic of Macedonia No. 115/10, 158/11, 185/11, 64/12, 188/14 and 153/15);
- Methodology for assessment of the market value of the real estate (Official Gazette of the Republic of Macedonia No. 54/12);
- Rulebook on the method of cadastral classification and determination and registration of the change of cadastral culture and land class (Official Gazette of Republic of Macedonia No. 144/13);
- Law on acting upon illegally constructed buildings (Official Gazette of the Republic of Macedonia No. 23/11, 54/11, 155/12, 53/13, 72/13, 44/14, 115/14, 199/14, 124/15 and 129/15);
- Law on Property and Other Real Property Rights (Official Gazette of the Republic of Macedonia No. 18/01, 99/08, 139/09 and 35/10);
- Law on acting upon complaints and proposals (Official Gazette of Republic of Macedonia No. 82/2008, 13/13, 156/15);
- Rulebook on the manner of action upon complaints and proposals (Official Gazette of the Republic of Macedonia No. 2/09);
- Law on Property Cadaster (Official Gazette of the Republic of Macedonia No. 40/08, 158/10, 51/11, 55/13, 41/14, 115/14, 116/15, 153/15);
- Law on Borrowing by the Republic of Macedonia from the International Bank for Reconstruction and Development - World Bank under the Loan Agreement for the project cadastre and registration of real estate (Official Gazette of Republic of Macedonia No. 38/05, 118/10);
- Law on the use and disposal of goods owned by the state and the municipalities (Official Gazette of Republic of Macedonia No. 78/15).

2.1.3 Expropriation Process

Macedonian legislation deals with expropriation - involuntary resettlement, land acqusition and livelihood restoration under its legal framework for expropriation, with the basic notion that owners of properties are to be compensated for their losses, most often in monetary terms.

The Law on expropriation dated since 1995 and governs the expropriation process in Macedonia. This Law ("Official Gazette of Republic of Macedonia" No. 95/12, 131/12, 24/13, 27/14, 104/15) regulates the procedure for the expropriation of property for projects that are of public interest and the connected rights for real estates (immovable properties). Construction of linear infrastructure, in this case Express road, falls under a project of national/public interest. The legal justification of why the project is believed to be in the public interest is submitted together with the request for expropriation (as part of the same process), to the State Attorney, by the expropriation beneficiary. The State Attorney of the Republic of Macedonia also represents public companies, funds, agencies, departments, public institutions, municipalities, trade companies and other institutions established by the Government. For this project, the Government of Republic of Macedonia accepts the initiative for expropriation, the State Attorney conducts it.

Expropriation Authority, upon the proposal for expropriation, schedules debate where owner of the property or the holders of other property rights of the property that is subject to expropriation and Proposer of the expropriation are invited. At the hearing the existence of public interest is determined, than the right of ownership and other property rights, as well as the type and amount of compensation and other facts and circumstances relevant to the process of expropriation.

The Authority must, after submission of the proposal for expropriation to the owner of the property or the holders of other property rights of the property, to schedule and hold a hearing on the proposal within 15 days of submission of the proposal to the owner of the property or the holders of other property rights of the property.

The hearing may end up with an agreement for compensation (payment in money or providing other suitable property), and for the amount of the fee if it is determined in money, as well as timeframes for payment. This agreement as an executive document and by signing of the agreement is considered the expropriation process and procedure for the determination of compensation as completed and final.

If agreement is not reached the expropriation authority, relying on the facts set out in the procedure will issue a decision on expropriation. The decision on expropriation can be appealed to the Administrative Court within 15 days of receipt of the decision.

Ministry of Agriculture, Forestry and Water Economy leased the governmentally owned agricultural land to the tenants. This ministry terminates the existing contract with the tenant and sign a new one with the same terms as before, but without the amount of land that will be acquired.

Other key aspects of the Expropriation Law are shown below:

Compensation - Article 18 "for the expropriated property there is a fair compensation that cannot be lower than the market value of the property. The market value of the property shall be established under conditions determined by this law, according to the methodology, rules and standards pursuant to the Law on Assessment. The right to seek compensation for expropriated property cannot become obsolete". Article 37 states that the market value of expropriated property and property that is given as compensation shall be determined by a qualified appraiser, pursuant to the Law on Assessment. Compensation for expropriated property usually is determined in financial means if the former owner or the possessor of other property rights and proposer of expropriation agree otherwise.

The owner of expropriated property shall also be entitled to compensation for crops, seeds, forests on the land and fruits, if they were not incorporated in the market value of the land.

The owner of the property shall not be entitled to compensation for investments made after the date of submission of the proposal for expropriation.

If economic activity is performed in a property which is to be expropriated, the effect of interruption of this activity should be taken into account when determining the compensation due for expropriation. This amount shall be determined by an expert, pursuant to the Law on Assessment.

Proposal for expropriation, separate for each individual property, contains information on:

- The proposer of the expropriation;
- The property for which expropriation is proposed;
- The owner of the property (personal name or title, residence, main office);
- The holders of other real property rights (personal name or title, residence, main office);
- The type of facility or performing works for which expropriation is proposed.

The Proposal for expropriation is accompanied by the following documentation:

- An extract of the spatial planning act or approved project for infrastructure;
- A geodesic report with numerical data for the property which is proposed for expropriation;
- An offer of compensation equivalent to the market value of the property determined by a qualified appraiser pursuant to the Law on Assessment;
- A list of property under proposal for expropriation;
- Proof the funds for compensation are in place.

In addition to the Expropriation Law, provisions of the Constitution and the Law on Property and Other Real Property Rights are also relevant to land acquisition and resettlement:

- The **Constitution of the Republic of Macedonia** guarantees legal protection of ownership and states that no person may be deprived of his/her property or of the rights deriving from it, except in cases concerning the public interest determined by law. If property is expropriated or restricted, rightful compensation not lower than its market value is guaranteed.
- According to the **Law on Property and Other Real Property Rights,** no person may be deprived of his/her property or of the rights deriving from it, except in cases concerning the public interest determined by law and the acts for spatial planning. In case of deprivation (complete expropriation) or restriction (incomplete expropriation), rightful compensation for the property not lower than its market value at the time of expropriation is guaranteed.

2.2 WB PRINCIPLES AND PROCEDURES OF RESETTLEMENT ADOPTED IN THIS RPF

Requirements of World Bank in regards with the Involuntary Resettlement is covered with OP 4.12 Involuntary Resettlement. This policy includes safeguards to address and mitigate impoverishment risks: people face impoverishment when their productive assets or income sources are lost; people are relocated to environments where their productive skills may be less applicable and the competition for resources greater; community institutions and social

networks are weakened; kin groups are dispersed; and cultural identity, traditional authority, and the potential for mutual help are diminished or lost.

The main objectives of OP 4.12 are the following:

- Involuntary resettlement should be avoided where feasible, or minimized, exploring all viable alternative project designs;
- Where it is not feasible to avoid resettlement, resettlement activities should be conceived and executed as sustainable development programs, providing sufficient investment resources to enable the persons displaced by the project to share in project benefits. Displaced persons should be meaningfully consulted and should have opportunities to participate in planning and implementing resettlement programs;
- Displaced persons should be assisted in their efforts to improve their livelihoods and standards of living or at least to restore them, in real terms, to pre-displacement levels or to levels prevailing prior to the beginning of project implementation, whichever is higher.

To achieve the objectives of this policy, particular attention is paid to the needs of vulnerable groups among those displaced, especially those below the poverty line, the landless, the elderly, women and children, indigenous peoples, ethnic minorities, or other displaced persons who may not be protected\ through national land compensation legislation.

2.2.1 The World Bank Safeguards and Involuntary Resettlement Policy

All projects funded by WB must comply with the WB social and environmental safeguards. The WB financed projects, in their turn, require compliance with the WB safeguards and guidelines.

WB OP 4.12 Involuntary Resettlement is one of the most important safeguards guiding land acquisition and related resettlement/compensation issues during project implementation. In line with the WB principles and procedures, Repulic of Macedonia is committed to implement the WB financed projects in compliance with the requirements of WB OP 4.12.

In particular, appropriate planning/management instruments must be developed prior to project appraisal, like Resettlement Policy Framework (RPF) and Resettlement Action Pan (RAP), as appropriate.

Resettlement Policy Framework (RPF). A policy framework needs to be prepared if the extent and location of resettlement cannot be known at appraisal because the project has multiple components, as typically happens in projects with financial intermediaries or multiple subprojects. The policy framework establishes resettlement objectives and principles, organizational arrangements, and funding mechanisms for any resettlement operation that may be necessary during project implementation. The framework also assesses the institutional capability to design, implement, and oversee resettlement operations.

Resettlement Action Pan (RAP). All projects that entail involuntary resettlement require a **RAP.** “The scope and level of detail of the resettlement plan vary with the magnitude and complexity of resettlement” (OP 4.12, Annex A, para. 2). RAP is location-specific and comprehensive action plan including preliminary studies (socio-economic assessment, sociological survey, census, valuation of impacts, and consultation with affected persons), a set of compensation/mitigation measures for each affected person/household, and detailed implementation plan with indication of responsible parties and schedule.

The WB Policy on Involuntary Resettlement, as defined in the OP 4.12, is based on the following principles:

- Involuntary resettlement is to be avoided or at least minimized;
- Compensation/Rehabilitation provisions provide affected persons with opportunity to improve, or at least restore, pre-project incomes and living standards;
- Affected Persons should be fully informed and consulted on Land Acquisition and Resettlement compensation options;
- Affected Persons' socio-cultural institutions should be supported/used as much as possible;
- Compensation will be paid at replacement cost to affected persons, without deduction for depreciation or any other purpose;
- Lack of legal title should not be a bar to compensation or alternative forms of assistance as needed to achieve policy objectives;
- Particular attention should be paid to households headed by women and other vulnerable groups;
- Land Acquisition and Resettlement should be conceived and executed as a part of the project, and the full costs of compensation should be included in project costs and benefits;
- Compensation and resettlement subsidies will be fully provided prior to clearance of right of way/ ground levelling and demolition.

2.3 GAP ANALYSIS – MACEDONIAN LEGISLATION FOR EXPROPRIATION AND WORLD BANK SAFEGUARD POLICIES

The main gaps between the national legal expropriation framework in the Republic of Macedonia and World Bank Safeguard Policies are described below. A Gap Analysis is presented in Table 1.

Table 1: Differences between Macedonian law/regulation and WB policy

Macedonian legislation	WB Involuntary Resettlement Policy	Conclusion on gaps	Actions to address the gaps
Eligibility			
Macedonian law does not recognize persons who do not have formal legal title	a) those who have formal legal rights to land (including customary and traditional rights recognized under the laws of the country); b) those who do not have formal legal rights to land at the time the census begins but have a claim to such land or assets provided that such claims are	In general the provisions of the Macedonian legislation and WB's OP 4.12 are the same, except of provision on persons lacking the formal legal right over the property.	It is recommended WB OP 4.12 is followed although it is not expected (c) category PAPs. The governmental initiative for legalization of objects without proper building permits starts in 2010 and end in June 2014. The initiative for legalization of illegally occupied land (backyard) started in 2011 and ended in October 2014.

	recognized under the laws of the country or become recognized through a process identified in the resettlement plan c) those who have no recognizable legal right or claim to the land they are occupying.		
Entitlements			
Macedonian laws does not include socio-economic assessment in order to determine the real magnitude of impact to the PAP	Implementation of a census and a social-economic assessment within an affected area, to identify the persons who will be displaced and determine who will be eligible for compensation and assistance. As well as to determine the magnitude of impacts.	The difference between OP 4.12 practice and national legislation is that by OP 4.12 apart from inventory of loses, a socio –economic assessment is done to determine how and whether the losses are impacting the livelihood of project affected person.	Law does not forbid getting more information from all affected persons those with and without title. Thus not only the lost assets will be surveyed but also other features that will help in profiling of the affected persons. WB OP 4.12 to be followed
Compensation under the Expropriation law is determined in accordance with the prevailing market price after taking into account the value of land, cost of structures (residential and business) & installations, crops, forest land and timber, also it covers compensation for transaction costs.	Compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets.	The difference between OP 4.12 practice and national legislation is that by OP 4.12 gives beneficiary to the PAP in means of improvement of quality of life or restoration to a previous condition.	Compensation will be at replacement value.
Timing of Compensation Payment			
According to paragraph 48 of the law Compensation has to be paid/provided within 30 days from the day when a compensation agreement has been signed or the court decision on compensation has become final. Construction permit can not be obtained without solved property	Taking of land and related assets may take place only after compensation has been paid and, where applicable, resettlement sites and moving allowances have been provided to the displaced persons.	There is a gap of 15 days where the land can be acquired before it is paid. In some cases even more.	Local authorities must deposit funds equal to the offered amount in a secure form of escrow or other interest bearing deposit acceptable to the Bank in case where affected person does not accept proposed compensation and if compensation is equivalent to at least replacement value.

issues, however in some cases construction permit is provided.			Compensation of land and assets must be fully paid prior to taking of land.
Information and consultation			
Those who have formal legal rights are informed throughout the expropriation process (i.e. that a request for expropriation has been submitted), before the decision on expropriation is passed, the municipal office in charge of expropriation has to invite the affected person with formal legal rights to a meeting to present any facts which may be relevant for expropriation.	Information related to quantification and costing of land, structures and other assets, entitlements, and amounts of compensation and financial assistance are to be disclosed in full to the affected persons. Displaced persons and their communities are provided timely and relevant information, consulted on resettlement options, and offered opportunities to participate in planning, implementation and monitoring of resettlement.	There is no legal obligation for Local Authorities to conduct early Information dissemination and consultation with PAPs prior to the process of expropriation. PAPs are not consulted or offered opportunity to participate in planning, implementation and monitoring of resettlement.	Plans for consultations with all project affected people, including host communities should be incorporated in the ARAP. Also, the draft ARAP itself must be subject to public consultation. The law of expropriation does not regularize public consultation. Thus, World Bank practices will guide the process

2.3.1 Legal framework for land expropriation in Macedonia and fit with WB OP 4.12

For land acquisition in municipal services improvement projects, the Municipalities submits expropriation proposals to the Local/ Regional Offices of Property Administration (within the Ministry of Finance). The expropriation proposal shall contain information about the purpose of expropriation, details on the real estate to be expropriated, the names and addresses of the owners of the real estate, evidence of the ownership over the real estate that is offered as replacement for the expropriated real estate and evidence for the secured funds that shall be used as compensation for the expropriated real estate.

Eight days from the submission of the expropriation proposal, the Local/ Regional Offices of Property Administration shall invite the owner, the carriers of other property rights over the real estate and the user of the expropriation for negotiations. The purpose of the negotiations is to determine the existence of a public interest, the veracity of ownership/ property rights, the nature and amount of the compensation etc. The law provides scope for appeal against the decision for expropriation to be submitted to the Commission of the Government of the Republic of Macedonia. These consultations go on until agreement is reached on the amount of compensation – if the concerned parties cannot agree, appeals are made to the Supreme Court regarding the amount of compensation and date of expropriation. The Municipalities shall acquire the tenure right over the expropriated real estate 15 days after the date of the settlement (agreement).

The compensation price is determined with the help of qualified property assessment experts. The offer price for land is calculated based on a situation-specific formula that takes into account the market value of the affected property.

There is also a process of open and transparent negotiation before expropriation proceedings begin that ensure that the final agreed price corresponds to the World Bank's requirement of "replacement value" enabling the project affected person to purchase land of similar quantity and quality. Owners also have the right to receive market-price based compensation for trees, seedlings, crops and forests, etc.

Depreciation is used in calculating the offer price of structures. This is not consistent with the principle of replacement value as suggested by OP 4.12. It is not expected that there will be major structures that will need to be acquired in the project site. In the event that there are structures (barns, kiosks, small commercial buildings etc.) that will need to be demolished, "depreciation" will not be used while calculating the compensation payable for affected structures, so that affected people will be able to replace their structures with the compensated amount.

The Municipality is obliged to make the compensation payments within 30 days from the date of signed agreement or court decision, if any. If compensation cannot be paid or deposited within the deadline, interest will be paid at market rate on the amount awarded from the date of award till the date of payment. Compensation for lost assets shall be provided before these are taken into possession.

While World Bank OP 4.12 embodies the principle that a lack of legal land title does not disqualify people from resettlement assistance, under relevant Macedonian legislation, discrepancies with this principle arise. However, within the scope of this project, the sites are not occupied by large illegal settlements; neither are there individuals that have multiple or competing or illegal claims to land in the project area. All project affected people in the area whose land have to be acquired have legal titles, according to the updated land ownership report prepared by the State Cadastre Office. Especially this is due to legalization process whereby all the non legal structures got legalized. However if such case arises than OP 4.12 principles will be followed.

2.3.2 Consultations with PAP

Information dissemination and consultation with the PAPs reduces the potential for conflicts, minimizes the risk of project delays, and enables the project to include resettlement and rehabilitation as a comprehensive development program to suit the needs and priorities of the PAPs. Specific objectives of the public information campaign and public consultation are: to fully share information about the proposed project, its components and its activities, with affected people, to obtain information about the needs of the affected people, and their reactions to proposed policies and activities, to ensure transparency in all activities related to land acquisition and compensation payments.

In the cases of Land acquisition the Municipalities will organize meetings with the local population to discuss the process. At the meetings there should be presented the following issues: basic technical characteristics of the routes and of the structures; the expropriation line of the routes, associated with detailed geographical maps; access of the settlements with the motorway; amount of the compensation for the expropriated land; the manner and the procedures of the expropriation process, including the method for assessing value or payment of compensation.

3. ELIGIBILITY AND ENTITLEMENTS

3.1 ELIGIBILITY

The basic principle followed in this RPF is that PAPs should be assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them to pre-Program level whereby lack of legal title does not exclude individuals from the eligibility to receive compensation and/or rehabilitation assistance.

PAPs eligible for compensation will include those who have formal legal rights to land or other assets, and those who initially do not have formal legal rights to land or other assets but have a claim to legal rights based upon the laws of the country; upon the possession of documents such as land tax receipts and residence certificates; or upon the permission of local authorities to occupy or use the project affected plots.

Those who have no recognizable legal right or claim to the land they are occupying are also eligible for compensation for immoveable assets. If there are cases occupying ilegally public land than no compensation will be offered for th land but they will be elegeble for compensation of the imovable assers and potential loos of livelihodd. It is not anticipated that there will be any such PAPs.

Affected items could include, but may not be limited to, the following:

- Permanently or temporarily affected land;
- Houses or other structures, crops, trees, or other assets;
- Small kiosk or any other small business or production; and/or,
- Suffered income losses as a result of the Project.

The WB's OP 4.12 recognizes that individuals and households who occupy project-affected areas after the cut-off date are not eligible for compensation. All people moving into the project area and/or people conducting construction works, planting trees, etc. after the cut-off date are non-eligible PAPs and thus will not receive any compensation. Advance notice will be given, requesting them to vacate their premises and dismantle affected structures prior to project implementation.

3.2 ENTITLEMENTS AND VALUATING AFFECTED ASSETS

Land acquisition and resettlement will be implemented according to a compensation and entitlements framework in line with Macedonian laws and regulations and WB OP 4.12. Where they are different, the entitlements most favorable to the PAPs will apply, as set out in the Entitlement Matrix below. During compensation identification at Project preparation, the entitlement matrix and description of compensation entitlements shall be revised and updated accordingly.

The definitions used in this RPF are:

- "Census" means the head count of the persons affected by land acquisition in terms of asset loss, together with an inventory of the assets lost by these persons. The census also includes basic socio-economic data. The date of the census establishes

the cut-off date to record the persons in a community project area, who can receive compensation for lost assets, and/or resettlement and rehabilitation assistance.

- "Compensation" means the reparation at market rates (which is equivalent to replacement cost) in exchange for assets acquired by the Project.

- "Cut-Off Date" means the date after which no person moving into the project area will be eligible to receive compensation related to land acquisition and resettlement. The cut-off date is the date of the census of the persons affected by land acquisition.

- "Rehabilitation Assistance" means assistance comprising job placement, job training, or other forms of support to enable displaced persons, who have lost their source of livelihood as a result of the displacement, to improve or at least restore their income levels and standard of living to pre-project levels.

The entitlement matrix is based on the premise that resettlement, rehabilitation and compensation programs should improve or, at a minimum, maintain the PAPs pre-Project living standards and ensure their participation in Project benefits. This is reflected in the following principles of compensation:

Eligibility

- All PAPs living in the Project area before the cut-off date will be considered for compensation for their losses and/or rehabilitation assistance. Lack of legal rights or titles do not make them ineligible for entitlements.

Compensation

- PAPs will be compensated at full replacement and substitution costs without depreciation, and relocated or resettled in and after due consultation with them. The preliminary compensation rates for replacement and substitution cost will be proposed to the PAPs to give them an opportunity to compare those with the prevailing market rates.

- All fees and taxes on land and/or house transfers will be waived or otherwise fees and taxes will be included in a compensation package for land and/or house. The competent government authorities will give preferential treatment to PAPs reconstructing their houses on their own, and to obtain the necessary property titles and official certificates. This in case there are cases for displacement of homes.

Cash compensation

- Payment of cash compensation for lost assets may be appropriate where livelihoods are land-based but the land taken for the project is a small fraction3 of the affected asset and the residual is economically viable, active markets for land, housing, and labor exist, PAPs use such markets, and there is sufficient supply of land and housing; or livelihoods are not land-based. Cash compensation levels should be sufficient to replace the lost land and other assets at full replacement cost in local markets, calculated as of the cut-off date.

[3] As a general principle, this applies if the land taken constitutes less than 20% of the total productive area; see also WB OP 4.12, point 12, footnote 17

- Compensation in cash for all residential, commercial or other structures will be paid at replacement cost of these structures, without any depreciation of the structure and without deduction for salvageable materials.

Consultation and Planning

- Resettlement plan will be developed and implemented in consultation with the PAPs.
- Effective and timely design, planning and implementation of resettlement and rehabilitation measures will be conducted to avoid unnecessary delays and consequent inconveniences to the PAPs.

Relocation

- PAPs will be provided full assistance for transportation of personal belongings, household inventory and salvaged material, and will be given a relocation allowance in addition to the compensation at replacement cost of their houses, lands and other properties, if there is such a case.

Timing

- Resettlement, compensation and rehabilitation Programs for PAPs will be timed so as to guarantee the availability of new land and residences, prior to commencement of project or construction activities.
- Land clearance will not be started before the PAPs have received compensation and rehabilitation assistance.

Monitoring

- Institutional arrangements will be made for internal and external monitoring of all important land acquisition activities[4].

The valuation of land is established by a committee of valuation experts hired for the purpose. Comparable data on prices are gathered through consultation with Public Revenue Office whose data from recently concluded contracts on sale and purchase of land in the region are extracted. The market value which the Municipality proposes to provide reflects adequate compensation for the asset to be expropriated. It must be noted that active markets for land and housing exist and not only people do use such markets, there is also sufficient supply of both land and housing. The Municipality considers that the market values proposed are fair and reasonable and will be adequate for the affected people to purchase alternative land of the same size and quality within the region.

Buildings are valued based on the price of construction material with which they have been built. The market price remains the most reliable way to evaluate buildings also having a commercial use, i.e. kiosks, shops, workshops or commercial enterprises.

The methodology of assessment of non-movable assets is described in the Methodology for assessment of the market value of the real estate (Official Gazette of the Republic of Macedonia No. 54/12)

[4] For further details see section 6 below

The Market Value of agricultural land, forests and pastures is determined in accordance with the average price of conducted purchases of land during the previous year. If no purchases are made in the concrete municipality in the previous year, as a market value is considered the average compensation for m^2 expropriated agricultural land in the municipality. If there is still lack of information on the purchased and expropriated land in the previous year, in the concrete municipality, than the prices of neighbouring municipalities will be taken into consideration.

During the valuation process, PAPs, local officials and relevant government offices (such as the Cadaster) will be consulted. The following guiding principles for the valuation will be taken into account:

Replacement valuation

With regard to land and structures, the replacement value is defined as follows:

- For agricultural land, it is the pre-project or pre-displacement, whichever is higher, market value of land of equal productive potential or use located in the vicinity of the affected land, plus the cost of preparing the land to levels similar to those of the affected land, plus the cost of any registration and transfer taxes.

- For land near settlement areas, it is the pre-displacement market value of land of equal size and use, with similar or improved public infrastructure facilities and services and located in the vicinity of the affected land, plus the cost of any registration and transfer taxes.

- For houses and other structures, it is the market cost of the materials to build a replacement structure with an area and quality similar to or better than those of the affected structure, or to repair a partially affected structure, plus the cost of transporting building materials to the construction site, plus the cost of any labor and contractors' fees, plus the cost of any registration and transfer taxes.

In determining the replacement cost to be compensated to the PAP, depreciation of the asset and the value of salvage materials are not taken into account, nor is the value of benefits to be derived from the project deducted from the valuation of an affected asset. Where domestic law does not meet the standard of compensation at full replacement cost, World Bank guidelines and technical specifications for compensation at replacement cost will be applied.

Compensation for land, structures, business, fixed improvements and other temporary assets will be based on market valuation, productivity valuation, negotiated settlements, material and labor valuation, disposition of salvage materials and other fees paid. It should be noted that lack of title, license or permit is not a bar to compensation.

Asset Acquired	Type of impact	Entitled person	Compensation entitlement
Agricultural or construction land	No displacement: Less than a fraction of land holding affected The remaining land remains economically valuable	Farmer/tenant	Cash compensation for affected land equivalent to market value or replacement which ever is higher
	Displacement:	Farmer/tenant	Cash compensation equivalent

	More than a fraction of land holding lost. Remaining land is not valuable		to replacement value of land Income restoration package (access to credit/allowance until next first harvest/alternative job training) if the livelihoods are affected
Commercial property	Loss of business and/or rent	PAP (whether owner, tenant or squatter)	Compensation for loss of income incurred as a result of relocation including any discrepancies in livelihood. Support to re-establish the business in other suitable location.
Residential property	Not applicable		
Structures	Support structure such a garage	Owner/user	Compensation at replacement value
Trees/crops	Trees/crops lost	Owner/user/tenant	Cash compensation based on type, age and productive value of affected trees/crops
Temporary acquisition	Temporary acquisition	PAP (whether owner, tenant or squatter)	Cash compensation for any assets affected (e.g. boundary wall demolished, trees removed)

Project affected people (PAP) includes any household who at the cut-off date of the project (i.e. at the date of conducting the census and baseline survey) are residing or deriving an income from the project area, and because of the project, would lose land, or any other movable or fixed assets, in full or in part, temporarily or permanently, or have their business, occupation, place of work or residence adversely affected. Lack of legal rights will not bar affected people from entitlement to compensation for their lost assets (improvements including structures, houses, crops, trees and other fixed assets). The land ownership information prepared by the State Cadastre Office should clarified that there are no illegal encroachers on land, who occupy, reside and cultivate land that does not belong to them in the project area4.

4. ARAP INFORMATION REQUIREMENTS

4.1 CENSUS AND INVENTORY OF PROJECT AFFECTED PERSONS

After completed institutional procedures for start of a Census and Inventory of Project Affected Persons, a cut-off date will be publicly announced and, where applicable, a census of families and persons adversely affected by the Project or sub-component will be undertaken. The census will include a complete inventory of all losses to be incurred by each PAP. This information will include as a minimum: (a) number of persons, main occupation and level of income; (b) number, type, and dimension of the houses; (c) number, quality, and area of all the residential plots; (d) number, category, type, and area of agricultural land held and to be lost by each PAP; (e) tenure status of agricultural land and amount of rent paid by tenant/lessee, where applicable; (e) quantity, category, and dimension of all rent of other fixed assets adversely affected; (g) productive assets lost as a percentage of total productive assets; (h) temporary damage to productive assets; (i) quantity, category, and quality of non-agricultural livelihood adversely affected; (j) quantity, type, and quality of community resources to be acquired[5].

4.2 IDENTIFICATION OF LOSSES

If the Projects involve physical relocation of PAPs, data will be collected on the location, area, type, and category of the replacement land available for residential and/or agricultural purposes. Care will be taken to ensure that the relocation site or replacement land is in the vicinity of the PAPs previous location to avoid social dislocation and unrealistic division of the PAPs economic livelihood[6].

4.3 BASELINE SURVEY

The baseline survey will provide data on the existing social structure, tenure arrangements and resource use, access to common property resources, social services and infrastructure facilities by different social groups in the project area, and for the host population at the proposed resettlement site (if relevant), clearly identifying all special interest groups, particularly those who are poor and vulnerable (e.g. tenants, landless labourers, and female-headed households), and describing their special characteristics in relation to the project[7].

4.4 COMPENSATION OFFERED

Apart from information for the looses of the affected persons, the magnitude of impact ARAP will contain information for the compensation offered to the PAPs. Separate section of the ARAP will contain entitlement matrix with the content and compensation to be offered. This section will be updated after the consultation and negotiation with PAPa.

[5] See also (i) **Annex 1**: Checklist for Census Information; and (ii) **Annex 2**: List of Data for Census Survey
[6] See also Annex 3: List of Data for Inventory of Losses
[7] See also **Annex 4**: Data for Baseline Survey

4.5 IMPLEMENTATION ARRANGEMENTS

ARAP will have section on implementation arrangements. Ex ante in the ARAP all institutions that have a role in the process will be listed with their responsibilities and time sequencing.

4.6 Monitoring and the Budget

ARAP will explain also the process how the monitoring of the process is going to be done. In the same section the approximate budget will be noted.

5. IMPLEMENTATION ARRANGEMENTS

5.1 ARAP DEVELOPMENT AND APPROVAL PROCESS

ARAPs, as needed, will be developed by the municipalities. ARAP preparation will commence immediately after a cut-off date has been declared and main activities to be undertaken include – but may not be limited to – the following:

- Identification of and consultation with PAPs;
- Census survey and inventory of losses of PAPs;
- Valuation of lost assets;
- Development of compensation matrix;
- Preparation of indicative budget for implementation.

Draft ARAP will be submitted to WB for review and clearance, after which it can be disclosed by the municipality for public consultation. After the public consultation draft ARAP will be finalized and final ARAP will be submitted to WB. When approved by WB it will be disclosed by the municipality.

5.2 RAP IMPLEMENTATION PROCESS

5.2.1 RAP Implementation Unit

A RAP Implementation Unit (RIU)[8] within municipality will be established to implement approved RAPs. All activities indicated in the RAP shall be covered from municipal funds and be completed prior to commencing the construction activities. Municipality Project Implementation Unit (PIU) will be responsible for preparing and implementing approved RAPs, under the supervision of the World Bank.

Major responsibilities and activities of the RIU/ PIU include – but may not be limited to – the following:

- Verify the RAP census and asset inventory data on the demarcated parcel; or the affected structure
- Undertake cadastral and topographic surveys and ensure correction of data of measuring and inventory as required by possible design changes;
- Closely consult with PAPs and settlements representatives;
- Prepare documentation for registration of new land plots;
- Provide the public with necessary information;

[8] Responsible person for social aspects from the Environmental and Social Aspects Unit within in Development Department and a person from the Legal Department. This is just a proposal. Each municipality will establish a unit to prepare and implement ARAP as per World Bank requirements. The PIU at the Ministry of Finance will support the Municipalities to meet the World Bank requirements

- Negotiations and agreement with PAPs;
- Delivery of compensation and, as needed, implementation and supervision of rehabilitation measures. Cash compensations will be paid on bank transaction account;
- Observe grievance procedures;
- Court processing of cases where no agreement is reached;
- Expropriation proceedings through the court, as required;
- Construction of infrastructure (in case resettlement is necessary) and arrangement of relocation of PAPs;
- Prepare quarterly reports.

Satisfactory completion of the RAP is a condition for any (physical) works to start.

5.2.2 Complaints and Grievances

Grievance Redress Committee: Tasks and composition

A Grievance Redress Committee at Program level will be established to address complaints and grievances pertaining to resettlement and to pre-empt all disagreements being referred to the court. The Committee will include a representative of each affected municipality a representative from the PIU and the representative from the sub-project area community. A Grievance redress committee will be convened by the municipality PIU on a case by case basis, to address complaints and grievances pertaining to any land acquisition resettlement.

Procedure

Under the supervision of the municipality, the RIU/PIU will make every effort to achieve an amicable settlement of all identified resettlement issues under the RAP at the Project. If this attempt fails, the PAP may at his/her discretion, deposit a complaint either with the court or Grievance Redress Committee. The proposed redress procedure and mechanisms will be presented to and discussed with the PAPs at the early stages of the RAP preparation process. In order to effectively collect all grievances from the potential PAPs, a specific site(s) may be designated for timely depositing and collection of all complaints. The PAPs can deposit complains orally (these shall be properly documented at the moment of depositing complain at the designated site) or in written. The response will be provided within a period of two weeks after receiving the complaint. If the case is not resolved at the level of the Grievance Redress Committee, it may be submitted by either party to the Court. Any fees required for this purpose will be paid by the municipality after verifying that the PAP is a recipient of Social Cash benefits. All other PAPs will be responsible for their own costs.

5.2.3 Expropriation Proceedings

If the RIU and the PAP fail to reach an agreement on the acquisition of private properties, municipality will pursue the expropriation proceedings in accordance with the Expropriation Law.

5.2.4 Court

The Court shall be the last resort for issues and concerns regarding the implementation of the RAP. In case of failure in the negotiation between the municipality and the PAP concerning the acquisition of private properties, General Attorney (on request of municipality) with the mandate for expropriation based on existing legislations will submit to the Court a request for expropriation. Upon Court approval and following prescribed procedures, the municipality will take over the concerned property after having been given the right of Expropriator by the Court.

In cases where complaints and grievances regarding the RAP implementation and compensation are not amicably settled and mediation by the Grievance Redress Committee remains also unsuccessful, the PAP will also have the right to appeal the case to the Court as a last resort. The Courts' decision shall be final and be executed.

6. MONITORING AND EVALUATION

The main objective of implementation of RAP is to improve or at least restore the social and livelihood resources of the PAPs at their pre-project level. The process of implementation should ensure that this objective is achieved over a reasonable time with allocated resources. Therefore, monitoring of the process of updating RAP, its implementation and delivery of institutional and financial assistance to the PAPs has been designed as an integral part of the overall functioning and management of the Project. Resettlement activities in will be regularly supervised and monitored by personnel of municipality (the PIU). Municipality PIU will ensure the execution of timely monitoring of the monitoring and evaluation indicators (process, delivery and impact indicators) of land acquisition and resettlement tasks. The purpose of the monitoring and evaluation is to provide feedback to all stakeholders on progress made in view of a timely and comprehensive implementation of the RAP and to identify problems as early as possible to facilitate well-timed adjustment of implementation arrangements. The objectives are to:

a) Ensure that the standard of living of PAPs are restored or improved;

b) Ascertain whether activities are in progress as per schedule and the timelines are being met;

c) Assess whether the compensation, rehabilitation measures are sufficient;

d) Identify problems or potential issues; and

e) Identify methods to rapidly mitigate problems.

As a condition of appraisal of sub-projects involving resettlement, the borrower local government provides the World Bank through PIU with the relevant draft resettlement instrument which conforms to this policy, and makes it available at a place accessible to displaced persons and local NGOs, in a form, manner, and language that are understandable to them. Once the Bank accepts this instrument as providing an adequate basis for project appraisal, the Bank makes it available to the public through its InfoShop. After the Bank has approved the final resettlement instrument, the Bank and the borrower disclose it again in the same manner.

The borrower's obligations to carry out the resettlement instrument and to keep the Bank informed of implementation progress are provided for in the legal agreements for the project

The borrower is responsible for adequate monitoring and evaluation of the activities set forth in the resettlement instrument. The Bank regularly supervises resettlement implementation to determine compliance with the resettlement instrument. Upon completion of the project, the borrower undertakes an assessment to determine whether the objectives of the resettlement instrument have been achieved. The assessment takes into account the baseline conditions and the results of resettlement monitoring. If the assessment reveals that these objectives may not be realized, the borrower should propose follow-up measures that may serve as the basis for continued Bank supervision, as the Bank deems appropriate.

Monitoring process will be conducted in two phases: internal and external.

6.1 INTERNAL MONITORING

Internal monitoring will be carried out routinely by PIU either directly or through the Local Resettlement Consultant. The results will be communicated to WB through the established semi-annual report whereby there will be a section on reporting progress of resettlement/land acquisition cases. Specific monitoring benchmarks will be:

- Information campaign and consultation with PAPs;
- Status of land acquisition and payments on land compensation;
- Compensation for affected structures and other assets;
- Relocation of PAPs;
- Payments for loss of income;
- Selection and distribution of replacement land areas;
- Income restoration activities, and
- Grievances and their resolution.

The above information will be collected by PIU through local governments which are responsible for monitoring the day-today resettlement activities of the sub-project through the following instruments:

- Review of census information for all PAPs;
- Consultation and informal interviews with PAPs;
- In-depth case studies;
- Sample survey of PAPs;
- Key informant interviews; and
- Community public meetings.

Reporting on internal monitoring will be carried out semi-annual by MSIP PIU and at the end of each RAP completion, a RAP completion report will be submitted to World Bank. Internal monitoring and supervision will:

- Verify that the census of all PAPs has been carried out;
- Verify that the RAP and baseline survey (as appropriate) has been prepared for Project;
- Verify that property valuation and resettlement has been carried out in accordance with the provisions of this RPF and the respective RAP;
- Oversee that all resettlement measures are implemented as approved;

- Ensure that funds for implementing resettlement activities are provided in a timely manner, are sufficient for their purposes, and are spent in accordance with the provisions of this RPF and the respective RAP.

6.2 EXTERNAL MONITORING

The World Bank will perform external monitoring from time to time. In addition, to verifying the reports generated by internal monitoring, external monitoring will:

- Evaluate the social and economic impact of resettlement on the PAPs;
- Verify if the objective of enhancement or at least restoration of income levels and standards of living of the PAPs has been met; and
- As needed, provide suggestions for improvement of resettlement implementation to ensure achievement of the principles and objectives set forth in this RPF and respective RAPs.

The following are main indicators for the investigations to be carried out in this external monitoring phase:

- Socio-economic conditions of the APs after project implementation;
- Communications and reactions from APs on entitlements, compensation, options, alternative developments and relocation timetables etc.;
- Changes in housing and income levels;
- Socio-economic conditions of Informal land owners;
- Effectiveness of property valuation for rehabilitation purposes;
- Effectiveness of Grievance procedures;
- Level of satisfaction of APs in the post resettlement period.
- Level of income of APs after implementation of livelihood restoration measures.

7. PEOPLE'S PARTICIPATION

As indicated in the above sections, PAPs will participate throughout the development and implementation process of resettlement activities and in the land acquisition process. They will be consulted by the municipality and the RIU and will be invited to participate in public meetings held by municipality in the early stages of the process, as indicated above. The PAPs will be provided with reliable information on the project, its impacts and the proposed mitigation strategies and economic rehabilitation activities. The information made public and provided to each affected household will also include cut-off dates for each sub-project, eligibility criteria and entitlements, modalities of compensation, complaints and grievance redress procedures. The affected parties will be provided with an opportunity of presenting their ideas and suggestions as inputs into the planning and implementation of the resettlement activities. These will be achieved through a series of participatory exercises and focused discussions with the PAPs, thus ensuring that the affected parties have a stake in the outcomes of the process.
PAPs will be also involved in the committees to be established, which will ensure their participation in the decision-making process in various stages of the RAP process: preparation and implementation.

After completion of RAP, a brief survey will be undertaken by the RIU amongst PAPs to assess their satisfaction with the process and results of the RAP.

8. COSTS AND BUDGETS

Based on the completed RAP, municipality will submit to the World Bank a detailed cost of resettlement, with a breakdown by agricultural land, residential land, houses, other assets, and livelihood to be affected. The cost estimates will make adequate provision for monitoring and supervision and for contingencies. All costs for resettlement will be funded through municipality funds.

All RAP preparation and implementation costs, including cost of compensation and LAR administration, will be considered an integral part of Project cost and will be contributed as a section indicating (i) unit compensation rates for all affected items and allowances, (ii) methodology followed for the computation of unit compensation rates, and (iii) a cost table for all compensation expenses including administrative costs and contingencies.

Costs for external monitoring tasks and for the preparation of surveys and RAPs can be allocated under the loan.

9. ANNEXES

ANNEX 1: CHECKLIST FOR CENSUS INFORMATION

Persons:

- Aggregate number of individuals and households in each affected category;
- Age, gender, occupation of every individual.

Property:

Personal property including details of ownership of

- Structures: houses, farm buildings, shops, industrial structures, grain drying area, latrines;
- Land and type: irrigated or non irrigated, woodlots, grassland, wasteland, etc.;
- Description and estimate of the value of standing crops on land;
- Other (livestock, wells, trees).

Public and common property:

- Land, village common lands, gathering and foraging areas, fishing areas, etc;
- Structures and facilities: schools, health facilities, burial grounds, temples, community centres, public transport, banks, co-ops;
- Infrastructure: drinking and other water systems, access and internal roads, electricity and other power sources.

PAP incomes from other sources, including:

- Farm-based income;
- Off-farm labour;
- Informal sector activities.

ANNEX 2: LIST OF DATA FOR CENSUS SURVEY

1. Background Information

(a) Questionnaire code and date of survey

(b) Name of interviewer

(c) Name of province, district and village/hamlet

2. Household Census

(a) Name of household head and all household members

(b) Relationship of household members to the household head

(c) Age and sex of each household member

(d) Information on ethnicity

(e) Education level of each member

(f) Primary occupation and monthly income of each member

(g) Incomes from secondary sources for each member

(h) Location of job or businesses as the case may be

(i) Length of stay on present location

3. Tenure Status

(a) Category of land

(b) Type of land ownership and the name of the owner/HH member

(c) Type of document possessed to certify ownership type

(d) If not owned, name and address of owner

(e) If informal use right, type of agreement

(f) Number of years used

(g) Rent per month paid by tenant

(h) Deposits made by lessee

Note: In case census and inventory are conducted as separate exercises, some information on land use, affected structures and other fixed assets, and affected businesses should also be collected as part of census surveys.

ANNEX 3: LIST OF DATA FOR INVENTORY OF LOSSES

1. Land Use

a) Existing use of land

b) Areas under different land usages, where applicable

c) Total and affected area of land with breakdown by usages, if applicable

d) Estimate whether the remaining area is viable for continued use

e) Total area of land by type for compensation purposes

2. Structures

a. Type of structure

b. Number of floors

c. Area by floor

d. Name of owner of structure

e. Year of construction

f. Whether permit obtained for structure

g. Use of structure and areas by usages, if applicable

h. Description of building material used for roof, walls and floors by surface areas

i. Type of foundation

j. Description of any special features of structure

k. Utility connections (electric meter, water supply, etc.)

l. Charges paid for utility connections

l. Affected area of structure

m. Estimate whether the remaining structure is viable for continued use

n. Total area of building for compensation purposes

3. Other Structures

a. Types of structures (wells, boundary wall, fence, warehouse, etc.)

b. Area of fish pond affected

c. Average household income from fish pond

d. Description of areas and construction material of affected structures

e. Use of other structures

4. Agricultural Products

a. Type of crops affected
b. Owner of affected crops
c. Total yearly production of crop on affected land
d. Average yield of crop
e. Any products that are sold at the market
f. Number of employees/labour used for crop production
g. Average value of crop
h. Average yearly household income from agriculture

5. Trees

a. Number and types of affected trees
b. Age of tress
c. Name of owner of trees
d. Average yield of fruit bearing trees
e. Average yearly income from fruit trees

6. Business

a. Type of business affected
b. Name of owner of business
c. Registration/permit number of business (check document)
d. Total yearly household income from business
e. Average operating expenditure of business
f. Number of employees in business
g. Number of permanent and temporary employees
h. Average income and profit as reported for income tax (check document)
i. Whether the business needs to be relocated

7. Affected Public Utilities and Facilities

a. Description of affected community infrastructure
b. Description of affected facilities by area & building material used
c. Estimated number of population adversely affected by the facilities/infrastructure

8. Preference for Relocation

a. Whether there is a need for relocation or reorganization

b. Preferred mode of compensation (cash or kind) for land

c. Preferred mode of compensation for structure

d. Preferred type of assistance for income rehabilitation

ANNEX 4: DATA FOR BASELINE SURVEY

Note: The background information, household status and land use information would be same as in ANNEX 3 above: List of Data for Census Survey

Additional information would include the following:

1. Access to Facilities

a. Access to electricity

b. Type of water supply available

c. Type of sanitation facilities within the building

d. Distance to school

e. Distance to health facilities

f. Distance to market

2. Household Assets

a. Type and number of farm equipment and implements owned by the household

b. Type of other business equipment owned by household

c. Estimated value of affected equipment

d. Type of transport owned (bike, motorcycle, truck, animal cart, car, other)

e. Major kitchen equipment owned (stove, cooker, etc.)

f. Ownership of fridge, radio, TV, etc.

g. General condition of building (excellent, good, average, poor)

h. General condition of household furnishing (furniture, cupboards, etc.)

3. Household Income and Expenditure

a. Average annual household income from all sources

b. Average expenditure on major items: food, transport, health, education

c. Any loans taken from bank, friends or relatives

d. Approximate savings, if any

4. Skills Possessed

a. Skills of each household member

b. Types of training or skills preferred for further upgrading

ANNEX 5: SUMMARY OF THE PUBLIC CONSULTATIONS MEETING

Location	The Public consultations were held on October 8, 2015 at the premises of the Ministry of Finance, from 12am to 13.30pm
Objective	The public hearing and consultation meeting was aimed to present the main aims of MSIP2 project, WB environmental and resettlement policies and requirements prior loan decision-making and main aspects within the draft versions of **Environmental Assessments and Management Framework Document (EAMF) and Resettlement Policy Framework (RPF) for the MSIP2** in front of relevant interested stakeholders. The open, transparent and active public participation was ensured with main aim to enable the stakeholders to provide their concerns, comments and remarks on the draft documents.
Invitees	The following interested stakeholders have been invited: WB Office in Skopje, Ministry of Finance (MoF), Ministry of Environment and Physical Planning (MoEPP), Environmental Administration AE (MoEPP), Ministry of Transport and Communication (MoTC), ADKOM, ZELS, City of Skopje, several environmental NGOs, Ministry of local self-government units, City of Skopje, consulting companies and other concerned institutions. The public announcement was launched in daily national newspaper (copy attached in **Annex 1**), and it was posted on the website of MoF () – **Annex 2.**
Participants	15 participants (and 2 PIU representatives) attended the Public hearing and consultation event, The copy of the List of Participants is enclosed in **Annex 3**. Several photos were taken during the event and are shown in **Annex 4**.
Summary conclusions and comments	**DISTRIBUTED MATERIALS** The draft versions of the EAMF Report and RPF Report (in English) and presentations (in Macedonian). Both draft documents were sent by email to the all invited participants and hard copies of PP presentation (handouts) were distributed to all participants. The hard copies of both Reports were also available at the project office. **CONCLUSIONS AND COMMENTS** The meeting was carried out according to the planned agenda. The Director of the MSIP project unit Mrs. Malgorzata Markiewicz-Bogov (**MMB**) welcomed the participants and she briefly introduced participants with main objectives of the project and the main aim of the event. The social expert Mrs. Gordana Pecelj (GP) presented RPF for

MSIP2. Then, the Environmental expert Mrs. Slavjanka Pejcinovska-Andonova (**SPA**) presented EAMF document, the main aim of the document and WB environmental safeguard requirements related to the preparation of the EAMF and its presentation on the public hearing and consultation event.

The Environmental expert **SPA** presented the main aim of MSPI1 project, the status of implementation the MSIP1 projects, necessity of development the MSIP2 Project Document and main type of projects expected to be submitted by the municipality.

She gave an overview of the national environmental legislation with emphases on the EIA procedure for small projects (Category B projects refer to WB Environmental Safeguard Policy), sectorial legal acts related to waters and waste waters, air quality, waste management, noise and vibrations, OH&S and other aspects. SPA presented the relevant WB safeguard policies that should be followed during the developing the PAD for each sub-project within the MSIP2.

During the presentation **SPA** noted the importance of environmental impact assessment of the project activities, identification of the potential environmental and human health risks, impacts and necessity to propose the preventive, mitigation and compensation measures to be implement by the Contractor. Several positive examples were presented from MSIP1 already finished projects dealing with hazardous waste (waste from asbestos containing materials and mercury bulbs).

SPA explained that additionally to the national EIA requirements, the WB requires development of general Environmental Mitigation Plan and Monitoring Plan (EMPs) to be presented in the EAMF, and when the MSIP2 starts, for each sub-project, the site-specific Environmental Mitigation Plan and Monitoring Plan should be developed and EMPs will be a part of the Contract with Sub-Contractor and he/she need to implement them and the Supervisor needs to monitor their implementation.

The template for Site Visit Monitoring Report for site visits within the MSIP2 when the sub-projects will be carrying out was presented as well. At the end she opened the discussion.

Discussion

The discussion after the presentation of the document RPF document took place around the following points: (i) gap analysis between the World Bank and national regulation regarding the resettlement and expropriation process, (ii) compensation price during the expropriation prices.

First, representative of the Ministry of Transportation and Communications asked to get the matrix of compliance i.e. gap analysis between national regulations and WB policy in field of expropriation.

Namely, the consultant organization involved in preparation of RPF

presented that according to the Operation Policy 4.12 and requirements of the WB so called Grievance Redress Committee should be established as an informal body to address complaints and grievances pertaining to resettlement and to pre-empt all disagreements being referred to the court.

In opinion of the speaker there are many such bodies in various institutions and the question is whether it is necessary to establish new bodies. The representative of the World Bank explained the necessity to establish such a body so that project affected persons to have another chance for agreement.

Second, representatives of the City of Skopje were interested how to reach higher compensation price during the expropriation process from the one gives from the authorized assessor. As was presented by the consultant affected persons who are more affected with the project, i.e. big proportion of their agricultural or construction land will be expropriated could be compensated with the higher unit price. This is due to different magnitude of social impact caused by expropriation process.

Employees in municipalities as a part of the team working on expropriation bound to follow the prices set by the assessor, so they have no legal base to offer higher price. Therefore, this issue should be considered further because it causes a bigger problem than the expropriation process.

The remaining issues are addressed most of those who should be members of Grievance Redress Committee - GRC. Representative from city of Skopje asked if mediator can facilitate relation between municipalities and project affected persons (according to the national legislation Mediation is any arbitration to resolve dispute between parties by negotiation in a peaceful way through one or more licensed mediator). It was clarified that member of GRS will be representatives from the municipalities, PIU and project affected people.

The public debate finished after 40 minutes fruitful discussions and suitable explanations given by WB representative Mr. Bekim Ymeri based on Bank's and his own experience.

As concerns environmental issues, the first comment was provided by Mr. Ljubomir Jovanovski – **LjJ** (Councillor at the MTC) who agreed with the presented environmental aspects pointing out that also the Law on Construction is very important as the law incorporates OH&S aspects and the Construction permit has been issued after receiving the Decision on approval the EIA Report-Elaborate issued by the relevant authority.

LjJ encouraged the municipalities saying that all these environmental related procedures have been implemented by the municipalities already for each project when the municipality is the project investor. He pointed out that the municipalities need to know the difference

between the WB environmental and resettlement polices and national requirements and what additionally the municipality need to follow before applying for the WB loan. He expressed interest in seeing the matrix with correlation between national and WB environmental and resettlement polices.

The representative from the City of Skopje Mrs. Emilija Cvetkovska (**EC**) asked few questions about the resettlement policy documents that need to be developed and the legal basis for establishing the Resettlement Committee. Also, she commented that for all questions referring to environmental and resettlement issues they could contact the MSIP and relevant experts to support them during application process. SPA explained her role in the MSIP project supporting the municipalities to follow the national environmental legislation as well as the WB safeguard policies. SPA explained that the municipality should prepare the EIA Report – Elaborate and to submit it to the relevant authority. The EIA Report-Elaborate and the Decision for approval of the EIA Report-Elaborate should be submitted to the MSIP2 unit and additionally, the site-specific Environmental Mitigation Plan and Monitoring Plan will be developed by SPA as a part of Project Appraisal Document.

No specific comments or remarks on the draft EAMFD was provided by any participant and no need for any amendments is foreseen till now.

CLOSING REMARKS

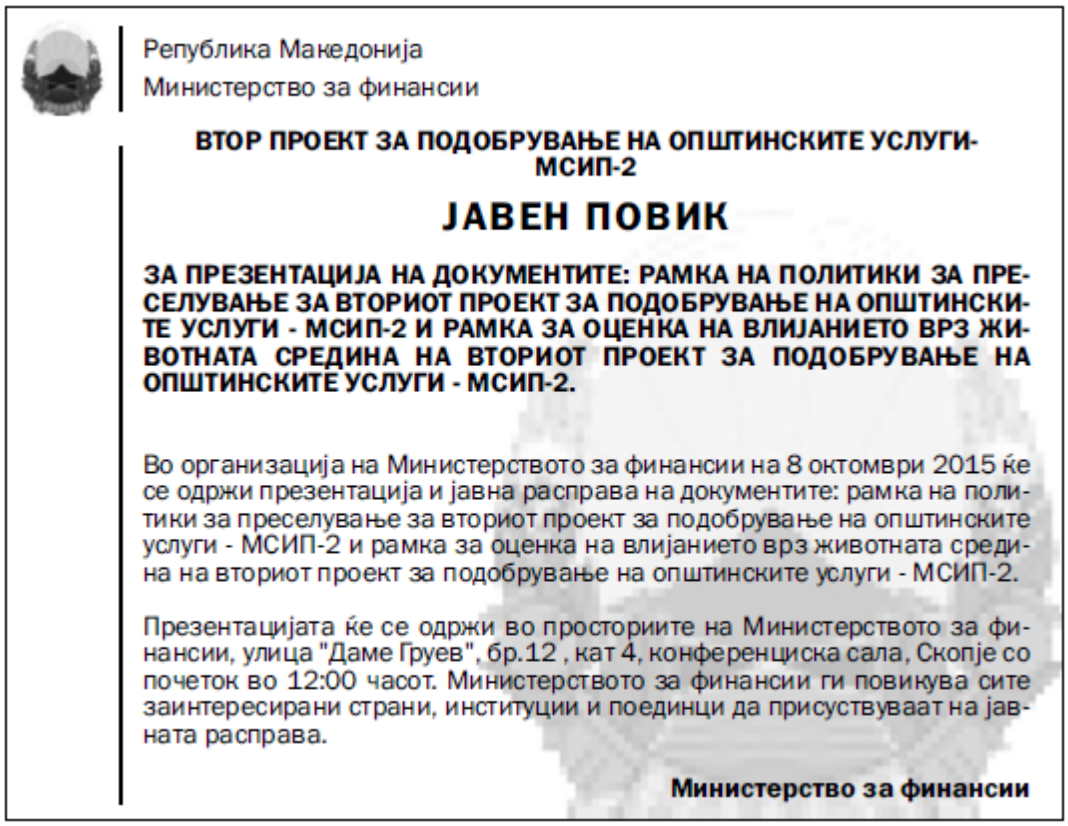
The meeting was closed and closing remarks were given by MMB, expressing gratitude to all participants about their attendance the event, their active participation and interest concerning the MSIP2 project.

Responsibility

Environmental expert **(SPA)** will prepare the final version of **Environmental Assessments and Management Framework Document** and also she will prepare Summary of the public consultation and discussion related to the draft EAMF and she will incorporate them within the final version of the EAMF. Social expert (GP) will prepare the final version of RPF document.

The final versions of EAMF and RPF documents will be delivered to MSIP project unit and to the Ministry of Finance and passed to the World Bank for final review and no-objection.

ANNEX 6: PUBLIC ANNOUNCEMENT CONCERNING PUBLIC CONSULTATION IN THE DAILY NEWSPAPER "DNEVNIK" ON OCTOBER 3, 2015



Република Македонија
Министерство за финансии

ВТОР ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ-МСИП-2

ЈАВЕН ПОВИК

ЗА ПРЕЗЕНТАЦИЈА НА ДОКУМЕНТИТЕ: РАМКА НА ПОЛИТИКИ ЗА ПРЕСЕЛУВАЊЕ ЗА ВТОРИОТ ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ - МСИП-2 И РАМКА ЗА ОЦЕНКА НА ВЛИЈАНИЕТО ВРЗ ЖИВОТНАТА СРЕДИНА НА ВТОРИОТ ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ - МСИП-2.

Во организација на Министерството за финансии на 8 октомври 2015 ќе се одржи презентација и јавна расправа на документите: рамка на политики за преселување за вториот проект за подобрување на општинските услуги - МСИП-2 и рамка за оценка на влијанието врз животната средина на вториот проект за подобрување на општинските услуги - МСИП-2.

Презентацијата ќе се одржи во просториите на Министерството за финансии, улица "Даме Груев", бр.12 , кат 4, конференциска сала, Скопје со почеток во 12:00 часот. Министерството за финансии ги повикува сите заинтересирани страни, институции и поединци да присуствуваат на јавната расправа.

Министерство за финансии

ANNEX 7: PUBLIC ANNOUNCEMENT LAUNCHED ON THE MINISTRY OF FINANCE WEB SITE

ВТОР ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ-МСИП-2

ЈАВЕН ПОВИК

ЗА ПРЕЗЕНТАЦИЈА НА ДОКУМЕНТИТЕ: РАМКА НА ПОЛИТИКИ ЗА ПРЕСЕЛУВАЊЕ ЗА ВТОРИОТ ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ - МСИП-2 И РАМКА ЗА ОЦЕНКА НА ВЛИЈАНИЕТО ВРЗ ЖИВОТНАТА СРЕДИНА НА ВТОРИОТ ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ - МСИП-2.

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Министерство за финансии

ANNEX 4.4 SUB-PROJECT APPRAISAL FORM

Municipality:
Project:
Date:

Note: The summary document of the feasibility study must be attached to this document

Project Description	
Is the intention for a project derived from an overall plan or studies? (EAP, EDP, W&WW Master plan, other)	[ ]Yes [ ] No
Is the current situation described correctly?	[ ]Yes [ ] No
Are the assumptions made on the expected situation correct and acceptable?	[ ]Yes [ ] No
Are the needs the project should fulfil correctly identified?	[ ]Yes [ ] No
Are the project goals clear and satisfy the needs?	[ ]Yes [ ] No
Is the description of the project clear?	[ ]Yes [ ] No
Were there alternative solutions proposed?	[ ]Yes [ ] No
Was the best solution selected (technically and financially)?	[ ]Yes [ ] No
Financial data	
General	
Is the project revenue earning?	[ ]Yes [ ] No
Is the project cost saving?	[ ]Yes [ ] No
Has the sub-project been approved by the elected municipal council?	[ ]Yes [ ] No
Has the financial state of the Municipality been appraised?	[ ]Yes [ ] No
Is it viable?	[ ]Yes [ ] No
Has the financial state of the CSE been appraised?	[ ]Yes [ ] No
Is it viable?	[ ]Yes [ ] No
Has the borrowing capacity been evaluated?	[ ]Yes [ ] No
Does the project size fall into the borrowing capacity?	[ ]Yes [ ] No
Does the loan repayment plan comply with the sub-loan conditions as established in the Annex 1.1 of the POM?	[ ]Yes [ ] No
Financial Analysis	
Are the assumptions made relevant?	[ ]Yes [ ] No
Are the benefits identified correctly and quantified?	[ ]Yes [ ] No
Are the costs identified correctly and quantified?	[ ]Yes [ ] No

Are the calculations correct?	[ ]Yes [ ] No
Are the financial indicators of the subprojects conclusive?	
IRR	[ ]Yes [ ] No
NPV	[ ]Yes [ ] No
Cost-Benefit Analysis	
Are the assumptions made relevant?	[ ]Yes [ ] No
Are the valuations of the benefits relevant?	[ ]Yes [ ] No
Are the valuations of the costs relevant?	[ ]Yes [ ] No
Are the calculations correct?	[ ]Yes [ ] No
Are the economic indicators of the subprojects conclusive?	
EIRR	[ ]Yes [ ] No
ENPV	[ ]Yes [ ] No
Technical Solution	
Have studies been conducted support the solution adopted for this sub-project?	[ ]Yes [ ] No
Is the chosen technical solution adequate to meet the project objective?	[ ]Yes [ ] No
Is the overall quality of the project satisfactory?	[ ]Yes [ ] No
Is all the data needed included and correct?	[ ]Yes [ ] No
Are the calculations correct?	[ ]Yes [ ] No
Is the Bill of Quantity complete?	[ ]Yes [ ] No
Can this project be replicated elsewhere or expanded?	[ ]Yes [ ] No
Social Impact	
Has the sub-project been publicly disclosed?	[ ]Yes [ ] No
Have there been consultations with the beneficiaries/citizen?	[ ]Yes [ ] No
Were they satisfactory?	[ ]Yes [ ] No
Has a social impact analysis been completed?	[ ]Yes [ ] No
Is it satisfactory?	[ ]Yes [ ] No
Are there any resettlement issues?	[ ]Yes [ ] No
If required, has the resettlement plan been established?	[ ]Yes [ ] No
Is it satisfactory?	[ ]Yes [ ] No
Environmental Impact	
Have environmental impacts been identified correctly?	[ ]Yes [ ] No
Are there any major adverse environmental impacts?	[ ]Yes [ ] No

Has the environmental mitigation plan been established?	[ ]Yes [ ] No
Is it satisfactory?	[ ]Yes [ ] No
Has the environmental monitoring plan been established?	[ ]Yes [ ] No
Is it satisfactory?	[ ]Yes [ ] No
Risks Management	
Does the project include any critical risks rated “substantial” or “high”?	[ ]Yes [ ] No
Have the recommendations been followed /fulfilled?	[ ]Yes [ ] No
Monitoring and Evaluation	
Has a set of indicators been identified?	[ ]Yes [ ] No
Will it permit the correct monitoring of the project?	[ ]Yes [ ] No
Will it permit a thorough evaluation of the project?	[ ]Yes [ ] No
Coordination with other projects	
Will there be other projects in the same area during the same period of time?	[ ]Yes [ ] No
Are those projects simultaneously realizable?	[ ]Yes [ ] No
Could those projects be coordinated?	[ ]Yes [ ] No
Could those projects be combined?	[ ]Yes [ ] No
Recommendation	
The sub – project is adequately prepared and has to be sent to WB approval?	[ ]Yes [ ] No
The sub – project has to be improved slightly?	[ ]Yes [ ] No
The sub – project has to be refused?	[ ]Yes [ ] No
Is technical assistance from Component B necessary?	[ ]Yes [ ] No

ANNEX 4.5. ENVIRONMENTAL ASSESSMENT AND MANAGEMENT FRAMEWORK DOCUMENT

Mrs. Slavjanka Pejcinovska - Andonova,

B.Sc. Chemical technology engineer

Environmental Consultant within the MSIP2 team

SKOPJE

October, 2015

(*WB approval July 04, 2016*)

Table of Contents

1. ABBREVIATIONS 205

2. EXECUTIVE SUMMARY 207

3. INTRODUCTION AND BACKGROUND INFORMATION ABOUT MACEDONIA 211

4. BASELINE ENVIRONMENTAL DATA 214

4.1 WATER SUPPLY 214
4.2 WASTE WATER TREATMENT 215
4.3 WASTE MANAGEMENT 217
4.4 AIR EMISSIONS AND AIR QUALITY 218
4.5 NOISE 219

5. OVERVIEW OF THE ENVIRONMENTAL LEGAL FRAMEWORK IN MACEDONIA 220

5.1 NATIONAL ENVIRONMENTAL & SOCIAL LEGISLATION 220
5.1.1 Air quality 221
5.1.2 Waste management 221
5.1.3 Water management 221
5.1.4 Noise 221
5.1.5 Nature protection 222
5.1.6 Management of chemicals 222
5.1.7 Regulation on local (municipal) level 222
5.1.8 National Environmental Policy 222

6. RELEVANT ENVIRONMENTAL INSTITUTIONAL SET UP 233

6.1 LOCAL SELF-GOVERNMENT 233
6.2 REVIEW OF SERVICES PROVIDED BY COMMUNAL SERVICE ENTERPRISES (PROVIDERS) 234

7. NATIONAL ENVIRONMENTAL IMPACT ASSESSMENT PROCEDURE FOR THE PROJECT DEVELOPMENT 236

7.1 SCREENING: 236
7.2 SCOPING: 236
7.3 PREPARATION OF EIA STUDY: 238
7.3.1 Public Disclosure: 238
7.3.2 EIA Review & Decisions: 238
7.3.3 Public involvement into the EIA procedure: 238
7.3.4 Institutional setup within the EIA procedure 239
7.3.5 National procedure for environmental assessment of small scale projects 241

8. WORLD BANK SAFEGUARDS PROCEDURES 243

8.1 OP/BP 4.01 ENVIRONMENTAL ASSESSMENT 243
8.2 OP/BP 4.04 NATURAL HABITATS 243
8.3 OP/BP 7.50 INTERNATIONAL WATERS 244
8.4 OP/BP 4.11 PHYSICAL CULTURAL RESOURCES 244
8.5 OP/BP 4.36 FORESTRY 244
8.6 OP/BP 4.12 INVOLUNTARY RESETTLEMENT 244
8.7 IFC ENVIRONMENTAL, HEALTH AND SAFETY GUIDELINES 245

9. MUNICIPAL SERVICE IMPROVEMENT PROJECT 2 (MSIP 2) DESCRIPTION 246

9.1 PROJECT OBJECTIVE 246
9.2 PROJECT COMPONENTS 246
9.3 STATUS OF MSIP 1 IMPLEMENTATION 247
9.4 ENVIRONMENTAL ASSESSMENT WITHIN THE MSIP 2 248

10. ENVIRONMENTAL IMPACTS 253

11. ENVIRONMENTAL MITIGATION AND MONITORING PLANS 255

11.1 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT - EXTENSION, RECONSTRUCTION/CONSTRUCTION OF WATER SUPPLY NETWORK, STORM WATER NETWORK, SEWERAGE NETWORK OR CONSTRUCTION OF DRINKING WATER RESERVOIR 255
11.2 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT – CONSTRUCTION OF SMALL SCALE WASTE WATER TREATMENT PLANT 259
11.3 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT - REHABILITATION/RECONSTRUCTION OR CONSTRUCTION OF VARIOUS LOCAL STREET/ LOCAL ROAD 266
11.4 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT – PROVIDING BASIC EQUIPMENT FOR THE MAINTENANCE OF PUBLIC HYGIENE (VEHICLES FOR COLLECTION OF COMMUNAL WASTE AND PROCUREMENT OF WASTE CONTAINERS) 269
11.5 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT – REPLACEMENT OF THE STREET LIGHTING 272
11.6 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT – CONSTRUCTION/RECONSTRUCTION OF SCHOOL BUILDING 276

12. MONITORING PLANS 283

12.1 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT - EXTENSION, RECONSTRUCTION/CONSTRUCTION OF WATER SUPPLY NETWORK, STORM WATER NETWORK, SEWERAGE NETWORK OR CONSTRUCTION OF DRINKING WATER RESERVOIR 283
12.2 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT – CONSTRUCTION OF WASTE WATER TREATMENT PLANT 288
12.3 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT – REHABILITATION/RECONSTRUCTION/CONSTRUCTION OF LOCAL STREET OR LOCAL ROAD 295
12.4 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT – PROVIDING BASIC EQUIPMENT FOR THE MAINTENANCE OF PUBLIC HYGIENE (VEHICLES FOR COLLECTION OF COMMUNAL WASTE AND PROCUREMENT OF WASTE CONTAINERS) 297
12.5 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT - REPLACEMENT OF THE STREET LIGHTING 302
12.6 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT – CONSTRUCTION/RECONSTRUCTION OF THE SCHOOL/KINDERGARTEN BUILDING 308
ANNEX 1 ENVIRONMENTAL SCREENING CHECK LIST 316
ANNEX 2 ENVIRONMENTAL MONITORING REPORT 319

List of figures

Figure 1: Municipalities in the Republic of Macedonia 212
Figure 2 Statistical planning regions in Macedonia 213
Figure 3 Drinking water supply system for households in Macedonia 214
Figure 4: Waste water connection to various installations 215
Figure 5 EIA procedure in the Republic of Macedonia 237
Figure 6 Public hearing during the EIA Study preparation according national legislation 239
Figure 7 EIA small-scale projects national requirements 241
Figure 8 Environmental Management System in Project Life Cycle 253

List of Tables

Table 1 Statistical regions and population 213
Table 2 Sewage facilities in Macedonia (2002) 215
Table 3 Waste water treatment plants in Macedonia 216
Table 5 Key relevant national environmental and social related legislation 224
Table 6 Number of municipalities and Communal Service Enterprises (Providers) for water supply and waste water collection and treatment in Republic of Macedonia 234
Table 7 Roles and Responsibilities of the stakeholders in the EIA procedure 239
Table 8 Roles and Responsibilities of the stakeholders in the EIA procedure (EIA Report - Elaborate) 242
Table 9 Project category and type of project activities within the MSIP1 (status September 2015) 247
Table 10 Additional possible type of projects activities for the next period within the MSIP 2 248
Table 11 Categorization of project activities within MSIP2 (existing and additional) according the national legislation) 250
Table 12 Safeguard policies triggered by the MSIP project existing and additional) 252
Table 13 Impact assessment - Consequence 254
Table 14 Impact assessment - Likelihood 254

1. ABBREVIATIONS

ADKOM - Association for Communal Service Enterprise

AE (MoEPP) - Administration for Environment within MoEPP

BAT - Best Available Techniques

CBA – Cost Benefit Analysis

CSEs - Communal Service Enterprises

DOO - Limited Liability Company

EA - Environmental Assessment

EIA - Environmental Impact Assessment

EC - European Commission

EMFD - Environmental Assessment and Management Framework Document

EMP - Environmental Management Plan

ESIA- Environmental and Social Impact Assessment

EU - European Union

FS – Feasibility Study

GDP - Gross Domestic Product

IFI -International Finance Institution

IPA -Instrument for Pre-Accession

IPARD - Instrument for Pre-Accession for Rural Development

IPPC - Integrated Pollution Prevention Control

LSG - Local Self-Government

MAFWE - Ministry of Agriculture, Forestry and Water Economy

MoEPP - Ministry of Environment and Physical Planning

MoE - Ministry of Economy

MoF - Ministry of Finance

MoH - Ministry of Health

MSIP- Municipal Services Improvement Project

MTC - Ministry of Transport and Communications

NEAP - National Environment Action Plan

NGO - Non-Governmental Organization

NUTS - Nomenclature of Territorial Units for Statistic

OP - Operational Policies

PAD - Project Appraisal Document

PMU - Project Management Unit

PE - Public Enterprise

RM - Republic of Macedonia

SAA - Stabilization and Association Agreement

SEA - Sectorial Environmental Assessment/Strategic Environmental Assessment

TA - Technical Assistance

ToR - Terms of References

VOC - Volatile Organic Compound

WB - World Bank

WEEE - Waste of electric and electronic equipment

WHO - World Health Organization

WWTPS - Waste Water Treatment Plants

ZELS - Association of local self-governments units

2. EXECUTIVE SUMMARY

Since 2006 when the decentralization started, the municipalities in Republic of Macedonia (80 municipalities and City of Skopje) are responsible for providing different services to the local population (e.g., public services and communal activities – drinking water supply, sewage and storm water systems, treatment of urban waste waters as well as environmental protection, local financing and social care).

All municipalities are facing great challenges in obtaining financial sustainability delivering quality service to their citizens due to the rigid tariff control, neglected maintenance of the already installed pipeline networks or waste water treatment plants, over-employment and poor financial management. Following decentralization, municipalities need to improve their own revenue mobilization and management of expenditure, especially for new investments. These investments will contribute to the improvement in performance in service provisions and strengthening municipalities' functions and competences already legally regulated.

The Republic of Macedonia has requested the World Bank's assistance in addressing these challenges and currently a loan of 75 M USD (for the Municipal Service Improvement Project – MSIP) has been signed to support municipal investments, capacity building and institutional strengthening activities, to deliver performance grants after successful implementation of the investments by the municipalities and to provide proper project management and communication with municipalities..

The Municipal Services Improvement Project (MSIP) for Macedonia started in 2009 with main goal to improve transparency, financial sustainability, and delivery of targeted municipal services in the participating municipalities in the country. The Ministry of Finance has established the Project Implementation Unit for smoothly implementation of the project and assistance to the municipality to prepare all necessary project documentation according to WB and national legislation.

Until September 2015 within the MSIP Project in total 43 projects have been completed and commissioned into operation and 23 projects are still ongoing. Mainly the completed projects are dealing with reconstruction of sewage network and drinking water supply systems in rural municipalities, reconstruction of streets and local roads in urban and rural areas, reconstruction of schools and kindergartens and procurement of waste collection vehicles and equipment.

The additional 25 M EUR loan from WB were requested by the Republic of Macedonia and are expected to be signed very soon in order to continue financially supporting the municipalities to improve their public services and communal activities and to improve the environment and human health of local residents. The Second Municipal Services Improvement Project (MSIP2) will present the second phase of the successfully on-going Municipal Services Improvement Project. The MSIP2 will response to the continuing strong demand and growing interest by the municipalities for the local infrastructure financing, since the MSIP funds are already fully committed and cannot support new applications from the municipalities. The MSIP2 will be built upon the experience of MSIP and its lessons learned to enhance the impact of a well-performing operation.

With reference to WB Environmental Assessment policy ***at the beginning of the Municipal Service Improvement Project in Macedonia in 2008,*** **the** ***Environmental Assessment and Management Framework Document (EMFD) was prepared*** and disclosure procedure was performed in order to identify the adverse environmental impacts of future small-scale (Category B) projects with site-specific impacts that could be overcome with proposed mitigation measures.

The Environmental Management Framework Document (EMFD) aimed to identify the range of required environmental management measures that need to be taken during the planning, design and operation phases of small scale infrastructure sub- projects within the scope of Municipal services improvement project in Republic of Macedonia, in order to ensure compliance with the national and WB requirements related to environmental impact assessment procedures and national legislation. The EMFD served as guidance for the municipalities and their environmental consultants during the preparation of the Project Appraisal Document to identify all possible environmental, health, occupational and community risks occurred as a result of sub-projects implementation. Based on EMFD the contract-specific Environmental Mitigation Plan and Monitoring Plan were prepared as a part of Contract signed between the municipality and Sub-Contractor. The Sub-Contractor was obliged to implement the proposed environmental and OH&S mitigation measures and the Supervisor to monitor the implementation on proper way.

After several years of active implementation of the project activities, there was a need of EMFD upgrade taking into account the extension of the scope of the municipality's request for financing.

In the period 2009-2014 the municipalities applied with small scale projects which lead to the improvement of living conditions on local level (extension, reconstruction or construction of drinking water supply network, minor improvements of the sewage systems, storm water networks, reconstruction or construction of local streets, roads, street lighting, etc). However, new project activities have been prioritized by the community (e.g., construction of small scale WWTP) and those were not covered in the EMFD that was prepared in 2008. Also, the EU IPA for Rural Development financial instrument are utilized through the MSIP Project and several new project activities are expected.

The updated Environmental Management Framework Document (EMFD) was prepared in September 2014 with main aim to provide general policies, guidelines, codes of practice and procedures to be integrated into the implementation of the all sub-projects submitted by the municipalities for financing. At the same time it was a "road map" for teams who are preparing the Environmental Mitigation and Monitoring Plans with main aim to provide the sustainability of the local community through protection of the environment and human health and infrastructure development. In the updated EMFD the lessons learned from almost four years practical experience within the MSIP project implementation in Macedonia were included as well. The EMFD disclosure procedure was conducted (public announcement in newspapers for public hearing event and distribution of the EMFD to relevant institutions) and public hearing event was organized in August 2014. Based on the comments and remarks received, the final version of the EMFD was prepared and published on web site of the Ministry of Finance .

According the WB Environmental Assessment policy prior the beginning of the Municipal Service Improvement Project 2 in Macedonia (Contract expected to be signed very soon), the Environmental Assessment and Management Framework Document (EMFD) for MSIP2 need to be prepared and to be disclosure in front of all stakeholders in order to identify the adverse environmental impacts of future small-scale (Category B) projects with site-specific impacts that could be prevented, mitigated, compensated with proposed measures in order to protect the environment, human health, biodiversity and natural resources.

The Environmental Management Framework Document (EMFD) for MSIP2 is based on the WB environmental safeguards policies and guidelines, codes of practice and procedures as well as national environmental legislation. It will support the teams who will prepare the site-specific Environmental Mitigation and Monitoring Plans (EMPs) for each particular project and sub-project within the MSIP2. The site-specific EMPs will take into account the specific environmental conditions of the location

where the sub-projects are going to be implemented (e.g., if any protected area is located near the sub-project construction area, vicinity of family houses or any vulnerable groups – school students, hospitals, any water courses near by the construction area, etc.) and will ensure sustainability of the local community through protection of the environment and human health and infrastructure development.

The main Chapters within the Environmental Management Framework Document for MSIP2 are:

- **INTRODUCTION AND BACKGROUND INFORMATION ABOUT MACEDONIA**

The Chapter provides general information about natural characteristics of the Republic of Macedonia in terms of geographical characteristics, climate and water resources, and basic demographic and microeconomic data. The overview of the decentralization process including number of municipalities and statistical planning regions in the country is also provided with number of population living in each region.

- **BASELINE ENVIRONMENTAL DATA**

Chapter provides background information on need for small scale infrastructure projects on local level and outlines some of the main environmental challenges and sensitive sectors in Macedonia. The focus is placed, among others, on the water sector (drinking water supply, sewage systems and waste water treatment plants already constructed and operational as well as planned), waste management, air emissions and air quality and noise.

- **OVERVIEW OF THE ENVIRONMENTAL LEGAL FRAMEWORK IN MACEDONIA**

The Chapter describes relevant national environmental and social policies, legislation and standards relevant to the MSIP2 Project, as well as multilateral agreements and conventions signed/ratified by the Republic of Macedonia with the latest amendments and changes until September 2015. The main parts of the relevant local self-governmental legislation are also presented in this section.

- **RELEVANT ENVIRONMENTAL INSTITUTIONAL SET UP**

The main roles and responsibilities of governmental and local self-government level administration in reference to environmental protection, EIA procedure and public services are provided in this Chapter. It also describes the role of the Public Service Providers providing communal services on local level (water supply providers, waste water service providers and water and waste service providers).

- **NATIONAL EIA PROCEDURE**

The Chapter describes the national EIA procedure (including different steps of screening, scoping, development of EIA Study, public participation and public disclosure) and institutional setup within the EIA procedure. The Chapter contains brief description and "processing" scheme of the national procedure for environmental impact assessment of small-scale project and necessity of developing the EIA Reports-Elaborates for small-scale projects.

- **WB SAFEGUARD PROCEDURES**

The brief overview of the relevant World Bank safeguard procedures developed and implemented across the world, and applied in the 2 Project, with the main aim to ensure prevention, mitigation and compensation in case of adverse impacts of project development to environmental conditions, is provided in this Chapter. The WB international transboundary waters safeguards, resettlement procedure, health and safety guidance and natural habitats are only part of important safeguards needed to be followed.

- **MUNICIPAL SERVICE IMPROVEMENT PROJECT DESCRIPTION**

The summary of the main goals, objectives of the MSIP Project, status of implementation of small-scale infrastructure projects, type of sub-projects (implemented in the period 2009-2015) and additional possible type of sub-project activities and generic environmental assessments within the process of MSIP implementation is provided. The main aim of the MSPI 2 Project and expected sup-projects are provided as well.

- **ENVIRONMENTAL IMPACTS**

The Chapter describes the Environmental Management System in the Project Life Cycle and criteria (consequences and likelihood) that need to be applied during the environmental and social impact assessment for each specific small scale project.

- **ENVIRONMENTAL MITIGATION PLAN**

Within this Chapter the generic Environmental Mitigation Plans for several relevant sub-projects are provided (e.g., extension, reconstruction /construction of water supply network, storm water network, sewage network, rehabilitation/reconstruction or construction of local roads, streets, construction of waste water treatment plants, etc). These EMPs contain type of project activities, mitigation measures need to be applied by the Contractor and institutions responsible for their implementation. The site-specific EMP need to be developed for each sub-project based on the specific location, sensitive receptors and vicinity of protected areas.

- **ENVIRONMENTAL MONITORING PLAN**

The Chapter contains the generic Environmental Monitoring Plans for all sub-project types for which the Environmental Mitigation Plans were developed. Each Monitoring Plan present the parameters that need to be monitored, reason why the parameter should be monitored, responsible body and frequency of monitoring. The site-specific EMP need to be developed as well with particular parameters to be monitored.

- **ANNEXES**

In Annex 1 the template of the Environmental Screening Check List is provided and in Annex 2 the template of Environmental Monitoring Report is presented.

3. INTRODUCTION AND BACKGROUND INFORMATION ABOUT MACEDONIA

Republic of Macedonia is a country located in the central Balkan Peninsula in Southeast Europe with a total area of 25,713 km^2 and 2,022,547 inhabitants, according to the 2002 Census. It has 748km of borders, shared with Serbia, Kosovo, Bulgaria, Greece and Albania.

The country's capital is Skopje with 506,926 inhabitants. The geographical position of the country is very favorable and it is significant cross roads linking several countries in the Balkans and this part of Europe. Important traffic corridor is corridor 8 and 10, as well as the international highway E - 75 road M5 and international railway.

The country is 80% mountainous, rising to its highest point at Mountain Korab (peak 2,764 meters) with the lowest elevation (44m) on the Vardar River at the border with Greece. Three climatic types overlap in the country: Mediterranean, moderately continental and mountainous, producing hot, dry summers and cold, snowy winters.

The Republic of Macedonia is a landlocked country that is geographically defined by a central valley formed by the Vardar River and framed along its borders by mountain ranges. The Republic's terrain is mostly rugged, located between the Shara and Rhodope mountains, with the valley of Vardar between them. Three large lakes — Lake Ohrid, Lake Prespa and Dojran Lake — lie on the southern borders of the Republic, bisected by the frontiers with Albania and Greece. Lake Ohrid is considered to be one of the oldest lakes and biotopes in the world.

The natural conditions in the Republic of Macedonia (geology, relief, climate, hydrography, soil, flora, fauna) make it one of the rare countries in Europe with wealth of natural values. At the end of 2013 the designated area network comprises 81 areas, with total area of 231,385.6 ha or around 9% of the territory of Macedonia. Most of it falls into the category national parks with around 4.5% (3 National Parks: Mavrovo, Galichica and Pelister), natural monuments with 2.74% and the multipurpose area Jasen with 1.05% of the national territory. With more than 18,000 taxa of flora, fauna and fungi – 900 endemites, Macedonia has very rich and highly valued biodiversity.

The agricultural land, which includes the cultivable land and the pastures, takes about 56.2% of the total area. The forests spread on around 43.8% of the total area of the country.

Republic of Macedonia is considered rich in water resources and it has recorded and mapped 4,414 springs in total, with overall annual capacity reaching 6.63 billion m^3 water. From hydrological point of view, the country belongs to three water basins, namely: Adriatic Sea (15% of the territory) with the main entry watercourse being the river Crn Drim; Aegean Sea (85% of the territory) with the rivers Vardar and Strumica as the major watercourses; Black Sea, the basin of which has insignificant territory.

Vardar is the largest river with around 80% of the total water outrun from Macedonia with overall length of 388km (301 km in the country).

The statistical data on the macroeconomic indicators shows that for 2013 the gross domestic product (GDP) is 7,457 million EUR (nominal) and the GDP/inhabitant is 3,581 EUR. The most important economic sectors in Macedonia, according to the statistical data, are: mineral extraction and metal processing industries, telecommunications, production of automotive parts and electronic products, trade, agriculture and food production and beverage production. The significant exports products are: automotive components (catalysts, capacitors, and electronic boards), hoses, buses, steel, textile, ferro silica, lead, zinc, ferro nickel, tobacco, lamb and wine.

The unemployment in second quarter of 2015 was 26.8%.

The strategic orientation of the Government of Republic of Macedonia is its full integration into the EU. The candidate country status for accession in the European Union and its membership in the World Trade Organization have created conditions for greater opening of the economy towards the international global market, fostering of investments, strengthening of GDP and by all these – prosperity of the national economy. The Stabilization and Association Agreement between the European Communities and their Member States and Republic of Macedonia was signed on 9 April 2001 and entered into force on 1 April 2004. Macedonia was granted candidate country status for EU membership in 2005.

In 2006 the process of decentralization started with delegation and transferred of plenty of rights and responsibilities to the Local self-Governments and currently there are 80 municipalities and the City of Skopje, which is a district unit of local self-government that consists of 10 municipalities (Aerodrom, Karpos, Cair, Gazi Baba, Gjorce Petrov, Saraj, Suto Orizari, Kisela Voda, Centar and Butel) who have jurisdiction for different obligations in order to provide sustainable and healthy life of their citizens. There are 43 urban municipalities and 37 rural municipalities. In total there are 1767 settlements and 34 cities in the Republic of Macedonia. The municipalities in Macedonia are presented on Figure 1.

Figure 1: Municipalities in the Republic of Macedonia

The main competences of the municipalities are in the following areas: a) urban planning, b) environmental protection, c) communal activities, d) education – primary and secondary schools, e) social protection and health care – primary health care and kindergartens and homes for old people, f) sport and recreation – local sport facilities, g) culture and others.

For better economic development and statistical purposes, the Republic of Macedonia is divided into eight statistical planning regions (shown on Figure 2).

These regions are listed in Table 1 and Figure 2.

Table 1 Statistical regions and population

Statistical Planning Region	**Population**
Skopje	615,949
Pelagonija	231,806
Polog	318,995
Eastern region	177,700
South-eastern region	173,522
North-eastern region	176,018
South-western region	220,134
Vardar	153,347
Total	**2,067,471**

*Source: State statistical office of the Republic of Macedonia, Regions of the Republic of Macedonia, 2015

Figure 2 Statistical planning regions in Macedonia

The demographic indicators at regional level show considerable differences which points to a big disproportion in the territorial distribution of the population. The Skopje Region, as most densely populated, has almost ten times higher density than the Vardar Region, which is the least densely populated.

4. BASELINE ENVIRONMENTAL DATA

The Republic of Macedonia faces similar problems in the environmental sectors to those of many other economies in the Central and Eastern Europe region.

There is a poor air and surface water quality (the air quality is an issue for bigger cities especially in the winter season) in some regions as a result of old industry technology process equipment and energy production installations, old vehicle fleet and lack of state-of-the art technology solutions, weak regulatory, monitoring and enforcement framework.

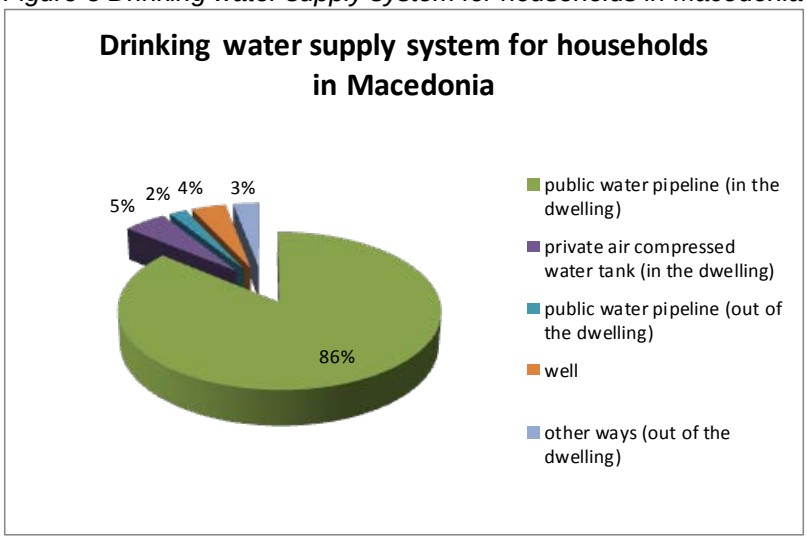
There is also so called historical pollution of soil, water and air from the disposal of industrial hazardous waste from industry and mining operations which are potential risks to the human health and impact to the biodiversity.

4.1 WATER SUPPLY

According the census of Population, Households and Dwellings from 2002, the household in RM are supplied with drinking water from: public water pipeline, other ways (outside the dwelling), private air compressed water tank, etc.

Data shows that 88.9% of the total number of individual households (564,296) and 597,014 of dwellings (or 86% from total number of dwellings 698,143) are supplied with drinking water from public water pipeline (Figure 3). Number of population connected to public water supply system is 1,200,000 inhabitants.

Figure 3 Drinking water supply system for households in Macedonia



Source: State statistical office, Environmental Statistics 2013

Data from 2014 (Project "Development of Water Tariff Study for Republic of Macedonia) shows that 91% of the total number of individual households (564,296) are supplied with drinking water from public water pipeline. In the period 2008-2012 the range of coverage with drinking water supply for the individual households is in the range of 76% for 1-10,000 size bands, 99% for 10-50,000 size band and 100% for 50-100,000 size band.

Sanitary-hygienic condition of the drinking water is within the limits of the expected quality (91.5%-95% of samples are safe), as well as physical-chemical (only 3.4% to 7.5% of

samples are unsafe) and microbiological conditions (only 0.8% to 1.6% of samples are unsafe).

Lack of safe drinking water causes potential risks to human health due to the waterborne diseases, increase of medical costs, absents of work, etc. Some of the existing drinking water supply systems are old, there are water losses and there are illegal connections. Usually small settlements have problems with lack of drinking water supply system, or there is a need of extension or reconstruction of the existing system, or there are not water meters installed in order to register the amount of water used (and the water fees paid by the residents is a lump-sum amount on annually basis and it does not depend on water consumption).

4.2 WASTE WATER TREATMENT

The Census data collected in 2002 show that 40.1% of the total number of dwellings do not have sewage installation for proper connection to the public sewage system. 59.9% of dwellings are connected to the public sewage system and approx. 21% of the dwellings have their own septic tanks performing periodic cleaning. The overview of the number of households and dwellings with the various ways of waste water disposal installations according the census data (2002) are presented on the Table 2 and Figure 4 below.

Table 2 Sewage facilities in Macedonia (2002)

Number of households/dwellings		Sewage facilities			
Total number of households	Total number of dwellings	Public sewage	Septic tanks	Free waste water	No installations
564,296	697,520	417,653	143,353	85,007	51,516

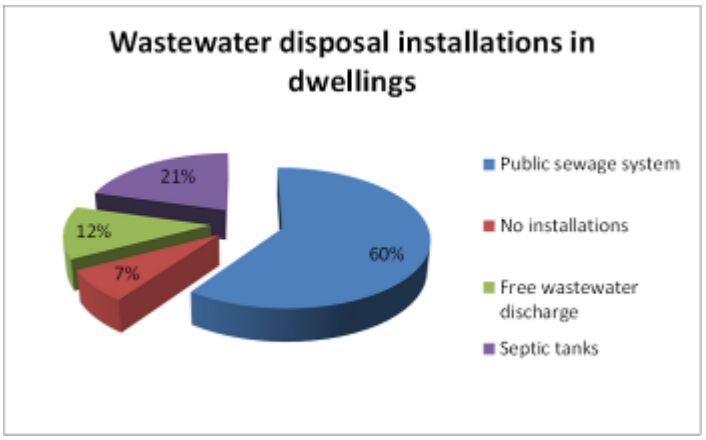


Figure 4: Waste water connection to various installations

Currently estimated rate of waste water collection (according the research within the EU funded Project "Development of National water tariff Study in Macedonia") is 73% of the population with several size band for the period 2008-2012:

a) 50-57% for the settlement up to 10,000 population;

b) 76-82% for the settlement in the range 10,000 – 50,000 population;
c) 75-90% for the settlement in the range 50,000 – 100,000 population;
d) 70% for the settlements in the range 500,000 – 1,000,000 population.

There is a lack of urban waste water treatment plants and industrial waste water treatment facilities across the country. The production installations are obliged according the IPPC permit to be in line with the Law on waters and to collect and treat the waste waters related to the type of production and quality of the recipient water body. The IPPC installations need to follow the BAT guidance for particular industry sector.

Related to the urban waste waters the construction of WWTPs started few years ago and there are approx. 20% of population covered with urban waste water treatment systems. Unfortunately, due to the lack of financial sources for operational and maintenance costs, some of the small WWTPs are not currently operational. The list with overview of the WWTPs in Macedonia for urban waste water treatment has been presented on Table 3.

Table 3 Waste water treatment plants in Macedonia

Location/City/Settlement	Population equivalent (p.e.)	Condition
Berovo	14,000	Operational
Kumanovo	90,000	Operational
Makedonski Brod	5,000	Operational
Ohrid and Struga (settlement Vranishte)	120,000	Operational
Prilep	95.000	Prepared
Sveti Nikole	17.500	Under reconstruction (to be completed during 2014)
Resen (settlement Ezerani)	12,000	Operational
Dojran (settlement Nov Dojran)	12,000	Operational
Rankovce (for the settlements Petralica – Ginovce)	1,500	Constructed in 2008. Not operational yet due to lack of households connected
Saraj	10,000	Constructed in 2011. Not operational due problems to maintenance of equipment
Cucer Sandevo (for the settlements Brazda, Gluvo and Mirkovci)	9,000	Operational
Ilinden (two WWTPs for the settlements Ilinden and Kadino)	1,250 each	Operational
Dolneni	3,200	Operational
Krivogastani	Small-village	Operational
Gevgelija	2.500	Under construction
Karbinci	Small village	
Total	**~400,000**	**~20% of population**

As a part of the overall national priority for reconstruction and modernization of the water and waste waters related infrastructure in Macedonia in accordance with EU standards, in 2014 and 2015 the studies (FS, EIA, CBA) for reconstruction of existing drinking water supply network, construction of sewage network and waste water treatment plants in the Municipalities of Strumica, Bitola and Tetovo were prepared funded by EU IPA funds.
For Strumica agglomeration the construction of Wastewater Treatment Plant projected for approx. 95,000 p.e. has been planned. The WWTP for Bitola agglomeration has been projected for 100,911 p.e. and the project for Tetovo agglomeration is under preparation (It is assumed that the WWTP will be for approx. 80,000 p.e.
In 2016 in Republic of Macedonia is planning to be prepared Studies (FS, EIA, CBA), for reconstruction and extension of drinking water supply network, waste water collection systems and construction of WWTPs for Municipalities of Gostivar, Kavadarci and Debar, also funded by EU IPA funds.

The lack of waste water treatment systems causes direct adverse impact to the surface and ground waters, affecting water status and makes influence to the water living organisms and makes water improper for other uses. The untreated waste waters make direct influence to the economy losses via decrease of fishery, tourism, agriculture, etc. The discharge of untreated waste waters causes potential risks to the human health through the pollution of agricultural land and food chain consumption.
There is a real need for extension of the storm water networks across the country because the existing lack of enough storm water systems causes frequent flooding during heavy rains with direct implication to the road, street asphalt, greenery, electricity network on the streets and parking cars near the streets.

4.3 WASTE MANAGEMENT

According the official statistical data the total amount of generated municipal waste in 2014 was 765,156 tones and the amount of collected municipal waste 569,794 tones. The annual amount of generated municipal waste per person in 2014 was 370kg, or 1.014kg per person daily. The total amount of generated municipal waste in the Republic of Macedonia in 2013 was 792,785 tones. The annual amount of generated municipal waste per person in 2014 was 370kg per person, which is 3.6% less than in 2013.

The highest amount of collected municipal waste was registered in the Skopje Region – 153,433 tones, or 26.9% of the total collected amount in the Republic of Macedonia. Of the total amount of collected municipal waste 84% were collected from households, and the remaining 16% from legal and natural persons (commercial waste).

The municipal waste collection systems covers 75% of the national population.

There are 4 companies specialized for collection of the packaging waste mainly from drinking water and beverages bottles, food products package, cosmetics and pharmaceutical package. Generally, there is no formally organized separation of any type of waste, but there are informal collectors of scrap metals, PET, paper, accumulators, etc. Scrap metals and PET bottles represent the biggest part of the collected recyclable materials. Several companies collect the recycle waste streams and export to the region for further processing.

Almost all collected municipal solid waste goes to the 47 municipal landfills across Macedonia (99.4%), the rest has been recycled. Only the Skopje landfill “Drisla –Skopje”

DOO fulfills the minimum criteria prescribed in the national and EU landfill criteria. All others do not comply with any technical and/or environmental standards; landfills represent risks for the pollution of air, soil, surface water and groundwater, as well as potential risks for biodiversity, agricultural land and human health due to deposition of mixed hazardous and non-hazardous waste. Active municipal waste landfills in Macedonia are categorized according to the assessment of their environmental risk. 16 landfills are ranked with high risk, 16 with medium risk, and the rest with low environmental risk.

According the National Waste Management Strategy (2008 - 2020) the regional approach to the municipal solid waste management was proposed and in the period 2011 till now several practical steps toward regional waste management were made. Several Regional Public Enterprises for municipal waste management (Regional Waste Management Body) were founded in few regions and the capacity building scheme was launched. Currently there is a project implementing in the Eastern and North-eastern regions on strengthening the capacity of the Regional Waste Management Body on integrated regional waste management practices and preparation of the Regional Waste Management Plans. In general the plan is when the regional landfill would be built the municipal landfills (after the remediation measures used) to be used as a transfer stations.

For the following period, Republic of Macedonia will implement projects in order to establish an Integrate Financially Self – sustainable Waste Management Systems in Pelagonija, Southwest, Vardar and Skopje Planning Regions and also for the East and Northeast Planning Regions. Also, with support of EU IPA funding projects the technical documentation for closure of illegal dumpsites in East and Northeast Planning Region will be prepared and technical specification for procurement of waste collection and transportation equipment will be defined.

Currently the main issues on local level with lack of proper municipal solid waste management are: a) significant portion of the population (rural settlements) is not covered by the communal service, b) no primary selection on the source of waste generation, c) old waste vehicle fleet (average more than 25 years old communal trucks with high fuel consumption and frequently need of service and procurement of spare parts), d) lack of specialized waste trucks or machines for efficient street, sewer cleaning and snow cleaning, vehicles for carrying construction materials, etc., e) some existing used waste trucks cannot be driven on the small streets in the settlements, f) there is no proper fencing, lighting, security guarding on the location for municipal landfill for municipal solid waste, g) some municipalities do not have separate municipal inert waste landfill dedicated only to the disposal of inert waste, h) there is a lack of public awareness of the population on potential human health risks and environmental risks during the improper disposal of the various waste streams (near rivers, roads, on agricultural land, near wells, etc.

4.4 AIR EMISSIONS AND AIR QUALITY

Ambient air quality in Macedonia is constantly burdened by all consisting factors of a modern society. This includes production of food and energy, agriculture, households (usage of fuels for cooking, heating, air conditioning, etc.), industrial capacities and transport. Sectors energy, industry and transport hold the largest share of significant sources of pollutants emissions.

Energy sector has greatest contribution to the generation of the total sulphur dioxide emissions (72% in 2001 to 99% in 2009), generates around 60% of the total annual nitrogen

oxides emissions, 21% of the total annual volatile organic compound emissions and major part of the total generated solid particulate emissions (87% in 2001 up to 92% in 2009).
Industry contributes around 28% to the total annual emissions of sulphur dioxide, around 14% to the total annual emissions of nitrogen oxides, and it has high share (38%) in the annual emissions of volatile organic compounds and contributes to the generation of around 60% of the annual emissions of solid particles.
Transport is also significant source of air pollution, and the main emitters are the internal combustion engines installed in different transportation vehicles. They contribute to share in nitrogen oxides emissions (within the range of 32-47% in the period 2001-2009) and volatile organic compounds in the range of 38-43% in the same period), and lower share in the generation of sulphur dioxide and solid particles.

The Ambient Air Quality in Macedonia varies according to the location of the measuring point with main contribution to the quality of ambient air affected by the concentration of population, the vicinity of industrial capacities, type of production and type of produced products, production of energy, transport of goods and people. There is a state air quality monitoring network consists of 20 automatic monitoring stations (measuring on line concentrations of SO_2 [µg/m^3], NO_2, NO_x, NO [µg/m^3], CO [mg/ m^3], O_3 - ozone [µg/m^3], SPM – suspended particulate matters (PM $_{10}$/opt. PM $_{2.5}$) expressed in µg/m^3. The heavy metals (arsenic, nickel, cadmium) have been monitored as well.

4.5 NOISE

The biggest sources of noise disturbance come from the transport sector (road vehicles, railway and air traffic), industrial activities and construction activities especially in the urban areas and sensitive areas.

Noise measurement and monitoring are necessary for achieving and maintaining environmental noise levels within the limits that the regulations have defined for four types of areas in accordance to their human activity uses and the degree of protection against noise deemed necessary for each of those uses. These areas are:

- *Area with a first degree of noise protection*, includes areas of tourism and recreation, areas near health institutions for hospital treatment, and areas of national parks and natural reserves;
- *Area with a second degree of noise protection*, includes areas primarily intended for residential use, residential districts, areas in the vicinity of educational institutions, educational facilities and social protection services for adults and children;
- *Area with a third degree of noise protection*, correspond to an area where some human activities with noise disturbance are accepted. These include commercial areas, areas with mixed housing/residential, craft activities and production activities (combined areas);
- *Area with fourth degree of noise protection*, correspond to an area in which actions are allowed that can cause the appearance of greater environmental noise. It includes non - residential areas exclusively intended for industrial activities.

The noise limit values for each of above mentioned areas are prescribed within the national legislation.

5. OVERVIEW OF THE ENVIRONMENTAL LEGAL FRAMEWORK IN MACEDONIA

5.1 NATIONAL ENVIRONMENTAL & SOCIAL LEGISLATION

Recognizing the damaging effects of environmental pollution on human beings and the quality of life, the Republic of Macedonia has developed constitutional provisions that guarantee the right to a healthy environment. Article 43 of the Constitution of the Republic of Macedonia (Official Gazette No. 52/91) prescribes “everyone is obliged to promote and protect the environment; the State provides conditions to apply the right of citizens to a healthy environment”. Macedonia has become a Party to the main multilateral conventions and protocols explicitly recognizing the link between environmental protection and the human rights norms covering many environmental issues like EIA, Strategic Environmental Assessment (SEA) in the national and trans boundary context, climate change, biodiversity, public information, public participation in the decision-making process and access to justice, trans boundary air pollution and air monitoring, ozone layer, chemicals like persistent organic pollutants (POP), nature protection, etc.

The approximation of the EU environmental legislation into national legislation started in 2003 and till 2014 the largest part of legal acts and secondary provisions have been transposed into Law on Environment (Official Gazette No.53/05,81/05,24/07,159/08, 83/2009, 124/2010, 51/2011, 123/12, 93/13, 163/13, 42/14, 44/15 and 129/15) which is horizontal law comprising industrial pollution control (including EIA, SEA, IPPC , VOC, Seveso II Directive, LCP Directive and main requirements of EU Directives for water, waste management, air emissions, air quality, environmental management systems, etc). The other relevant sectoral laws were adopted (Law on waste, Law on waters, Law on noise protection, Law on ambient air quality, Law on chemicals, etc.) where the requirements of the EU Directives and good international practice have been transposed.

In some sectors there is still a lack of secondary legislation prescribing where and how the applicable standards will be applied (e.g. water quality, emissions to water and ground waters, new categorization of water bodies, emissions to soil and soil quality, maximum permissible concentration for POPs in environmental media and acceptable levels of concentrations of hazardous substances in soil) and some of this secondary legislation is in the process of preparation.

There is a lack of environmental legislation enforcement especially on local (municipal) level. Local self-government units (LSG) in the Republic of Macedonia quite differ from one to another in terms of number of population, which varying from 3,000 to 500,000 inhabitants. At municipal level, there is deficiency of staff and financial resources necessary to respond to the key functions of environmental management. The capacity of LSG for implementation of the laws in the field of environment is not sufficient and sometimes is fully absent. There is a need for strengthening their capacities to implement the environmental legislation in integrated way, taking into consideration all possible pollutions and mitigation measures at the same time and providing guidance in accordance to local and national environmental planning document. The current EU IPA funded project “Strengthening capacities for implementation of environmental legislation on local level” will improve the local capacities in daily implementation of environmental legislation requirements, particularly on IPPC, LEAP development, noise protection, air quality management and water management.

The Law on Environment (Official Gazette No.53/05,81/05,24/07,159/08, 83/2009, 124/2010, 51/2011, 123/12, 93/13, 163/13, 42/14, 44/15 and 129/15) contains the basic principles of

environmental protection with both precautionary and “polluter pays” principles and provides the legal basis for issuing of necessary secondary legislation.

5.1.1 Air quality

The air quality regulation is provided by Law on Ambient Air Quality (Official Gazette No. 67/04 with amendments Nos. 92/07, 35/10, 47/11, 59/12 and 163/13, 10/15, 146/15) where the main principles for limitation of air emissions, prevention measures, monitoring of air emissions of all relevant pollutants into air and air quality have been prescribed. Secondary legislation for air quality is listed in Table 4.

5.1.2 Waste management

In Macedonia, the main national legislation regarding the waste management sector is the Law on Waste Management (Official Gazette No. 68/04, 71/04, 107/07, 102/08, 134/08, 124/10 and 51/11, 123/12, 147/13, 163/13, 51/15, 146/15) and some technical rules and guidelines. The Law on Waste Management as a framework regulation act regulates general waste management issues like: main principles for waste generation, prevention and management, general rules for management of different waste streams and hazardous waste, planning requirements for effective waste management on central and municipal level, operation of landfills, requirements for the operators for collection, transport, treatment and final disposal of the waste etc.

Few separate laws have been adopted related to the special waste streams (Law on packaging waste, Law on WEEE – waste od electric and electronic equipment, Law on batteries) and together with the waste relevant secondary legislation are listed in Table 4.

5.1.3 Water management

The most important aspects of national legislation in the field of water management are already established within the horizontal environmental legislation and the Law on Waters (Official Gazette No. 87/08, 6 / 09, 161/09, 83/10, 51/11, 44/12, 163/13, 180/14, 146/15). At this point it is very important that legislation in the field of water management, which is already or will be transposed, is in compliance with the European Union water legislation. Relevant adopted laws and secondary water and waste waters related legislation is provided in Table 5.

The CSE “Vodovod I Kanalizacija Skopje” adopted Ordinance for technical and sanitary conditions for discharge of waste waters in sewage system of City of Skopje (also listed in Table 4). With this document the CSE prescribes the conditions in which the industrial and urban waste water can be discharged in the surface water recipients in the City of Skopje, as well as limit values of pollutants in the waste water discharged in the sewage system in the City of Skopje.

5.1.4 Noise

One of the essential elements for achieving a higher level of environmental protection is protection against noise disturbance due to the high noise level. The protection against environmental noise pollution is addressed in the Law of Noise Protection (Official Gazette No. 79/07, 124/10, 47/11,163/13, 146/15). A series of secondary pieces of legislation has been adopted in the period 2007-2011 transposing the EU and WHO (World Health Organization) Guideline values for community noise in specific environments.

The law establishes the need to reduce harmful effects that are consequence of exposure to noise in the media and the environment and to provide a basis for developing measures to reduce noise from all its sources. The ultimate objective is the protection of the health and wellbeing of the population.

Noise measurement and monitoring are necessary for achieving and maintaining environmental noise levels within the limits that the regulations have defined for four types of areas in accordance to their human activity uses and the degree of protection against noise deemed necessary for each of those uses.

5.1.5 Nature protection

The basic law in the area of nature protection is the Law on Nature Protection (Official Gazette of the Republic of Macedonia No. 67/04, 14/06, 84/07, 35/10, 47/11, 148/11, 59/12, 13/13, 163/13, 41/14 and 146/15). The Law on Nature Protection regulates the protection of nature through protection of biological and landscape diversity and protection of natural heritage within and outside protected areas as well as forestry and plants.

All other relevant legislation to the environmental protection, community health and safety, cultural heritage protection, labor and working conditions, OH&S regulation, land acquisition and public participation in the EIA process are listed in Table 4.

5.1.6 Management of chemicals

The Law on Chemicals (Official Gazette of the Republic of Macedonia No. 145/10, 53/11, 164/13, 116/15 and 149/15) prescribes the management of chemicals, their classification, proper storage, labeling, handling, proper usage of chemicals, safety transportation and final disposal of chemical waste.

5.1.7 Regulation on local (municipal) level

Based on the review the national legislation as well as the regulations issued by City of Skopje it is conclusion that there is no any specific relevant regulation issued on local level in order to protect waters, air quality, noise disturbance or special regulation on waste management. The Environmental Officer and all relevant inspectors (Environmental, Communal, Traffic, Civil /Construction) follow the national environmental legislation.

Only CSE “Vodovod I kanalizacija” Skopje has adopted the Ordinance for water supply and waste water management (listed in Table 4).

Other regulation related to local self-government sector is the following:

- Law on local self-government (Official Gazette of Republic of Macedonia No. 5/2002);
- Law on the territorial organization of the local self-government in the Republic of Macedonia (Official Gazette of the Republic of Macedonia No.55/16.08.2004);
- Law on equal regional development (Official Gazette of Republic of Macedonia No. 63/ 22.05.2007).

5.1.8 National Environmental Policy

Implementation of the environmental requirements is guided by number of policy documents adopted by the governmental institutions including:

- Fifth National Report to the Convention on Biological Diversity of the Republic of Macedonia, Ministry of Environment and Physical Planning, Skopje, 2014;
- National Environment and Climate Change Strategy (2014-2020);
- National implementation plan for reduction and elimination of Persistent Organic Pollutants in the Republic of Macedonia – NIP Update, adopted by Government of RM in 2014;
- National Strategy for Environmental Approximation 2008-2014, adopted 2008 by the Government of RM (updated in 2014);
- Strategy for Waste Management 2008-2020, adopted 2008 by the Government of RM;
- National Plan for Waste Management 2009 – 2015 adopted 2009 by the MoEPP;
- National Strategy for Sustainable Development in Republic of Macedonia 2010-2030, adopted in 2010 by the Government of RM;
- Second National Environmental Action Plan 2006-2012, adopted in 2006;
- National Strategy for environmental investments, 2009-2013, adopted in 2009 by the Government of RM;
- Environmental Monitoring Strategy, adopted in 2005 by the MoEPP;
- National Implementation Plan on reduction & elimination of Persistent Organic Pollutants in the Republic of Macedonia, adopted by Government of RM in 2004
- Environmental Communication Strategy, adopted in 2004 by the MoEPP;
- Program for packaging waste management, adopted in 2011 by the MoEPP;
- Program for investments in environment (on annual base), MoEPP;
- National Water Strategy, adopted by Government of RM in November 2012;
- Plan for Institutional Development of the National and Local Environmental Management Capacity 2009 – 2014 approved by GRM in February 2009.

Taking into account the fact that the national legislation could be amended in the next period, the amended version of each piece of legislation need to be considered by the Investor – Municipality during the Environmental Assessment process for the project in order to take into account the obligatory technical specifications or emission limits for pollution into water, air, soil and other limitations towards protection of environment and human health. Also, the amendments and changes into the relevant national legislation (OH&S legal requirements, labor protection requirements, land acquisition and community safety requirements) need to be followed and implement by the Contractor.

Table 4 Key relevant national environmental and social related legislation

Relevant environmental/ social issues for the project	Relevant national legislation Act, Regulation, Degree
ESIA procedure	Law on Environment (Official Gazette No.53/05, 81/05, 24/07, 159/08, 83/09, 124/10, 51/11, 123/12, 93/13, 187/13, 42/14, 44/15, 129/15); Rulebook on the content of the requirements that need to be fulfilled by the EIA Study (Official Gazette No.33/06); Rulebook on the form, content procedure and manner of developing the report on the adequacy of the study on EIA of the project and the procedure for authorization of persons from the List of Experts for EIA responsible for the preparation of the report (Official Gazette No.33/06, 44/13); Decree on determining projects for which the EIA procedure should be carry out (Official Gazette No.74 / 05, 109/09, 164/12); Rulebook on the information contained in Notification of intent to implement a project and the procedure for determining the need for EIA of a project (Official Gazette No.33/06); Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Ministry of Environment and Physical Planning (Official Gazette of RM" No. 80/09, 36/12); Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Mayor of the municipality or Mayor of City of Skopje (Official Gazette of RM" No. 80/09, 32/12) Rulebook on the form and contents of the EIA Report – Elaborate , the procedure for their approval, and manner of keeping the register of approved reports (Official Gazette of RM" No. 50/09, 44/13)
Access to environmental information and public participation in	Law on Environment (Chapter on EIA procedure and trans boundary context and information dissemination, public participation and access to justice requirements) - (Official Gazette No.53/05, 81/05, 24/07, 159/08, 83/09, 124/10, 51/11, 123/12, 93/13, 187/13, 42/14, 44/15, 129/15); Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental

Relevant environmental/ social issues for the project	Relevant national legislation Act, Regulation, Degree
environmental decision making process	Matters (Aarhus) ("Official Gazette of the Republic of Macedonia" no. 40/99); Convention on the assessment of trans-boundary environmental impacts (Espoo Convention, February 1991) ("Official Gazette of the Republic of Macedonia" no. 44/99); Convention on Biodiversity ("Official Gazette of the Republic of Macedonia" no.54/97); Convention on Migratory Species Conservation (Bonn) ("Official Gazette of the Republic of Macedonia" no.38/99); Convention on Conservation of European Wildlife and Natural Habitats (Bern) ("Official Gazette of the Republic of Macedonia" no. 49/97); Framework Convention of the United Nations on Climate Change (New York, May 1992). Ratified with the Law on Ratification ("Official Gazette of the Republic of Macedonia" no. 6/97). Entered into force on April 28, 1998; Kyoto Protocol on Climate Change (Kyoto, December 1997). Ratified by Macedonia on 18 November, 2004 (entry into force on 16 February, 2005); UNESCO Convention on World Heritage (November, 1972). Notification for succession from the Macedonian Government 30/04/1997; Convention on International Labor Organization: Macedonia ratified several ILO Conventions.
Water	Law on Environment (Official Gazette No.53/05, 81/05, 24/07, 159/08, 83/09, 124/10, 51/11, 123/12, 93/13, 187/13, 42/14, 44/15, 129/15, 146/15); Law on Waters (Official Gazette No. 87/08, 6 / 09, 161/09, 83/10, 51/11, 44/12, 163/13, 180/14, 146/15); Law for drinking water and disposal of urban waste water (Official. Gazette of RM no. 68/04, 28/06, 103/08, 17/11, 54/11, 163/13, 10/15 and 147/15) Law on Water Master Plan (Official Gazette No. 85/03, 95/05, 103/08); Law on Aquatic Communities (Official Gazette No. 51/03, 95/05 113/07); Decree on classification of waters (Official Gazette No. 18/99);

Relevant environmental/ social issues for the project	Relevant national legislation Act, Regulation, Degree
	Decree on categorization of water streams, lakes, accumulations and groundwater (Official Gazette No. 18/99, 71/99) ; Rulebook on the manner of establishment and maintenance of the protection zones around the springs for drinking water ("Official Gazette of the Republic of Macedonia" no. 17/83 and 15/89); Rulebook on monitoring the sediment in reservoirs (Official Gazette No. 4 / 99); Rulebook on the information of the conditions on the level and quantities of accumulated water in the accumulations, as well as the quantities of water discharged from there ("Official Gazette of the Republic of Macedonia" no. 8/99); Rulebook on the content and the manner of preparation of the River Basin Management Plans (Official Gazette No. 148/09); Rulebook on the Methodology for assessment of the river basins (Official Gazette No. 148/09); Rulebook on the content and manner of preparation of the program of measures (Official Gazette No. 148/09); Rules for special security requirements for natural mineral water (Official Gazette No. 32/06); Rulebook on the safety of water (Official Gazette No. 46/08); Rulebook for hazardous and harmful substances and their emission standards that can be discharged into the sewage or drainage system, surface or ground water bodies and the coastal lands and wetlands (Official Gazette No. 108/11); Rulebook on conditions and how the emission limit values for discharges of waste water after their purification, method of their calculation, taking into account the specific requirements for the protection of protected areas (Official Gazette No. 81/11) Ordinance for technical and sanitary conditions for discharge of waste waters in sewage system of City of Skopje (PE Vodovod i kanalizacija)
Waste Management	Law on Waste (Official Gazette No. 68/04, 71/04, 107/07, 102/08, 134/08, 124/10, 51/11, 123/12, 147/13, 163/13, 51/15, 146/15); List of Waste Types (Official Gazette No. 100/05); Law on Packaging and Packaging Waste (Official Gazette No. 161/09, 06/09, 17/11, 47/11, 136/11, 6/12, 39/12, 163/13,

Relevant environmental/ social issues for the project	Relevant national legislation Act, Regulation, Degree
	146/15); Law on Waste Electronics and Electrical Equipment (WEEE) (Official Gazette No. 06/12, 163/13, 146/15); Law on batteries and accumulators and waste batteries and accumulators (Official Gazette no. 140/10, 47/11, 148/11, 163/13 and 146/15); The Law on the Ratification of the Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and their Disposal (Official Gazette No. 48/97); Decree for determining the activities of installations (landfills operation) requiring an integral environmental permit (Official Gazette No. 89/05); Rulebook on the manner and the conditions for waste storage, as well as on the conditions to be met by the sites on which waste storage is performed (Official Gazette No. 29/07); Rulebook on conditions that have to be fulfilled by the landfills (Official Gazette No. 78/09); Rulebook on the landfill operation, monitoring and controlling in the operational and closing phase as well as on the closure and after-care procedures (Official Gazette No. 156/07); Rulebook for criteria for acceptance of waste to landfill in each landfill class, preparation procedure for acceptance of waste, basic testing procedures, sampling procedure and acceptance of waste (Official Gazette No. 8/08); Rulebook on the manner and the conditions for handling PCBs, the conditions to be met by installations and facilities for PCBs disposal and decontamination, on used PCBs and on the manner of labeling the equipment that contains PCBs (Official Gazette No. 48/07, 130/09) ; Rulebook on the procedures and manner of collection, transport, processing, storage, treatment and disposal of waste oils, and the manner of keeping records and submission of data (Official Gazette No. 156/07); Rulebook on general rules for handling with communal and other non-hazardous waste (Official Gazette No. 147/07); Rulebook of detailed conditions on the handling of hazardous waste, and on the manner of packaging and labeling (Official Gazette No. 15/08); Rulebook on the handling and management of waste containing asbestos and waste from products containing asbestos

Relevant environmental/ social issues for the project	Relevant national legislation Act, Regulation, Degree
	(O.G. of RM No. 89/06); Rulebook on the form and content of the request for issuing a permit for the landfill operator as well as the form for and content of the permit (Official Gazette No. 140/07);
Protected Natural Areas and Biodiversity	Law on Nature Protection (Official Gazette No. 67/04, 14/06, 84/07, 35/10, 47/11, 148/11, 59/12, 13/13, 163/13, 41/14, 146/15) and secondary legislation on Natura 2000 and emerald network; Law on Forests (Official Gazette no. 64/09, 24/11, 54/11, 25/13, 79/13, 147/13, 43/14, 160/14 and 44/15); Law on protection of plants (Official Gazette no. 25/98 and 06/00); Lists for determining strictly protected and protected wild types (Official Gazette no. 139/11); (Emerald Network: Launched in 1998 by the Council of Europe, of which the Republic of Macedonia is a member, as part of the works under the Bern Convention on the Conservation of European Wildlife and Natural Habitats. This ecological network is based on the same principles as Natura 2000, and represents its *de facto* extension to non-EU countries. National Emerald Network in the Republic of Macedonia was implemented between 2002 and 2008.); Macedonia ratified the Rio Convention in 1997; Macedonia ratified the Bonn Convention in 1999; Macedonia ratified the Ramsar Convention in 1977; Macedonia ratified the Bern Convention in 1997; Macedonia ratified the CITES Convention in 2000; Macedonia ratified the Agreement on the Conservation of Bats in Europe (London) in 1999, amended in 2002
Noise and Vibration	Law on Noise Protection (“ Official Gazette No. 79/07, 124/10, 47/11, 163/13, 146/15) Rulebook on noise indicators and the area of application of additional noise indicators (Official Gazette No. 107/08); Rulebook on the permissible level of noise in the environment (Official Gazette No. 147/08); Rulebook for locations of measuring stations and measuring points (Official Gazette No. 120/08);

Relevant environmental/ social issues for the project	Relevant national legislation Act, Regulation, Degree
	Rulebook on details of the content of strategic noise maps and noise action plans, method of preparation and method of collecting data for preparing strategic noise maps and noise action plans, and method of collection, storage and recording (Official Gazette No.133/10); Rulebook on the method, conditions and procedure for establishing and operating networks, monitoring methodology, conditions, method and procedure for submitting noise monitoring information and data (Official Gazette No.1/09);
Air Quality	Law on Ambient Air Quality (Official Gazette No. 67/04 with amendments No. 92/07, 35/10, 47/11, 59/12, 163/13, 10/15, 146/15); Decree on limit values of levels and types of pollutants in ambient air and alert thresholds, deadline for achieving limit values, margins of tolerance of the limit value, target values and long term goals (Official Gazette No. 19/05); Macedonia ratified the Convention on Climate Change on 28 January 1998, entrance into force on 28 Apr 1998; Macedonia ratified the Kyoto Protocol on 18 November 2004, entrance into force on 16 February 2005; Decree on limit and target values for levels and type of pollutants in the ambient air, alert and information thresholds; deadlines for achieving limit and target values for specific substances; margins of tolerance for limit value and target value and long term objectives for specific pollutants (Official Gazette No. 50/05); Rulebook on criteria, methods and procedures for evaluation of the ambient air quality (Official Gazette No.82/06); Lists of zones and agglomerations for ambient air quality (Official Gazette No.23/2009); Rulebook for methodology for inventory and determination of the levels of emissions of pollutants in the ambient air in tons per year for all types of activities, as well as other data required to be submitted under the Program for air monitoring in Europe (EMEP) (Official Gazette No.142/07); Rulebook on establishing the emission upper limits on national level (Official Gazette No. 10/90); Rulebook for air emission limit values from stationary sources (Official Gazette No. 141/10); The diesel fuel specification are prescribed by Rulebook on liquid fuel quality (Official Gazette No. 88/2007, 91/2007, 97/2007, 105/2007, 157/2007, 15/2008, 78/2008, 156/2008, 81/2009);
Cultural Heritage	Law on Protection of Cultural Heritage(Official Gazette No. 20/04, 71/04, 115/07, 18/11, 148/11, 23/13, 137/13, 164/13,

Relevant environmental/ social issues for the project	Relevant national legislation Act, Regulation, Degree
and Archaeology	38/14, 44/14, 199/14, 154/15); Regulation for National Registry of Cultural Heritage (Official Gazette No. 25/05); (Macedonia ratified the Convention for the protection of the World Cultural and Natural Heritage in 1991);
Community Health and Safety	Law for Health Protection (Official Gazette No. 43/12, 145/12, 87/13, 164/13, 39/14, 43/14, 132/14, 188/14, 10/15, 61/15, and 154/15); Law for Transport of Hazardous Materials and amendments (Official Gazette Nos. 92/2007, 17/2011, 54/2011, 13/13, 163/13, 38/14, 166/14 and 116/15); Law for preventing the spreading of the infectious diseases (Official Gazette No. 66/2004, 139/08, 99/09 и 149/14 and 150/15); Law for Wages (Official Gazette No. 70/94, 62/95, 33/97, 50/2001, 26/2002, 46/2002, 37/2005, 121/2007, 161/2008, 92/2009, 97/ 2010, 11/12, 145/12, 170/13, 139/14 and 147/15); Law on Equal Opportunities for Men and Women, and the National Action Plan for Gender Equality (Official Gazette No. 06/12, 166/14 and 150/15); Law for Social Protection (Official Gazette No. 79/09, 36/11, 51/11, 166/12, 15/13, 79/13, 164/13, 187/13, 38/14 and 44/14, 116/14, 180/14, 33/15, 72/15, 104/15 and 150/15); Law for Children Protection (Official Gazette No. 170/10, 23/13, 12/14, 44/14, 144/14, 10/15, 25/15 and 150/15); Crisis Preparedness Planning, June 2009 (for abnormal working conditions like high temperatures, floods and similar);
Occupational Health and Safety	Law on Occupational Health and Safety (Official Gazette No. 92/07, 98/10, 93/11, 136/11, 60/12, 23/13, 25/13, 137/13, 164/13, 158/14, 15/15 and 129/15); Law on Health Protection (Official Gazette No. 43/12, 145/12, 87/13, 164/13, 39/14, 43/14, 132/14, 188/14, 10/15, 61/15) Law on public health (Official Gazette No. 22/10, 136/11, 144/14, 149/15) Rulebook on minimal requirements for occupational health and safety on working place (Official Gazette No. 154/2008);

Relevant environmental/ social issues for the project	Relevant national legislation Act, Regulation, Degree
	Rulebook for personal protective equipment that uses employees at work (Official Gazette No.92/07); Rulebook for occupational health and safety at work for workers exposed on risk of noise (Official Gazette No. 21/2008);
Labor & Working Conditions	Labor Relations Act (Official Gazette No. 62/05, 106/08, 161/08, 114/09,130/09, 50/10, 52/10, 124/10, 47/11, 11/12, 39/12, 13/13, 25/13, 170/13, 187/13, 113/14, 20/15, 33/15, 72/15 and 129/15); Law on Occupational Health and Safety (Official Gazette No. 92/07, 136/11, 23/13, 25/13, 137/13, 164/13, 158/14, 15/15 and 129/15); Law for Civil Organizations (Official Gazette No. 52/10, 135/11); Law for Wages (Official Gazette No. 70/94, 62/95, 33/97, 50/2001, 26/2002, 46/2002, 37/2005, 121/2007, 161/2008, 92/2009, 97/ 2010, 11/12, 145/12, 170/13 и 139/14 and 147/15) and secondary legislation; Law on Equal Opportunities for Men and Women, and the National Action Plan for Gender Equality (Official Gazette No. 06/12, 166/14 and 150/15); Law for Social Protection (Official Gazette No. 79/09, 36/11, 51/11, 166/12, 15/13, 79/13, 164/13, 187/13, 38/14, 44/14, 116/14, 180/14, 33/15, 72/15, 104/15 and 150/15); Law for Child Protection (Official Gazette Nos. 23/13, 12/14, 44/14, 144/14, 10/15, 25/15 and 150/15); Law on Employment & Work of Foreigners (Official Gazette No. 5/2009, 35/10, 148/11, 84/12, 148/13, 38/14 and 150/15); Law on inspection for implementation of laws for labor and working conditions (Official Gazette No. 35/97, 29/2002, 36/11, 164/13, 44/14, 33/15 and 147/15); Collective agreement for construction industry; In 1991 Macedonia ratified a number of International Labor Organization (ILO) conventions;
Land Acquisition	Law on expropriation (“Official Gazette of the Republic of Macedonia” no. 95/12, 131/12, 24/13, 27/14, 104/15); Law on real estate cadaster (“Official Gazette of the Republic of Macedonia” no. 55/13, 41/14, 115/14,116/15 and 153/15); Law on property and other real estate rights (“Official Gazette of the Republic of Macedonia” no. 18/01, 92/08, 139/09,

Relevant environmental/ social issues for the project	Relevant national legislation Act, Regulation, Degree
	35/10); Law on agricultural land ("Official Gazette of the Republic of Macedonia" no. 135/07, 18/11, 42/11, 148/11, 95/12, 79/13, 87/13, 106/13, 164/13, 39/14, 130/14, 166/14, 72/15, 98/15 and 154/15).
Chemicals	Law on Chemicals (Official Gazette of RM " No 145/10, 53/11, 164/13, 116/15, 149/15) Rulebook on transportation of dangerous substances (Official Gazette of RM 113/07) List of Prohibited chemicals (Official Gazette of RM 57/11) Rulebook for the manner of classification and labeling of dangerous substances (Official Gazette of RM " No 145/10, 53/11)

6. RELEVANT ENVIRONMENTAL INSTITUTIONAL SET UP

The environmental chapter (covering all sectors and horizontal issues like EIA/SEA, IPPC) is very complex in respect to environmental functions and requires involvement of plenty of governmental institutions with their constituent bodies, academic institutions, Local Self-Government Units (municipalities), professional associations and non-governmental organizations, the business sector (industry and consultant companies) in fulfilling the environmental related obligations.

The main role for the general environmental protection, regulation and enforcement lays on the Ministry of Environment and Physical Planning (MoEPP) and its constituent bodies:
a) Administration for Environment,
b) State Environmental Inspectorate,
c) Office of Spatial Information System.

Other relevant governmental institutions which cooperate, coordinate with the Ministry of Environment and Physical Planning are: the Ministry of Agriculture, Forestry and Water Economy (MAFWE), Ministry of Economy (MoE), Ministry of Transport and Communication (MTC), Ministry of Health (MoH), Ministry of Finance (MoF) and Ministry of Internal Affairs (MoIA). Several governmental institutions are directly responsible for monitoring of state of the environment and impact of environment pollution to the human health: Directorate for Hydrometrological Works, Public Health Institute, Hydrobiological Institute in Ohrid.

6.1 LOCAL SELF-GOVERNMENT

The Law on Local Self-Governments of 2002 delegated a variety of tasks to municipal level, including competence to perform urban and rural planning, environmental planning on local level and protection of environment, nature and spatial regulation, municipal services such as water supply, waste water treatment, collection, transport and disposal of municipal waste and supervision of the performance of activities carried out under municipal competency. Thus, implementation and inspection responsibilities of municipal importance have been delegated to the local self-government units. The law also introduces the possibility of inter-municipal cooperation in performing the functions under municipal competences. This requires a mutual agreement among the municipalities involved.

Few selected competences related to the environment issues include:
• **EIA -** LSG units are competent (based on Article 24 of the Law on Environment) for assessment of the Environmental Impact Assessment Report (Elaborate) prepared by the investor/proponent for certain smaller activities and projects (compared to those determined by the secondary legislation as ones in competence of the central authorities). Decision of the LSG unit on the approval of the EIA Report (Elaborate) is condition for launching development projects (construction or operating permits).
• **Air -** LSG units have competences in planning of the air quality protection in particular in development of short-term Action Plan for Ambient Air Quality. At the level of zones and agglomeration, municipalities should join together and should develop Plan for Improvement of Air Quality at Local Level in zones and agglomeration when air quality is above the emission limit values. Municipality may establish local monitoring network for air quality and thus have obligations to collect data for air quality and disseminate to MoEPP and the public.
• **IPPC** - One of the most important obligations that LSG units have is related to issuing IPPC B permits for production installations.
• **Waste** - LSG units are competent for development and adoption of Waste Management Plans and programmes at their respective area. LSG unites are required to keep records on waste generators and total waste quantity generated and managed at their respective area. LSG units are also

competent to supervise the legal entity – Communal Service Enterprises (CSEs) for collection and transport of communal waste, including inspection and enforcement.
• **Water -** LSG units are responsible for pollution prevention and protection of waters, drinking and non - domestic water supply, drainage, collection and treatment of wastewaters and storm waters. LSG units carry out activities operating their own local infrastructure as well as using infrastructure of the Communal Service Enterprises established by the municipality. LSG units expected to have leading role proposing projects for construction of waste water treatment plants and water purification plants. LSG units are competent for development, operation, maintenance of the local monitoring network within their respective areas.
• **Noise -** The LSG units have dominant jurisdiction regarding protection from and control noise generated by IPPC B installations and operators of business activities which are under responsibility of municipalities.
• **Environmental inspection and enforcement** – Beside the state environmental inspectors, there are local environmental inspectors assigned by the LSG units. They perform regular inspection on the implementation of the environmental legislation and mitigation measures at IPPC B installations and the companies obliged to prepare the Environmental Impact Assessment Report (Elaborate).

6.2 REVIEW OF SERVICES PROVIDED BY COMMUNAL SERVICE ENTERPRISES (PROVIDERS)

The waste management, water supply and sewerage of urban wastewater at local level are under responsibility of local government and these services are provided by the Communal Service Enterprises (CSEs) that are obliged to deliver safe water to households, commercial and industrial facilities, to carry out collection and treatment of waste waters (urban and industrial) and to conduct maintenance of the water supply and sewers system, and of the WWTP, collect, transport of municipal solid waste and its final disposal to the municipal landfill. The CSE is also responsible for the maintenance and operation of municipal landfill.
Very often the CSEs provide additional communal services: greenery and park, green bazaar and cemetery maintenance.
In reference to the drinking water supply and urban waste water collection and treatment the CSEs could be divided into 3 groups of utilities based on the type of service provided:

- Water supply and waste water service providers;
- Water supply service providers;
- Waste water service providers.

Out of a total of 69 CSEs across the country, 50 CSEs are delivering both water supply and collection and treatment of waste water. There are 16 CSEs delivering only water supply services and there are 3 providers providing only waste water services.

The number of municipalities, number of CSEs per statistical region and the services they provide are presented in Table 5.

Table 5 Number of municipalities and Communal Service Enterprises (Providers) for water supply and waste water collection and treatment in Republic of Macedonia

Regions in RM	Number of municipalities	Number of CSPs providing		
		Water supply and waste water service providers	Water supply service providers	Waste water service providers
East region	11	12	1	
North east	6	4	1	

Regions in RM	Number of municipalities	Number of CSPs providing		
		Water supply and waste water service providers	Water supply service providers	Waste water service providers
region				
Pelagonija region	9	5	3	1
Polog region	9	4	4	
Skopje region	17	2	5	1
South east region	10	9	1	
South west region	9	7	1	1
Vardar region	9	7		
TOTAL	80	50	16	3

The representatives of the CSEs are directly involved in the municipal service improvement projects.

7. NATIONAL ENVIRONMENTAL IMPACT ASSESSMENT PROCEDURE FOR THE PROJECT DEVELOPMENT

The Environmental Impact Assessment procedure has been prescribed into the Law on Environment Off. Gazette No. 53/05, 81/05 24/07, 159/08 и 83/09; 124/10, 51/11, 123/12, 93/13, 163/13, 42/14, 129/15 (Chapter XI/Articles 76-94) where the requirements of the EU Directives on EIA (Directive 85/337/EEC as amended by Directives 97/11/EC, 2003/35/EC and 2009/31/EC) have been transposed.

The national EIA procedure is presented in Figure 5.

The procedure starts when the **Investor** (Project Proponent) who intends to implement a project submits a **Notification Letter**, in written and electronic form to the Ministry of Environment and Physical Planning (MoEPP) (Administration for Environment), which is the responsible authority for the entire procedure. The Administration for Environment is obligated to publish the Notification in at least one daily newspaper available throughout the territory of the Republic of Macedonia, and on the website of the MoEPP.

7.1 SCREENING:

The Screening procedure is a stage of the EIA procedure during which the MoEPP determines whether an EIA should be carried out or not for a certain project. For the development of projects that do not belong to the list of the projects for which the EIA procedure has to be carried out **(small scale projects)**, there is a requirement for the preparation of an "Environmental Impact Report-Elaborate" **(relevant for the Category B projects under the WB OP 4.0.1 Environmental Assessment procedure)**.The detailed procedure about the preparation of Environmental Report – Elaborate is presented in Figure 5.

If the full EIA procedure should be taken (EIA Study should be prepared) the decision from the screening stage has to be published in at least one daily newspaper available throughout the territory of the Republic of Macedonia, and on the website, as well as on the notice board of the MoEPP. The Investor, the legal entities or natural persons concerned, as well as the environmental Non-Government Organizations may appeal against the decision to the 'Second Instance Commission of the Government of the Republic of Macedonia' responsible for resolution of administrative matters in the area of environment. After the screening procedure, the MoEPP informs the Investor of the decision on whether or not an EIA shall be carried out. Based on such information, the Investor applies for a scoping opinion for the EIA.

7.2 SCOPING:

The Scoping phase is the process during which the MoEPP determines the content and extent of the matters which should be covered by the environmental impact assessment study. While drafting the opinion on the scope of the study, the MoEPP shall take into account the opinions of the Investor and the opinions obtained after publication of the decision for screening. Once scoping is completed, the EIA Study can be undertaken. The Investor prepares the EIA Study according to the requirements prescribed into the secondary legislation and submits it to the MoEPP in both written and electronic format.

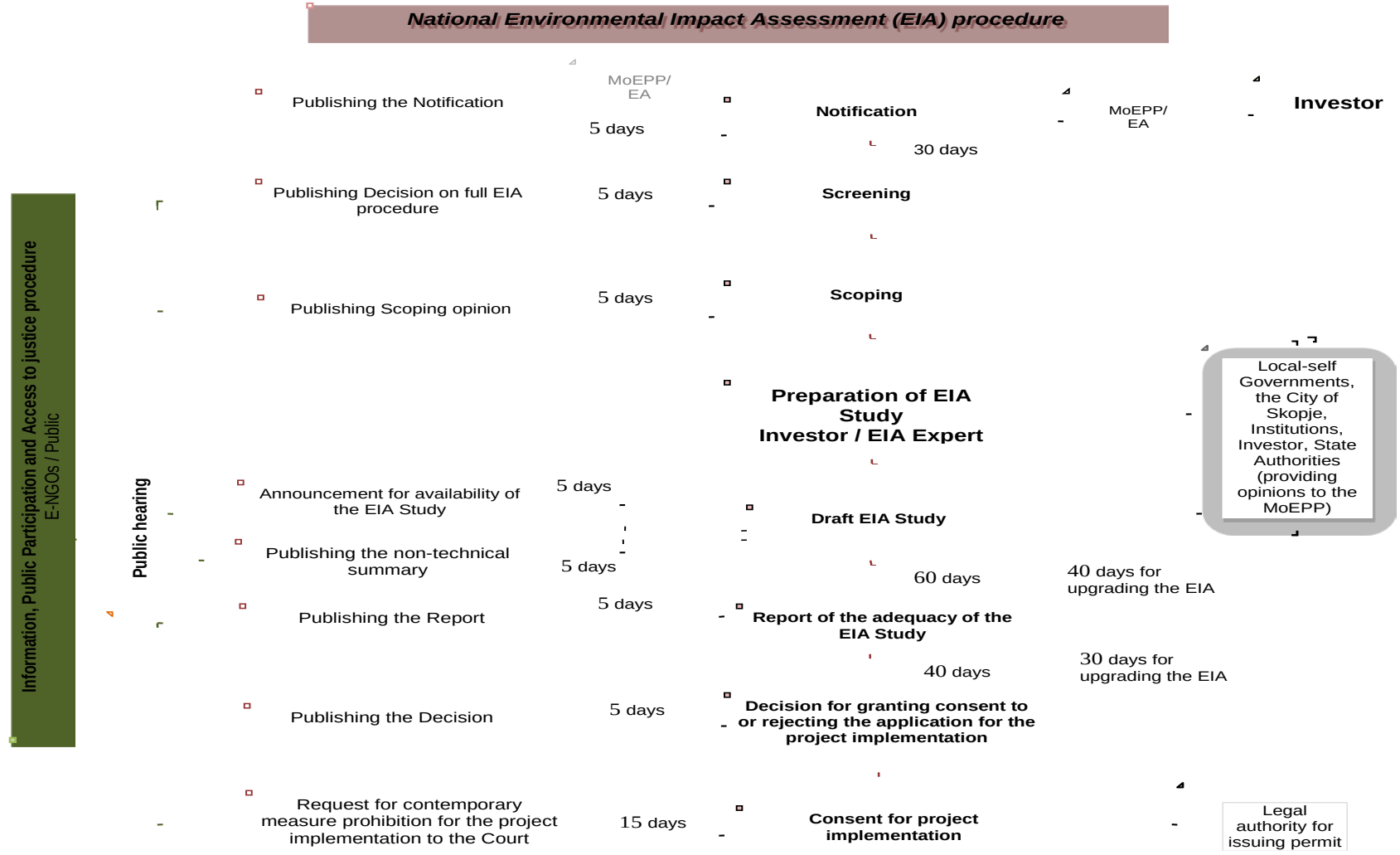


Figure 5 EIA procedure in the Republic of Macedonia

7.3 PREPARATION OF EIA STUDY:

The Investor **preparing the EIA Study** is obliged to engage at least one person from the List of EIA Experts, who shall sign the EIA Study as a responsible person with regard to its quality.

7.3.1 Public Disclosure:

The public disclosure starts when the MoEPP announces that the draft version of the EIA Study on a certain development project has been prepared and is available to the public in at least one daily newspaper, available throughout the territory of the Republic of Macedonia and local radio/TV station, while the Non-Technical Study is published on the website of the MOEPP. This EIA Study is submitted for consultation to the municipalities where the project will be implemented in order to collect their remarks and opinions. During this phase, the MoEPP is obliged to organize a **Public hearing on the draft EIA Study** and to ensure availability of information needed to the public and public participation in the public hearing event. The MoEPP submits the EIA Study to the bodies of the state administration responsible for the performance of the activities of the development project.

7.3.2 EIA Review & Decisions:

The Review is the process of checking the adequacy of the EIA Study. The Report of the adequacy of the EIA Study is prepared by the MoEPP or by persons appointed thereby from the List of Experts for EIA. On the basis of the study, the Report on the adequacy of the EIA Study, the public debate and the opinions obtained, the MoEPP issues a Decision on whether or not to grant consent for the application of the project implementation. The Decision contains an assessment of whether the EIA Study fulfills the requirements, and the permit conditions for the project implementation as well as measures for prevention and reduction of the harmful effects. The MoEPP submits the Decision to the Investor, to the body of the state administration responsible for issuance of the permit or decision on the project implementation and to the municipalities where the project will be implemented. The Decision has to be published in at least one daily newspaper available throughout the territory of the Republic of Macedonia, on the website as well as on the notice board of the MOEPP.

Based on the **Decision for granting consent** for the project implementation, the Authority responsible to issue the permit for project implementation, issues the Consent for project implementation to the Investor.

7.3.3 Public involvement into the EIA procedure:

Public involvement in national EIA procedure is regulated in the Law on Environment, secondary legislation on public information (provided on Figure 6), public participation and access to justice and in accordance with International Conventions signed and ratified by Macedonia (e.g. Aarhus Convention and Espoo Convention).

Practical public involvement is performed through:

- Disclosing of the information about the project and EIA process to the public;
- Public participation where public can actively be involved in public discussions and submit their written opinion within the different EIA phases of the procedures; and
- through the mechanism of access to justice, when the public can influence the decision making by submitting appeals to the Court or Second Instance Commission of the Government.

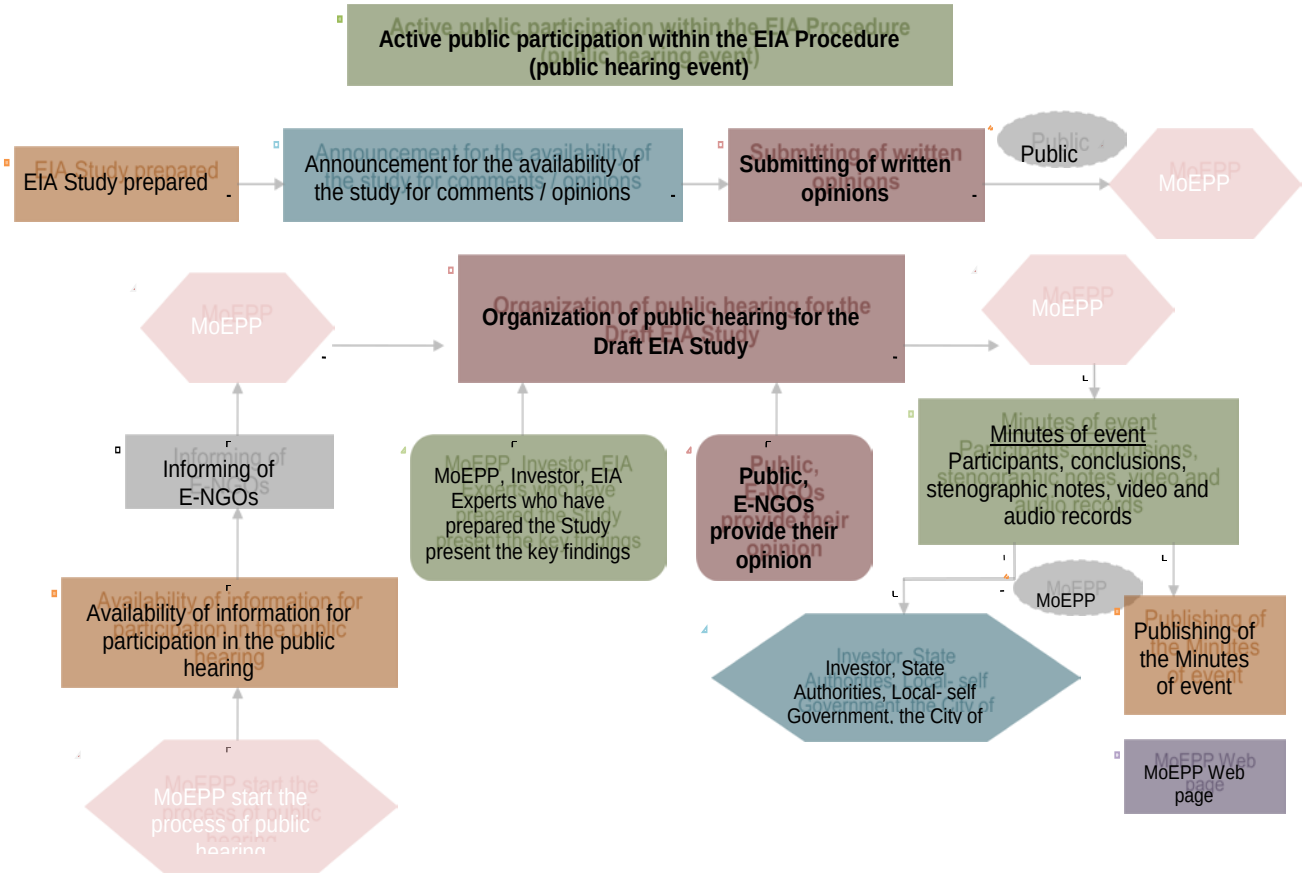


Figure 6 Public hearing during the EIA Study preparation according national legislation

7.3.4 Institutional setup within the EIA procedure

The specific role and responsibility of each stakeholder within the EIA procedure was analyzed separately and it is presented in the following Table 6. The variety of actions, administrative procedures and participation of various stakeholders within the procedure with their own needs and priorities, shows the complexity of the EIA procedure.

Table 6 Roles and Responsibilities of the stakeholders in the EIA procedure

Authority/ institution	Roles and Responsibilities
Investor/Proponent	- submit the Notification on the intention for project implementation to the MoEPP - submit request for Scoping to the MoEPP - preparation of the EIA Study - submit the EIA Study to the MoEPP - receive the Decision for the project implementation
Ministry of environment and physical planning	- publish the Notification (in minimum one national daily newspaper and on the web page of the MoEPP) - conduct of the Screening procedure - publish the Screening Decision (in minimum one national daily newspaper, on the

Authority/ institution	Roles and Responsibilities
(Administration for environment, Public communication office	web page and on the notice board of the MoEPP) - scope definition for the EIA Study for the project - issuing Opinion of the Scope of the Study and publish the summary of the Opinion (in minimum one national daily newspaper, on the web page and on the notice board of the MoEPP) - announce that EIA Study has been prepared and is available for public comments - publish the Non-technical Summary of the EIA Study on its web page - organize public hearing - prepare the Meetings from the public hearing and publish it on its web page - prepare the Report on the adequacy of the EIA Study - publish the Report of the adequacy of the study in minimum one national daily newspaper and on its web - issuing the Decision for granting consent to or rejecting the application for the project implementation - publish the Decision in minimum one national daily newspaper, on the web page and on the notice board of the MoEPP - establish the List of EIA experts
Other Ministries and State Institutions and Local Self Government units	- provide relevant information during the definition of scope of the EIA Study preparation of the EIA Study; - provide consultation during the Scoping and preparation of the EIA Study - give its opinion during the public consultation process
Ministry of Foreign Affairs	- involve in the trans boundary EIA process in Macedonia and in other country during the Official Notification on the intention for project implementation
Experts from the List of experts	- scope definition for the EIA Study for the project (optional) - preparation of the EIA Study - preparation of the Report on the adequacy of the EIA Study (optional)
NGOs	- submit an opinion on the Notification - submit a complaint on the Screening decision to the Governmental commission and an opinion to Scoping - submit written opinions/ comments on the EIA Study and take part during the public hearing - submit a complaint on the Decision for granting consent to or rejecting the application for the project implementation to the Governmental commission - submit request for temporary measure ban for implementation of the project to the Court
State Environmental Inspectorate	- inspect whether EIA Study for the project is prepared and whether it is submitted to the MoEPP - inspect whether for the implementing project the Decision on granting consent is issued - monitor whether the mitigation measures proposed in the EIA Study are implemented - limit or prohibit implementation of the project without the Decision to grant consent for the application of the project implementation

7.3.5 National procedure for environmental assessment of small scale projects

During the EIA Procedure within the screening phase, if the decision has been that there is no need for EIA procedure to be carried out the investor should start with procedure for development of **Environmental Impact Assessment Report – Elaborate.** This procedure is obliged for small scale projects (e.g., reconstruction or construction of local streets, roads, construction of local drinking water supply systems, sewage systems and small scale WWTPs - less than 10 000 p.e., etc.), causing short-term, minor negative impacts to the environment.

There are two Rulebooks refer to the projects for which the EIA Report-Elaborate should be prepared:

A) Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Ministry of Environment and Physical Planning (Official Gazette of RM" No. 36/12);

B) Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Mayor of the municipality (Official Gazette of RM" No. 32/12) or Mayor of City of Skopje.

The content of EIA Report – Elaborate should be prepared in line with the Rulebook on EIA Report form and content and procedure for EIA Report adoption (Official Gazette of RM No. 44/13).

The EIA Report – Elaborate contains the main characteristics of the project activities, the main positive and negative environmental impacts identified taking into account the site-specific baseline environmental data. Very simplified Environmental Protection Program comprises various measures that will prevent, mitigate and compensate the adverse impact on all environmental elements need to be developed based on the national environmental legislation and good international practice. No public hearing is proposed during the preparation and adoption of the EIA Report-Elaborate. On Figure 7 the simplified scheme of the EIA Report-Elaborate procedure is presented. The Table 7 shows the roles and responsibilities of the stakeholders in the EIA procedure (EIA Report - Elaborate).

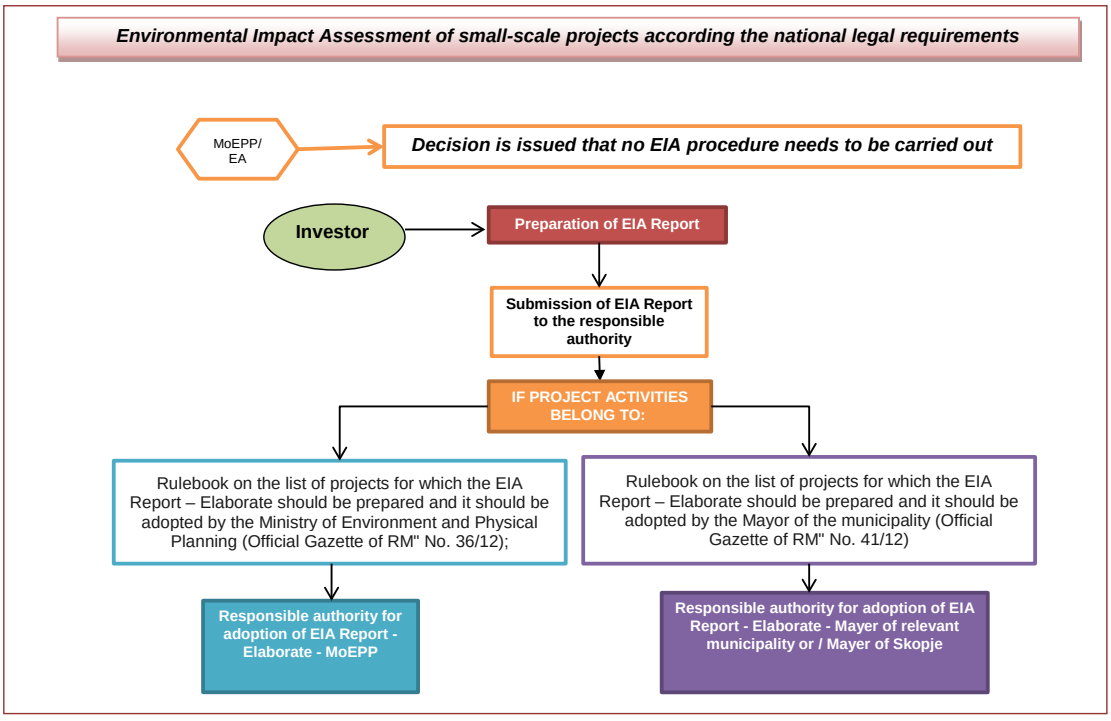


Figure 7 EIA small-scale projects national requirements

Table 7 Roles and Responsibilities of the stakeholders in the EIA procedure (EIA Report - Elaborate)

Authority/ institution	**Roles and Responsibilities**
Investor/Proponent	- submit the Notification on the intention for project implementation to the MoEPP - preparation of the EIA Report – Elaborate
Ministry of environment and physical planning/ (Administration for Environment)	- prepare the Decision that no EIA procedure is need to be carried out (MoEPP) - issue the Decision for adoption the EIA Report – Elaborate
Local Self-Government (Mayor)	- issue the Decision for adoption the EIA Report – Elaborate
Experts from the List of experts	- preparation of the Notification on the intention for project implementation to the MoEPP - preparation of the EIA Report – Elaborate
State Environmental Inspectorate Municipal Environmental Inspectors	- inspect whether EIA Report – Elaborate for the project is prepared and whether it is submitted to the MoEPP/Municipalities - monitor whether the mitigation measures proposed in the EIA Report – Elaborate are implemented

8. WORLD BANK SAFEGUARDS PROCEDURES

The World Bank has developed and implemented across the world the Safeguard Policies with main aim to ensure prevention, mitigation and compensation of adverse impacts of project development to the community where the project is implementing, to the environment, nature, human health and cultural sites ad objects. The short summary of several relevant Banks' Safeguards Policies are presented below.

8.1 OP/BP 4.01 ENVIRONMENTAL ASSESSMENT

The Bank requires Environmental Assessment (EA) of projects proposed for Bank support to ensure that they do not have, or mitigate potential negative environmental impacts. The EA is a process whose breadth, depth, and type of analysis depend on the nature, scale, and potential environmental impact of the proposed project. The EA evaluates a project's potential environmental risks and impacts in its area of influence; examines project alternatives; identifies ways of improving project selection, siting, planning, design, and implementation by preventing, minimizing, mitigating, or compensating for adverse environmental impacts and enhancing positive impacts; and includes the process of mitigating and managing adverse environmental impacts throughout project implementation. The EA takes into account the natural environment (air, water and land); human health and safety; social aspects; and trans boundary and global environmental aspects. The Borrower is responsible for carrying out the EA and the Bank advises the Borrower on the Bank's EA requirements.

The Bank classifies the proposed projects into three major categories, depending on the type, location, sensitivity, scale of the project and the nature and magnitude of its potential environmental impacts.

- **Category A**: The proposed project is likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works.

- **Category B:** The proposed project's potential adverse environmental impacts on human population or environmentally important areas-including wetlands, forests, grasslands, or other natural habitats- are less adverse than those of Category A projects. These impacts are site specific; few if any of them are irreversible; and in most cases migratory measures can be designed more readily than Category A projects.

- **Category C:** The proposed project is likely to have minimal or no adverse environmental impacts.

8.2 OP/BP 4.04 NATURAL HABITATS

The conservation of natural habitats, like other measures that protect and enhance the environment, is essential for long-term sustainable development. The Bank therefore supports the protection, maintenance, and rehabilitation of natural habitats and their functions in its economic and sector work, project financing, and policy dialogue. The Bank supports, and expects borrowers to apply, a precautionary approach to natural resource management to ensure opportunities for environmentally sustainable development. The Bank promotes and supports natural habitat conservation and improved land use by financing projects designed to integrate into national and regional development the conservation of natural habitats and the maintenance of ecological functions. Furthermore, the Bank promotes the rehabilitation of degraded natural habitats. The Bank does not support projects that involve the significant conversion or degradation of critical natural habitats.

8.3 OP/BP 7.50 INTERNATIONAL WATERS

The WB International Waterways policy applies to hydroelectric, irrigation, flood control, navigation, drainage, water and sewerage, industrial, and similar projects that involve the use of international watercourses or there is a potential risk for pollution of international waterways. The policy obliges the borrower / borrowing country to notify the other relevant country about the trans boundary effects on the waterways potentially affected by the project activities. The neighboring countries should have opportunity to question/comment on projects affecting shared water bodies on time.

8.4 OP/BP 4.11 PHYSICAL CULTURAL RESOURCES

Physical cultural resources are defined as movable or immovable objects, sites, structures, groups of structures, and natural features and landscapes that have archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural significance. Their cultural interest may be at the local, provincial or national level, or within the international community. Physical cultural resources are important as sources of valuable scientific and historical information, as assets for economic and social development, and as integral parts of a people's cultural identity and practices. The Bank assists countries to avoid or mitigate adverse impacts on physical cultural resources from development projects that it finances. The borrower addresses impacts on physical cultural resources in projects proposed for Bank financing, as an integral part of the environmental assessment (EA) process. When the project is likely to have adverse impacts on physical cultural resources, the borrower identifies appropriate measures for avoiding or mitigating these impacts as part of the EIA process. These measures may range from full site protection to selective mitigation, including salvage and documentation, in cases where a portion or all of the physical cultural resources may be lost.

8.5 OP/BP 4.36 FORESTRY

The Policy envisages the protection of forests through consideration of forest-related impact of all investment operations, ensuring restrictions for operations affecting critical forest conservation areas, and improving commercial forest practice through the use of modern certification systems. In the process of forest conservation interventions, especially the local people, the private sector and other pertinent stakeholders should be consulted. In general, the Policy aims at reducing deforestation and enhancing the environmental and social contribution of forested areas.

8.6 OP/BP 4.12 INVOLUNTARY RESETTLEMENT

This Policy is based on assisting the displaced persons in their efforts to improve or at least restore their standards of living.

The main purpose the Policy is that development undertakings should not cause the impoverishment of the people who are within the area of influence of the undertakings. In cases where resettlement of people is inevitable, or in cases where loss of assets and impacts on the livelihood of the PAPs is experienced, a proper action plan should be undertaken to at least restore, as stated above, their standard of life prior to the undertakings. Concerning public consultation, resettles as well as the host communities should be consulted for the successful implementation of the resettlement process. The views of the consulted resettles and the host communities should be incorporated into the Resettlement Action Plan including the list of their choices.

8.7 IFC ENVIRONMENTAL, HEALTH AND SAFETY GUIDELINES

The Environmental, Health and Safety (EHS) Guidelines of the International Finance Corporation (IFC), 2008 are the safeguard guidelines for environment, health and safety for the development of the industrial and other projects. They contain performance levels and measures that are considered to be achievable in new facilities at reasonable costs using existing technologies.

9. SECOND MUNICIPAL SERVICE IMPROVEMENT PROJECT (MSIP2) DESCRIPTION

9.1 PROJECT OBJECTIVE

The Project Development Objective of MSIP2 is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities.. The project aims to achieve this objective through a focus on infrastructure and services under the responsibility of participating municipalities and their communal service enterprises, such as water supply, sanitation, and solid waste management, but may also include support for other functions such as energy efficiency, urban transport, and other services under municipal provision

Through facilitating improvements in transparency, financial sustainability and delivery of targeted municipal services, MSIP2 will contribute to both of the interrelated themes: (a) Growth and Competitiveness, and (b) Skills Development and Inclusion. The MSIP2 will also benefit from the successful experience and lessons learned under on-going MSIP activities where 43 projects are completed and there are 23 ongoing projects.

9.2 PROJECT COMPONENTS

The MSIP2 presents the second phase of the successfully on-going Municipal Services Improvement Project (MSIP) in response to the continuing strong demand and growing interest by the municipalities for the local infrastructure financing, since the MSIP funds are already fully committed and cannot support new applications from the municipalities. Given a persisting needs for improving municipal infrastructure and based on the positive experience of MSIP implementation, the Government of Macedonia requested the World Bank for a new project or additional financing to MSIP in the amount of EUR25 million. Since MSIP already has two additional financings, including the recently approved IPA window, it was decided to proceed with preparation of a new operation. The new project (MSIP2) was also considered as a good opportunity to take stock of implementation expertizes under MSIP and bring in the needed adjustments if any. As such, MSIP2 will be built upon the experience of MSIP and its lessons learned to enhance the impact of a well-performing operation.

The MSIP2 will continue to focus on improving the transparency, financial performance, and delivery of targeted services under the responsibility of participating municipalities and their CSEs, such as water supply, sewerage, solid waste management, energy efficiency, improvements of municipal buildings, local roads, and other services delivered by municipalities. As is the case with MSIP, MSIP2 will continue employing the scheme of sub-loans provided to the municipalities for revenue-generating/cost-saving municipal infrastructure investments and other projects of high priority. In addition, MSIP2 will also aim to target service delivery to poorer and marginalized communities through the specific newly introduced social inclusion grant component. MSIP2 will have a composition of components, as follows:

Component A - Municipal Investments (EUR18.5 million): will provide sub-loans to municipalities for investments in municipal infrastructure, including revenue-generating/cost saving municipal infrastructure investments and other projects of high priority for the municipalities.

Component B - Poverty/Social Inclusion Investment Grants (EUR5 million): will provide investment grants to municipalities as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions.

Component C - Project Management, Monitoring and Evaluation, and Capacity Building Technical Assistance (TA) (EUR1.5 million): supports operational costs of the PMU and assists with project implementation and monitoring, as well as finance consultancy services and technical assistance for

(i) sub-project preparation/implementation and local capacity building for municipalities and CSEs to improve service delivery, and (ii) national level institutional strengthening.

9.3 STATUS OF MSIP IMPLEMENTATION

The Municipal Services Improvement Project (MSIP) for Macedonia started in 2009 with main goal to improve transparency, financial sustainability, and delivery of targeted municipal services in the participating municipalities in the country. The Republic of Macedonia has requested the World Bank's assistance in addressing these challenges and the loan of USD 75M has been signed to support municipal investments, capacity building and institutional strengthening activities, to deliver performance grants after successful implementation of the investments by the municipalities and to provide proper project management and communication with municipalities.

The Ministry of Finance has established the Project Management Unit for smoothly implementation of the project and assistance to the municipality to prepare all necessary project documentation according WB and national legislation. The already completed and ongoing projects are focused on infrastructure and services under the responsibility of participating municipalities and their communal service enterprises, such as: water supply, sanitation, rehabilitation of sewer system, procurement of vehicles for solid waste management, rehabilitation and reconstruction of local roads and streets, reconstruction of municipality buildings, schools, support for other functions such as energy efficiency – street lighting and replacement of mercury containing bulbs with sodium efficient one, installation of thermal heating pumps, urban transport and other services under municipal provision.

By September 2015, in total 43 projects were completed. High share of them (25) referred to reconstruction of local roads and streets, 17 projects are water supply and sewage systems related projects, 16 projects were focused on procurements of waste collection and transportation vehicles and equipment and others were focused to improve the conditions of elementary schools and kindergartens and other public buildings. The remaining referred to energy efficiency, replacement of street lighting and installation of geothermal pumps.

The overview of different types of project activities financed until September 2015 is presented on Table 8.

Table 8 Project category and type of project activities within the MSIP (status September 2015)

Project category	Type of project activity
Infrastructure	• Construction and reconstruction or rehabilitation of local streets (various length) • Construction and reconstruction or rehabilitation of various local roads • Construction of the bridge on the channel on the local road
Water and sanitation services	• Construction of the water supply network • Implementation of a storm water management system • Reconstruction of part of the water supply system, complete water supply system or extend the water supply system • Construction of the drinking water reservoir • Procurement and installation of water meters
Solid waste management	• Providing basic equipment for the maintenance of public hygiene (vehicles for snow cleaning, street cleaning, construction vehicle, etc) • Procurement of special vehicles for collection and transportation of municipal solid waste
Other revenue-generating or cost-saving investments	• Reconstruction of the street lighting (replacement of mercury containing lamps with more energy efficient lamps) • Installation of the geothermal pumps • Construction of the primary school including demolition of the old school building

Project category	Type of project activity
	• Reconstruction of the primary schools • Insulation of primary school and kindergartens for better energy efficiency • Reconstruction and adaptation of municipality buildings • Rehabilitation of the river banks and construction of parking lots • Rehabilitation of the main squares in the towns

Within the MSIP2 besides the above mentioned type of projects, the type of project activities will be extended to additional very important municipality service oriented projects with main aim to ensure the sustainable development of local community. The possible additional project activities (the prioritization process needs to be realized in order to identify the particular projects to be supported financially by the WB loan) are listed in Table 9.

Table 9 Additional possible type of projects activities for the next period within the MSIP2

Project category	Type of project activity
Infrastructure	• Arrangement of the river area (sidewalks, river bed, lighting)
Water and sanitation services	• Construction of the water purification plant • Construction of small scale WWTP (less than 10.000 p.e) and sewage system • Replacement of drinking water supply asbestos containing pipes
Solid waste management	• Fencing of the municipal landfill • Procurement of equipment and surveillance system for municipal landfill
Other revenue-generating or cost-saving investments	• Gas supply to the agricultural land and greenhouses • Landscaping of the city park • Electricity supply of settlement

It is expected that maybe other small scale municipal activities (e.g., construction of: park, parking space and paving of sidewalks, construction of multifunctional sport facility, construction of green market, construction of touristic tracks across mountain, arranging of picnic areas, regulation of a dry ravine) which lead to the improvement of the everyday living of the citizens and already discussed and prioritized among the local community could occur as a request for financing.

9.4 ENVIRONMENTAL ASSESSMENT WITHIN THE MSIP2

According the World Bank Environmental Safeguard – Operational Procedure 4.0.1, the Bank requires Environmental Assessment of projects proposed to be financed with Bank loan in order to ensure that the projects are environmentally sound and sustainable improving decision-making process.

Refer to WB Environmental Assessment policy at the beginning of the Municipal Service Improvement Project (MSIP) in Macedonia in 2008, the Environmental Assessment and Management Framework Document (EMFD) was prepared and disclosure procedure was performed in order to identify the adverse environmental impacts of next coming small-scale (Category B) projects with site-specific impacts that could be overcome with proposed mitigation measures. In the EMFD several types of projects were analyzed and the mitigation measures and monitoring plan was developed:

a. ***Water and sanitation services***: finance civil works, equipment and consulting services for rehabilitation of water and sanitation services, including for source and consumption metering, leak detection and repair, network rehabilitation and optimization, pressure zoning and equipment for operations; and urgent rehabilitation and repair of selected sewers, sewer maintenance equipment and pipe replacement.

b. ***Solid waste management***: finance collection infrastructure, support equipment, such as collection bins, support vehicles, and other related equipment and consulting services.

c. ***Other revenue-generating or cost-saving investments***: finance civil works, equipment and related consulting services for upgrading and/or expanding of other services or facilities under the responsibility of municipalities, such as storm water drainage systems, public buildings such as schools, urban transport systems, etc. to lower energy consumption or otherwise enhance efficiency.

All WB financed municipality projects so far within the Municipal Services Improvement Project (MSIP) belong to the above mentioned type of projects (Category B) already included in the Environmental Management Framework Document prepared in 2008 and amended in September 2014.

It is expected that also all submitted projects by the municipalities within the MSIP2 will be classified as small-scale projects (Category B according the WB safeguard procedures).

According the WB procedure, for these projects in the phase of preparation the Project Appraisal Document, the Environmental Chapter has been developed covering main site-specific characteristics, expected sensitive receptors, assessment of the possible adverse impacts with their significance, reversibility, importance. The measures have been identified in order to avoid, prevent, mitigate or compensate adverse environmental impacts and Environmental Mitigation Plan has been prepared defining the main responsibility roles for Sub Contractor and Supervisor. The Monitoring Plan has been prepared as well for each project prescribing the parameters that should be monitored, frequency of monitoring, how it is made and responsible institution/company for monitoring.

According the national legislation, as these are small-scale projects, for some of them the Environmental Impact Assessment Report (Elaborate) need to be prepared and the documents were adopted by the Mayor of the Municipality or Ministry of Environment and Physical Planning (More info at the National EIA legislation Chapter and EIA procedure Chapter).

During the implementation of MSIP, several new project activities that were not proposed and listed within the EMFD prepared in 2008, arose (e.g., reconstruction of schools in Municipality of Gazi Baba, Petrovec and Butel). The type of activity “construction of primary school” is not listed in any of the national lists with projects for which the Summary EIA Report (Elaborate) should be prepared. As these activities belong to Category B projects refer to the World Bank Environmental Assessment Operational Procedure 4.0.1, the Summary Environmental Impact Assessment Study was developed following the OP 4.01 for each project. The Summary EIA Study was developed upon the World Bank procedures and the document identified the current environmental conditions around the school (usually it is very urban residential area), the project activities included in the proposed project and the identification of the possible sensitive environmental issues was performed in order to develop the Environmental Mitigation Plan and Monitoring Plan. According the WB safeguard procedures the public disclosure was provided posting the developed Summary EIA Study including the Environmental Mitigation Plan and Monitoring Plan on the web site of the municipalities and web site of the Ministry of Finance. The comments and remarks submitted by the public have been taken into account before the works started.

The existing procedure for environmental assessment, screening, preparation, public disclosure and implementation of sub-project specific EIAs and EMPs, as used under MSIP, will continue to be applied under the MSIP2 Project, including on any new types of sub-project that may be developed. ***The sub-projects determined to belong to Category A according to WB OP 4.01 will not be legible for financing under the Project.***

The categorization of project activities within MSIP2 according the national environmental regulation is presented in the Table 10.

Table 10 Categorization of project activities within MSIP2 according the national legislation)

Project category	Type of project activity	Necessity of preparation the EIA Report
Infrastructure	• Construction and reconstruction or rehabilitation of local streets (various length)	• Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Mayor of the municipality (Official Gazette of RM" No. 32/12)
	• Construction and reconstruction or rehabilitation of various local roads	
	• Construction of the bridge on the channel on the local road	
	• Arrangement of the river area (sidewalks, river bed, lighting)	• (Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Ministry of Environment and Physical Planning Official Gazette of RM" No. 36/12) Chapter 11 projects for the construction of waterways, ports and harbors for fishing
Water and sanitation services	• Construction of the water purification plant	• Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Mayor of the municipality (Official Gazette of RM" No. 32/12) Chapter 1 Agriculture, forestry and water management – 6. collection, treatment and supply of water from local importance
	• Construction of small scale WWTP (less than 10.000 p.e) and sewage system	• Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Ministry of Environment and Physical Planning (Official Gazette of RM" No. 36/12) Chapter 10 Waste management and activities for remediation – Waste water treatment plant with a capacity less than 10,000 inhabitants
	• Replacement of drinking water supply asbestos containing pipes	• Rulebook on the handling and management of waste containing asbestos and waste products containing asbestos (Official Gazette of RM no. 89/06) and Law on waste Management (Official Gazette of RM no. 68/04, 71/04, 107/07,102/08; 143/08; 124/10, 51/11, 123/12, 147/13, 163/13, 51/15,156/15, 192/15, 63/16); List of waste types (Official Gazette of RM no. 100/05).
	• Construction of the water supply network	• Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Mayor of the municipality (Official Gazette of RM" No. 32/12) Chapter 1 Agriculture, forestry and water management – 3. Local water supply and sewerage system with waste water treatment plant
	• Implementation of a storm water management system	
	• Reconstruction of part of the water supply system, complete water supply system or extend the water supply system	
	• Construction of the drinking water reservoir	

Project category	Type of project activity	Necessity of preparation the EIA Report
	• Procurement and installation of water meters	• No obligation for preparation of EIA Report
Solid waste management	• Providing basic equipment for the maintenance of public hygiene (vehicles for snow cleaning, street cleaning, construction vehicle, etc)	• No obligation for preparation of EIA Report
	• Procurement of special vehicles for collection and transportation of municipal solid waste	• No obligation for preparation of EIA Report
	• Fencing of the municipal landfill	• No obligation for preparation of EIA Report
	• Procurement of equipment and surveillance system for municipal landfill	• No obligation for preparation of EIA Report
Other revenue-generating or cost-saving investments	• Reconstruction of the street lighting (replacement of mercury containing lamps with more energy efficient lamps)	• No obligation for preparation of EIA Report
	• Installation of the geothermal pumps	• Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Ministry of Environment and Physical Planning (Official Gazette of RM" No. 36/12) Chapter 11- 12.Projects for abstraction and return of groundwater
	• Construction of the primary school including demolition of the old school building	• No obligation for preparation of EIA Report
	• Reconstruction of the primary schools	• No obligation for preparation of EIA Report
	• Insulation of primary school and kindergartens for better energy efficiency	• No obligation for preparation of EIA Report
	• Reconstruction and adaptation of municipality buildings	• No obligation for preparation of EIA Report
	• Rehabilitation of the river banks and construction of parking lots	• Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Ministry of Environment and Physical Planning (Official Gazette of RM" No. 36/12) Chapter XII-3. parking lots and public garages
	• Rehabilitation of the main squares in the towns	• Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Mayor of the municipality (Official Gazette of RM" No. 32/12) Chapter 10 Infrastructure projects – 2.Reconstruction of local roads

Project category	Type of project activity	Necessity of preparation the EIA Report
	• Gas supply to the agricultural land and greenhouses	• Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Ministry of Environment and Physical Planning (Official Gazette of RM" No. 36/12) Chapter 12.Transport and storage – 1. Transportation pipeline (transportation of gas, liquids, water, gas, diluted cement, mortar and other goods through pipelines)
	• Landscaping of the city park	• No obligation for preparation of EIA Report
	• Electricity supply of settlement	• Rulebook on the list of projects for which the EIA Report – Elaborate should be prepared by the investor and the EIA Report need to be adopted by the Ministry of Environment and Physical Planning (Official Gazette of RM" No. 36/12) Chapter 11Infrastructure projects – 20. Transmission lines with voltage levels from 1 kV to 110 kV

The following WB safeguard polices triggered by the existing and additional project activities within the MSIP2 project are presented in Table 11.

TABLE 11 SAFEGUARD POLICIES TRIGGERED BY THE MSIP PROJECT EXISTING AND ADDITIONAL)

Environmental Assessment OP/BP 4.01	Yes	
Natural Habitats OP/BP 4.04		No
Forests OP/BP 4.36		No
Pest Management OP 4.09		No
Physical Cultural Resources OP/BP 4.11		No
Indigenous Peoples OP/BP 4.10		No
Involuntary Resettlement OP/BP 4.12	Yes	
Safety of Dams OP/BP 4.37		No
Projects on International Waterways OP/BP 7.50	Yes	
Projects in Disputed Areas OP/BP 7.60		No

10. ENVIRONMENTAL IMPACTS

The impact identification and assessment process should be carried out based on the baseline conditions identified during the project concept and feasibility study development in order to identify any environmental sensitive areas, the value/sensitivity of resources and receptors, and the project actions and activities that may significantly affect the baseline environmental or socio economic conditions during any of the project phase. The importance of the impact assessment through the whole Project Life Cycle is shown on Figure 8. The environmental assessment should cover the all project activities that will be taken during the any decommissioning phase (e.g., very important phase from environmental point of view during the construction of new school and dismantling the old one as there are very often asbestos containing materials), reconstruction, rehabilitation or construction phase and operational phase of the project.

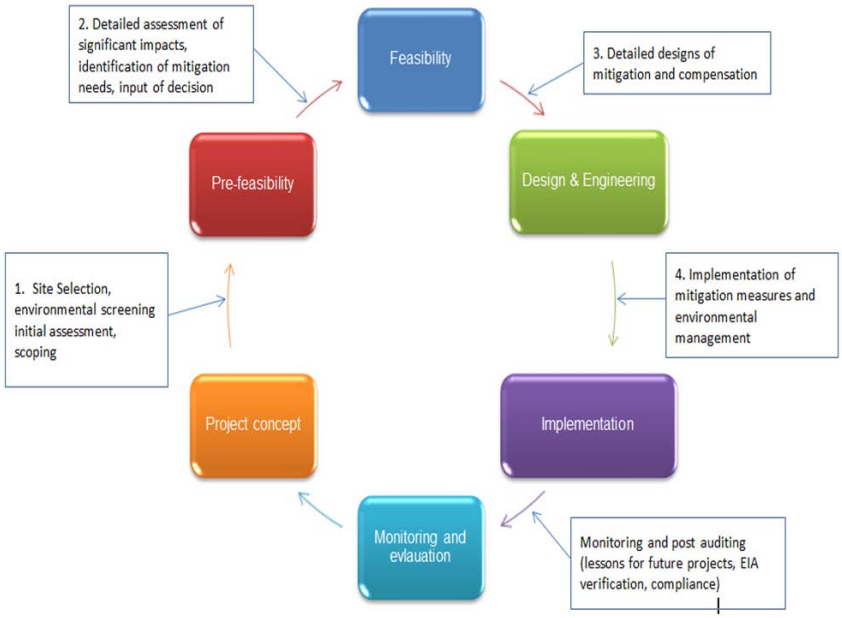


Figure 8 Environmental Management System in Project Life Cycle

In order to assess the impact the following assessment criteria could be used: a) type of impact, b) reversibility, c) geographical extent, d) magnitude, e) duration of the impact, f) likelihood of appearance, g) extent /location where impact occurs and h) timing of occurrence.

In assessing the level of impact that the project activity could cause, two key criteria are mainly considered:

- **Consequence/Significance**: the resultant impact (positive or negative) of an activity's interaction with the legal, natural and/or socio-economic environments; the categorization for consequence is presented in Table 12.
- **Likelihood:** the likelihood that an activity will occur. The categorization for likelihood is presented in Table 13.

Table 12 Impact assessment - Consequence

Consequence Category	Addressed
Significant	Most severe, alternative will be proposed through environmental hazard risk management
Major	Severe, alternative/avoidance will be proposed through environmental hazard risk management
Moderate	Less severe, measures will be proposed to minimize impact
Minor	Less severe, mitigation measures will be proposed
Negligible	Less severe. Mitigation and enhancement measures will be prepared if possible
None	No impact, enhancement measures will be prepared if possible
Positive	Positive impact

Table 13 Impact assessment - Likelihood

Likelihood Category	Definition
Certain	The activity will occur under normal operating conditions
Very likely	The activity is very likely to occur under normal operating condition
Likely	The activity is likely to occur at some time under normal operating conditions
Unlikely	The activity in unlikely to but may occur at some time under normal operating conditions
Very unlikely	The activity is very unlikely to occur under normal operating conditions but may occur in exceptional circumstances

The above mentioned criteria should be used during the environmental and social impact assessment of the projects with the MSIP2. The example of the Environmental Screening Check List is presented in ANNEX 1. The site – specific Environmental Screening Check List will be developed based on the local conditions, type of project activities and sensitive receptors.

The examples of Environmental Mitigation Plans and Monitoring Plans are presented in Chapters 10 and 11. The site-specific EMPs will be developed for each project financed by MSIP2 taking into account the location of the project site, vicinity of natural resources, protected areas, sensitive receptors, vulnerable groups of people, family houses, etc.

During the project implementation the regular monitoring need to be performed in order to check the implementation of OH&S and environmental mitigation measures proposed within the EMPs. The template of the Site visit monitoring Report is presented in ANNEX 2.

11. ENVIRONMENTAL MITIGATION AND MONITORING PLANS

11.1 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT - EXTENSION, RECONSTRUCTION/CONSTRUCTION OF WATER SUPPLY NETWORK, STORM WATER NETWORK, SEWERAGE NETWORK OR CONSTRUCTION OF DRINKING WATER RESERVOIR

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Marking out the location for water supply network, storm water network, sewerage network or drinking water reservoir			
Possible adverse social and health impacts to the citizens and traffic as well as for the workers due to: • Unsafely start of construction works • Injury due to passing near by the open trench and manholes • Not compliance with health and safety at work procedure • Inappropriate public access	Local Short term/minor	Application of good practice for marking out the construction site including: • Ensure the marking out the construction site; • Forbidden of entrance of unemployed persons within the fence; • Adequate warning tapes and signage need to be provided; • Health and Safety measures should be applied: a) Security measures like: perimeter fence, life jackets, use of proper protective clothing and equipment by employees, warning signs for the public around the construction site; b) Maintain a good level of personal hygiene-have on site installations for washing, cleaning; c) Health protection-fist aid kits and medical service on sites d) Apply the emergency and normal first aid procedure for any injury if such occur through construction work; • The roads should be kept clean	• Contractor –Bidder • Supervisor
Project activity: Extension, Reconstruction/Construction of water supply network, storm water network, sewerage network or drinking water reservoir			

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Possible impacts on landscape and visual aspects	Local Short term/minor	• Good construction practices have to be implemented – including fencing and protection of construction site according to national legislation; • Minimization of the construction area as much as possible (carefully planning and design of the project activity according the Traffic Management Plan for a certain period of time); • Fully clean-up of the construction site immediately after accomplishment of reconstruction activities section by section; • Collection of the generated waste on daily basis, selection of waste, transportation and final disposal on appropriate places (according the type of waste – more details under Waste management issue).	• Contractor – Bidder • Supervisor
Possible emissions by transportation vehicles and impact on air quality due to: - gases emissions of dust-suspended particulates - emissions from the mobile sources (vehicles and construction machinery) of CO_2, NO_x, PAH, SO_2	Local Short term/minor	• Reconstruction site, transportation routes and materials handling sites should be water-sprayed on dry and windy days; • Construction materials should be stored in appropriate places covered to minimize dust; • Vehicles and construction machinery will be required to be properly maintained and to comply with relevant emission standards; • Conduction of regular maintenance of the vehicles and construction machinery in order to reduce the leakages of motor oils, emissions and dispersion of pollution; • Vehicle loads likely to emit dust need to be covered; • Usage of protective masks for the workers if the dust seems to be appeared; • Restriction of the vehicle speed within the construction location; • Burning of debris from ground clearance not permitted	• Contractor – Bidder • Supervisor
Possible noise disturbance as a result of outdoor equipment usage and transportation vehicles driving around the sites	Local Short term /major	• The level of noise should be not exceed more that national limited level (according to national legislation and EU requirement); • The construction work should be not permitted during the nights, the operations on site shall be restricted to the hours 7.00 -19.00; • The workers should be provided with ear protective devices (ear muffs and/or ear plugs)	• Contractor – Bidder • Supervisor
Possible adverse environmental impact and	Local	• Identification of the different waste types at the reconstruction site (soil, sand, asphalt, pieces of asphalt, road surfacing, bottles, food, parts of	• Contractor – Bidder

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
health effects could be occurred as a result of generation of the different waste streams The inappropriate waste management and not in time collection and transportation of waste streams	Short term/major	pipes, paper, broken concrete etc…); • Classification of waste according the national List of Waste (Official Gazette no.100/05) • The main waste would be classified under the Waste Chapter 17 "Construction and demolition wastes (including excavated soil)" with the waste code 17 01 – Waste from concrete, bricks, 17 05 04 – Excavated soil, 17 09 04 – Mixed waste from construction site, 17 03 - bituminous mixtures; • Small amount of solid municipal waste could be found (food, beverages), as well as packaging waste (paper, bottles, glass, etc.)	• Supervisor
		• Transportation and final disposal of the inert and communal waste by the Public Utility Enterprise; • The contract with the company for waste collection and transportation should be signed for collection and transport of waste to the Landfill; • The construction waste should be promptly removed from the site, should be re-used if it is possible; • The materials should be covered during the transportation to avoid waste dispersion; • Burning of construction waste should be prohibited; • Fulfillment of the Annual Report for non-hazardous waste management by the Mayor of Municipality and reporting to the Ministry of Environment and Physical Planning; • Possible hazardous waste (motor oils, vehicle fuels) should be collected separately and authorized collector and transporter should be sub-contracted to transport and finally dispose the hazardous waste	• Municipality staff (Communal Inspector/ Environmental Inspector)
Soil pollution The negligible impacts on soil arising from construction activities are expected. The compaction of soil can be expected due to vehicle movement, ground contamination from the spillage of materials such as vehicle fuel, motor oils, asphalt, inert waste,	Local Short term /minor	The possible mitigation measures for minimization of the soil pollution could be: • Transportation vehicles should be enclosed to avoid potential leakage; • Promptly clean-up spills of transported material on public roads and construction sites; • Proper positioning of the water drainage system on the construction site • All roads and asphalt surfaces should be maintained clean in order to prevent runoffs from them into the ground water and other water flows; • Not to keep fuel, oil or lubricants along the alignment, especially not in the vicinity of draining structures	• Contractor –Bidder • Supervisor

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
construction waste. Possible impact on soil and water and cause the erosion of the land as a result of loss of upper soil layer due to erosion as a result of construction activities			

11.2 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT – CONSTRUCTION OF SMALL SCALE WASTE WATER TREATMENT PLANT

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Marking out the location for construction of Waste Water Treatment Plant			
Possible adverse social and health impacts for all stakeholders in the construction and operational phase of WWTP due to: • Unsafe start of construction works • Not compliance with health and safety at work procedure • Inappropriate public access or traffic disturbance • Not compliance with working conditions prescribed in obtained construction/ operational permits - refer to the technology used	Local/Regional Long term term/major	Issues to be considered in plant and process design: • All feasible alternative project designs should be explored to avoid or at least minimise physical and/or economic displacement; • All conditions issued by national permitting bodies need to be taken into consideration; • The environmental, OH&S and community safety measures proposed need to be incorporated in the project design; • The design of infrastructure objects (WWTP, pumping station, etc…) should be made in most environment friendly way and by implementing BAT for this types of structures; • Design of the technological process should provide as much use of gravity flow as possible; • Equipment & machines and technology selection should also include 'energy efficiency 'as selection criterion; • Selection of mechanical and electrical equipment with low noise level characteristics. The equipment and machinery installed at the proposed WWTP should meet all national noise regulation for max. allowed noise levels at day and night time; • The sufficiency of dimensioning the plant (main and auxiliary equipment); • Examination of the sub-processes in term of necessity for their duplication and spare parts. There must be at least one spare pump available for incoming water; • Primary treatment must be located indoors for easy maintenance and control of the odour nuisance; • Possibility to by-pass the different units during the maintenance; • Application of BAT for sludge treatment, transport and deposition at landfill. Spare equipment and double lines, enough storage place and backup plan for transporting the sludge are needed; • The efficient mixing of chemicals must be ensured and optimization of	• Investor and Project Main Design Developer • Main Design Supervisor

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
		energy and chemicals consumption need to be considered; • Planning & organization of construction works should ensure minimization of leakages of polluted wastewater to groundwater.	
Project activity: Construction of Waste Water Treatment Plant			
Possible impacts on landscape and visual aspects	Local Long term/minor	• Site Management Plan need to be developed before star up activities; • Good construction practices have to be implemented – including fencing and protection of construction site according to national legislation; • Minimization of the construction area as much as possible ; • Fully clean-up of the construction site immediately after accomplishment of activities phase by phase; • Collection of the generated waste on daily basis, selection of waste, transportation and final disposal on appropriate places (according the type of waste – more details under Waste management issue).	• Contractor –Bidder • Supervisor
Possible adverse social and health impacts to the community, drivers and workers due to: • Lack of ensured safety measures at the start of construction works ; • Injury due to passing near by the construction WWTP site; • Non-compliance with strict OH& S standards and work procedure; • Inappropriate public access	Local Short term /major	Application of good practice for marking out the construction site including: • Preparation of the Traffic Management Plan together with the municipal staff; • Preparation of the Site Management Plan and OH&S Plan; • Provide the information via local radio/TV station/local newspaper about the construction activities - duration of work and possible traffic access; • Notice boards about the construction activities need to be posted; • Light over the evenings and nights on the construction site need to be provided; • Safeguard service (24 hours) need to be organized; • Ensure the appropriate marking out the construction site; • Forbidden of entrance of unemployed persons within the warning tapes; • Community and Worker's OH&S measures should be applied (first aid, protective personal equipment and tools for the workers, appropriate ergonomic machines and tools); • The portable toilet should be placed on the construction site	• Contractor –Bidder • Supervisor • Municipality staff (Communal Inspector/Environmental Inspector/Traffic Engineer/OH&S Inspector)

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Possible emissions by transportation vehicles and impact on air quality due to: - gases emissions of dust-suspended particulates - emissions from the mobile sources (vehicles and construction machinery) of CO_2, NO_x, PAH, SO_2 ;	Local Short term/minor	• Construction site, transportation routes and materials handling sites should be water-sprayed on dry and windy days, especially near residential areas; • Vehicles and construction machinery will be required to be properly maintained and to comply with relevant emission standards; • Construction materials should be stored in appropriate places covered to minimize dust; • Regular maintenance of the vehicles and construction machinery is needed and keep records on site; • Vehicle loads likely to emit dust need to be covered; • Restriction of the vehicle speed within the construction location; • Burning of debris from ground clearance not permitted; • The measures for avoidance and minimization of impact from the corrosive and toxic gases need to be applied (inspection of potential sources, implementation of the emergency response plans if the accident occurs, the hydrogen sulphide could be reduced by local ventilation system, etc.);	• Contractor –Bidder • Supervisor • Municipality staff (Communal Inspector/Environmental Inspector/Traffic Engineer/
Possible noise disturbance as a result of outdoor equipment usage and transportation vehicles driving around the sites	Local Short term /major	• The level of noise at the site should be not exceed more that national limited level (according to national legislation and EU requirement); • The construction work should be not permitted during the nights, the operations on site shall be restricted to the hours 7.00 -19.00; • The workers should be provided with ear protective devices (ear muffs and/or ear plugs); • If necessary, the modification of the design specifications need to be performed - low noise ventilation fans, pumps and electromotor drives; • Installation of noise enclosures or buffers; • The Traffic Management Plan need to be developed and submitted prior start - up of construction activities.	• Contractor –Bidder • Supervisor

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Possible adverse environmental impact and health effects could be occurred as a result of generation of the different waste streams The inappropriate waste management and not in time collection and transportation of waste streams	Local Short term/major	• Identification of the different waste types at the construction WWTP site (soil, sand, inert waste, bottles, food, parts of pipes, paper, concrete etc…) and waste stream classification according the national List of Waste (Official Gazette no.100/05); • The main waste would be classified under the Waste Chapter 17 "Construction and demolition wastes (including excavated soil)" with the waste code 17 01 – Waste from concrete, bricks, 17 05 04 – Excavated soil, 17 09 04 – Mixed waste from construction site, 17 03 - bituminous mixtures; • Other possible hazardous waste (motor oils, vehicle fuels) should be collected separately as well and authorized collector and transporter should be sub-contracted to transport and finally dispose the hazardous waste; • Transportation and final disposal of the inert and communal waste by the Public Utility Enterprise within the municipality; • The contract with the company for waste collection and transportation should be signed for collection and transport of waste to the Landfill; • The construction waste should be promptly removed from the site, should be re-used if it is possible; • The materials should be covered during the transportation to avoid waste dispersion; • Burning of construction waste should be prohibited; • Fulfilment of the Annual Report for non-hazardous waste management by the Mayor of Municipality and reporting to the Ministry of Environment and Physical Planning.	• Contractor –Bidder • Supervisor • Municipality staff (Communal Inspector/ Environmental Inspector)
The negligible impacts on soil arising from construction activities are expected as a result of: - Vehicle movement, ground contamination from the spillage of materials such as vehicle fuel, motor oils, asphalt, construction	Local Short term /minor	The possible mitigation measures for minimization of the soil pollution could be: • Transportation vehicles should be enclosed to avoid potential leakage; • Promptly clean-up spills of transported material on public roads and construction sites; • Proper positioning of the water drainage system on the construction site • All roads and asphalt surfaces should be maintained clean in order to prevent runoffs from them into the ground water and other water flows; • Not to keep fuel, oil or lubricants along the alignment, especially not in	• Contractor –Bidder • Supervisor

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
waste.		the vicinity of draining structures	
Project activity: Operation of Waste Water Treatment Plant			
Possible accidents and injuries to the workers and community due to: - handling and disposal of grit particles, handling and disposal of sludge and other everyday activities - Failures into the process	Local Long term/major	• Operations Manual for commissioning of the WWTP must set out essential operating and maintenance procedures to ensure optimum environmental management of the activity that will be performed, • Preparation of Emergency Plan that will address, but not be limited to the following potential events: treatment plant failures, effluent quality noncompliance, operator errors, natural event emergencies and spills or overflow; • Comprehensive Training (Operation, maintenance and Environmental Management of WWTP) need to be organized for operators. Special attention has to be paid to occupational health and training of workers, to avoid direct contact with wastewater and sludge; • The WWTP site must be fenced, notice boards need to be posted informing that entrance for unemployed persons is forbidden; Safeguard service must be ensured (24/7); • Protection personal clothes and equipment need to be provided for all operators and they need to wear them; • Adequate worker's facilities must be built to promote appropriate occupational health and safety (OH&S) – toilets, rooms for changing the clothes, resting room for lunch breaks, etc. • Fresh water must be supplied for sanitary purposes; • The WWTP need to be maintained by qualified staff or sub-contracted authorised company; • Monitoring of process performances to be installed & used for adjustments and improvements; • Preventive and Maintenance Plans for the proper handling and working of the equipment and process units need to be developed and duly implemented; • Enough spare parts need to be ordered in advance to avoid failures and long out of orders; • Modern instrumentation and automation need to be utilized to increase the reliability and to decrease risks;	• Operator of the WWTP • Municipality staff (Communal Inspector/Environmental Inspector)

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
		• The measuring devices' calibration must be ensured and records for calibration need to be kept; • Energy consumption should be monitored separately in each part of the process.	
Pollution of river if incoming waste water is not efficiently treated	Regional Long term/major	• The quality of the treated water, prior discharging to the recipient, shall comply with the quality prescribed in the obtained permission for discharging into the surface watercourses, issued by the Ministry of the environment and physical planning, regarding the Law on Waters ("Official Gazette of the Republic of Macedonia" No. 87/08, 6 / 09, 161/09, 83/10, 51/11, 44/12, 163/13, 180/14, 146/15), Decree on Water Classification ("Official Gazette of RM" no. 18/99), Decree on categorization of the watercourses, lakes, reservoirs and groundwater ("Official Gazette of RM" no. 18/99), Rulebook on detailed conditions for collection and treatment, the manner and terms of design, construction and exploitation systems and purification stations urban wastewater, as well as technical standards, parameters and emission standards and quality norms pre-treatment, wastewater removal and treatment	• Operator of the WWTP • Municipality staff (Communal Inspector/Environmental Inspector)
Improper sludge (generated during the treatment of waste water) and waste management could cause odour nuisance and also pollution of the water, soil etc.)	Regional Long term/major	• Preparing the Sludge Disposal Management Plan for removal of the sludge and grit particles (monitoring sludge quality, heavy-metals concentrations in sludge; identifying land for disposal taking care on the concentrations of heavy metals in soil where the sludge is planned to be used; restrictions on amounts of metals which may be added annually to the land). • The frequency for sludge analysis with sampling and analysis methods (soil sampling, sludge sampling and methods for analysis) should also be defined into the Sludge Disposal Management Plan. • Handling of the sludge has to be in compliance with the national standards, stipulated in the Law on Waters ("Official Gazette of the Republic of Macedonia" No. 87/08, 6 / 09, 161/09, 83/10, 51/11, 44/12, 163/13, 180/14, 146/15) and Rulebook on the manner and procedure for use of the sludge, the maximum values of the concentrations of heavy metals in the soil that is used sludge, values of concentrations of heavy metals in sludge, in accordance with its purpose and the maximum annual quantities of heavy metals that may be entered in the soil ("Official Gazette of RM" No. 73/11)	• Operator of the WWTP • Municipality staff (Communal Inspector/Environmental Inspector)

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Odour may create some level of nuisance, during operation from ponds and the sludge removal (if WWTP does not function well, the sludge can emit strong odour). Odour from a WWTP is caused by the presence of one or more compounds in sewage (sulphides, mercaptans, disulphate and volatile fatty acids are responsible for the odour).		• Transportation of the sludge has to be done in closed tankers for avoiding of the odor nuisance. Spillages have to be avoided during loading, transportation and unloading of the sludge; • The control the odour sources and to avoid storing dewatering sludge in the plant; • To plant greenbelt around the plant; • Possible hazardous waste from the WWTP laboratory should be collected separately and packaging, labeling and transportation should be organized as for “hazardous waste” by authorized company; • The measures for avoidance and minimization of impact from the corrosive and toxic gases need to be applied (inspection of potential sources, implementation of the emergency response plans if the accident occurs, the hydrogen sulphide could be reduced by local ventilation system, etc.);	• Operator of the WWTP • Municipality staff (Communal Inspector/Environmental Inspector)

11.3 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT - REHABILITATION/RECONSTRUCTION OR CONSTRUCTION OF VARIOUS LOCAL STREET/ LOCAL ROAD

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity : Marking out the route for Rehabilitation/Reconstruction or Construction of various street/ local road			
Possible adverse social and health impacts to the community, drivers and workers due to: • Lack of ensured safety measures at the start of reconstruction works • Injury passing near by the reconstruction/construction sites • Non-compliance with strict OH& S standards and work procedure • Inappropriate public access	Local Short term /mayor	Application of good practice for marking out the construction site including: • Preparation of the Traffic Management Plan together with the municipal staff; • Provide the information via local radio/TV station/local newspaper about the reconstruction activities – start and finish of work for each day and location of activities, duration of work and traffic access on other streets; • Ensure the appropriate marking out the construction site /section by section; • Forbidden of entrance of unemployed persons within the warning tapes; • Community and Worker's OH&S measures should be applied (first aid, protective clothes for the workers, appropriate machines and tools); • The street and around sidewalks/small roads should be kept clean; • The portable toilet should be placed on the construction site	• Contractor –Bidder • Supervisor • Municipality staff (Communal Inspector/Environmental Inspector/Traffic Engineer) • Ministry of internal affairs
Project activity : Rehabilitation/Reconstruction or Construction of the street/local road			

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Possible impact on landscape and visual environment	Local Short term /mayor	• Minimization of the construction area as much as possible (carefully planning and design of the project activity according the Traffic Management Plan for a certain period of time); • Fully clean-up of the construction site immediately after accomplishment of each section of the reconstructed street; • Collection of the generated waste on daily basis, selection of waste, transportation and final disposal on appropriate places (according the type of waste – more details under waste management issue);	• Contractor –Bidder • Supervisor • Municipality staff (Communal Inspector/Environmental Inspector/Traffic Engineer)
Possible emissions by transportation vehicles and impact on air quality due to: - gases emissions of dust-suspended particulates - emissions from the mobile sources (vehicles and construction machinery) of CO_2, NOx, PAH, SO_2	Local Short term during the reconstruction/mayor	• Reconstruction site, transportation routes and materials handling sites should be water-sprayed on dry and windy days; • Construction materials should be stored in appropriate places covered to minimize dust; • Vehicle loads likely to emit dust need to be covered; • Usage of protective masks for the workers if the dust seems to be appeared • Restriction of the vehicle speed within the construction location; • Information to the citizens about the construction work should be announced through the local radio/TV station for re-route on other streets and carefully low speed driving near the reconstruction site	• Contractor –Bidder • Supervisor • Municipality staff (Communal Inspector/Environmental Inspector/Traffic Engineer)
Possible Noise disturbance as a result of outdoor equipment usage and transportation vehicles driving around the sites	Local Short term /mayor	• The level of noise should be not exceed more that national limited level (according to national legislation and EU requirement); • The construction work should be not permitted during the nights, the operations on site shall be restricted to the hours 7.00 -19.00 particularly for pilling	• Contractor –Bidder • Supervisor • Municipality staff (Communal Inspector/Environmental Inspector/Traffic Engineer)

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Possible adverse environmental impact and health effects could be occurred as a result of generation of the different waste streams The inappropriate waste management and not in time collection and transportation of waste streams	Local Short term during the reconstruction/mayor	• Identification of the different waste types at the reconstruction site (soil, sand, asphalt, pieces of asphalt, road surfacing, bottles, food, etc.; • Classification of waste according the national List of Waste (Official Gazette no.100/05) ; • The main waste would be classified under the Waste Chapter 17 "Construction and demolition wastes (including excavated soil from contaminated sites)" with the waste code 17 01 – Waste from concrete, bricks, 17 05 04 – Excavated soil, 17 09 04 – Mixed waste from construction site; • Small amount of solid municipal waste could be found (food, beverages), as well as packaging waste (paper, bottles, glass, etc.; • Transportation and final disposal of the inert and communal waste by the Communal Utility Enterprise; • Fulfilment of the Annual Report for non-hazardous waste management by the Mayor and reporting to the Ministry of Environment and Physical Planning; • The construction waste should be promptly removed from the site, should be re-used if it is possible; • Possible hazardous waste (motor oils, vehicle fuels) should be collected separately and authorized collector and transporter should be sub-contracted to transport and finally dispose the hazardous waste	• Contractor –Bidder • Supervisor • Municipality staff (Communal Inspector/Environmental Inspector)

11.4 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT – PROVIDING BASIC EQUIPMENT FOR THE MAINTENANCE OF PUBLIC HYGIENE (VEHICLES FOR COLLECTION OF COMMUNAL WASTE AND PROCUREMENT OF WASTE CONTAINERS)

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Delivery of basic equipment (vehicles for collection of communal waste and waste containers)			
Positive environmental, social and health impact to the improved collection and transportation of solid waste in the settlements which are not covered with communal service	Local/ Long term/major	The preventive measures could be implemented when the new vehicle is delivered including: • Check all technical specifications of the delivered vehicle in compare with the technical requirements (EURO 4 engine specification and noise specifications as min. env. requirements) established prior the tender procedure • Check the fuel quantity, lubrication oil quantity, breaking and steering system at the spot and lighting system as well • The review of the producer manual and driving manual recommendations for smoothly running of the vehicle (nomination of the responsible person within the CSE) • Delivery of short running training to driver/drivers of the vehicle for the most economically running of the truck and training for communal workers operating with vehicle collection mechanism • Delivery of training for regular maintenance of the vehicle as well	• Contractor – Bidder • Director of the CSE and technical staff within the CSE
Project activity: Putting the vehicle into operation			
Environmental and health impacts Improper put into operation (running), or not prior check of the fuel quantity, lubrication oil quantity and breaking and steering system at the spot could cause adverse environmental and health impacts. The non-compliance of the EURO 4 engine standards on	Local Long term/major	• Perform the procedure of homologation of the vehicle at the Faculty of Mechanical Science • The technical specifications provided by the vehicle supplier should be checked according the EURO 4 emission standards, general and specific safety requirements and all fitted devices like: rear protection devices, warning light, speed limitation device, braking and anti-blocking system, electrical and hydraulic system for waste compression, etc. • The noise specification should be checked as well • The level of noise should be not exceed more that national limited level (according to national legislation and EU requirement); • Perform the annual approval test at the authorised compliance body issuing	• Contractor – Bidder • Director of the CSE and technical staff within the CSE

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
emissions limit values could cause more pressure to the air quality: • High emission of GHGs and other pollutants (CO, HC, PM and NOx) • More environmental pressure on the human life and plant life through formation of tropospheric ozone and climate change • More indirectly health problems with human respiratory system The non-compliance with noise requirements will cause noise disturbance		the registration card for the vehicle • For traffic control and safety, the information about the project – new waste collection vehicles should be announced through the local radio/TV informing about the planned vehicle routes and frequency of waste collection (especially important for new settlements which will be covered with communal service) • The traffic flow through the Municipality need to be coordinated with the responsible technical staff within the CSE	
Project activity: Regular operation of the waste collection vehicle			
Improper or lack of regular maintenance could increase the environmental and occupational safety risks and health risks to all citizens due to the following: • low fuel efficiency, • higher emissions of GHGs and other pollutants (CO, HC, PM and NOx) • increase of noise level • leakages of liquid waste from the truck • not good fitting of the all	Local/Regional Long term/major	• Regular maintenance and repair of the new vehicle and delivery of the spare parts on time by the professional service company • Signing a contract with the service company for regular maintenance, replacement of spare parts, preventive lubricant oil changes, checks on electronic and hydraulic compression waste system, proper tire maintenance as one of the most important safety function, etc. • Regular washing of the vehicle and keep the parking site clean • Forbidden replacement of motor and hydraulic oil at the parking site to avoid the oil and pollution of waters and soil • Perform regular annual approval test during the annual registration of the vehicle • During the approval test the environmental and safety checks should be performed according the vehicle protocol (related to noise, exhaust emissions and fitted devices) • The CSE should prepare the Fuel consumption and CO_2 emissions data	• Director of the CSE and technical staff within CSE

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
vehicle components (compression system for example) and spoil of waste on the streets • impropriate odour due to lack of truck washing practice • water and soil pollution as a result of possible oil leakages		Report on annual base • The Report should contain at least the amount of diesel fuel consumption, type of diesel fuel used and the CO_2 emissions derived from the consumption, total length of the routes passed, the distance routes among the local settlements and all settlements covered with waste collection and distances to the municipal landfill • The CSE should prepare the Waste Collection Plan on monthly/annual base including all local settlements with frequency of collection and the most efficient traffic routes • The CSE should perform regular measurements of the ground waters quality nearby the landfill according the legal regulation during operation phase • Primary selection of used paper and PET bottles as a recyclable waste in order to decrease the quantity and volume of waste collected (Placement of several collection bins for disposal of paper and PET bottles) • Announcement of the possibility for primary selection of these two waste types to all citizens through already established communication channels (during the distribution of communal bills) • Signing the Contract with authorized collectors for recyclable waste to collect, transport and recycle primary selected paper and PET bottles.	

11.5 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT – REPLACEMENT OF THE STREET LIGHTING

Project activity	Potential impact	Impact scale	Proposed mitigation measures	Responsibilities
Removal the used mercury vapor lamps **Removal the Lamp carriers-arches/ the Lantern lamps** **Placement of new sodium light bulbs and new Lamp carriers-arches and Lantern lamps-arches**				
•	• Adverse environmental impacts to soil, ground waters and air quality as well as posing a health threat due to the following: - inappropriate handling during the operation of removing the bulbs - incidentally bulb breaking - no adequate identification as hazardous waste according the National List of waste - collection, transportation of the waste mercury vapor lamps by non-authorized company - not appropriate selection, packaging and labeling of used mercury lamps as hazardous waste stream - mix of the waste mercury lamps with non-hazardous waste or with municipal waste - final disposal of the waste mercury lamps to the municipality landfill	Local/ Regional	➢ Application of good practice for handling the mercury vapor bulbs • Power disconnection during the removing to avoid risk of fatal electric shock • Wearing disposable rubber or plastic protection gloves • Upon removal from the fixture the bulb must immediately be placed in strong box or other container to prevent bulb breakage since the hazardous vapor is contained inside bulb • Appropriate package box must be sufficiently strong to prevent damage to the bulbs during the normal storage or while being transported to the storage facility • If the bulb breaks, the operators must wear the gloves to pick up the glass shards using the two pieces of stiff paper or cardboard as shards are sharp • The operator must wipe the area with a damp paper towel or a disposable wet wipe to pick up any small shards and the powder residue • The broken glass and end pieces should be placed in a plastic bag as well as the used gloves and all debris. The bag should be sealed and placed the plastic bag in a paper bag or box to prevent the glass from puncturing the plastic bag. The box should be labeled as hazardous waste • Place the temporary protection fence around the light in order to protect street walkers of evaporation if mercury bulb breaks • Usage of Material Safety Data Sheet for mercury vapor lamps for occupational and safety precautionary measures for operators (appropriate hand and eye protection should be worn when disposing of lamps or handling broken glass) • Apply the emergency and normal first aid procedure for glass	• Contractor – Bidder • Supervisor • Municipality staff (Communal Inspector/Environmental Inspector/Traffic Engineer)Inspector

Project activity	Potential impact	Impact scale	Proposed mitigation measures	Responsibilities
Removal the used mercury vapor lamps **Removal the Lamp carriers-arches/ the Lantern lamps** **Placement of new sodium light bulbs and new Lamp carriers-arches and Lantern lamps-arches**				
			cuts if such occur through lamp breakage ➢ Identification of the used mercury vapor lamps as a hazardous waste stream • Classification of the used vapor lamps as a hazardous according the national List of Waste (Official Gazette no.100/05) • The waste has been classified under the Waste Chapter 20 "Municipal wastes (household waste and similar commercial, industrial and institutional wastes) including separately collected fractions" with the waste code 20 01 21* - "fluorescent tubes and other mercury containing waste" (an asterisk * means that waste has at least one hazardous characteristic) ➢ Separation of the hazardous from non-hazardous waste streams at the light location site ➢ Municipality must sign a Contract with authorized company/person to collect and transport the hazardous waste in accordance with national legislation with emphasis on the transportation of hazardous (toxic) goods: • Issuing the license to company/person for collection and transportation of hazardous waste (Law on Waste – Official Gazette no. 68/2004, 71/2004. 107/2007), • Obligations for packaging and labeling of hazardous waste (Rulebook on conditions for hazardous waste handling, packaging and labeling – Official Gazette no. 15/08), • Transportation of the hazardous waste (Law on Transport of Dangerous Substances (Official Gazette of RM No. 92/07) ➢ Apply appropriate packaging and labeling of the boxes with waste mercury vapor bulbs • The packaging should follow the requirements of national legislation • The label should present the hazardous classification code, attention note "HAZARDOUS WASTE", general data for the	

Project activity	Potential impact	Impact scale	Proposed mitigation measures	Responsibilities
Removal the used mercury vapor lamps **Removal the Lamp carriers-arches/ the Lantern lamps** **Placement of new sodium light bulbs and new Lamp carriers-arches and Lantern lamps-arches**				
			waste holder, R-risk phrase, S – safety phrase, quantity of waste, physical conditions of hazardous waste and graphical symbol ➢ The transport of hazardous waste is forbidden if it is not packaged and labeled according the national legislation requirements ➢ Avoid to dispose the hazardous mercury vapor bulbs waste into the municipal waste bins/containers – mixture of hazardous with non-hazardous wastes is forbidden ➢ The hazardous waste packaged and labeled should be temporary stored on safety storage facility equipped with adequate ventilation, fire resistant conditions especially if there are broken mercury lamps ➢ The Municipality will temporary dispose the boxes with unbroken lamps into the separate room in the basement of the municipality building, well ventilated, locked with key and no heavy materials above the boxes placed ➢ The separate box for broken lamps should be placed on safety, very well ventilated place out of urban surrounding, locked with key and restricted entrance (The Municipality will ensure the adequate place) ➢ For final disposal the hazardous waste should be placed into the hazardous waste landfill ➢ Fulfillment of the Annual Report for collection and transport of hazardous waste management by the transporter and reporting to the Ministry of Environment and Physical Planning ➢ Identification of the generated waste streams during the dismantling the lamp carriers – arches and lantern lamps – aches • Classification of the removed parts according the national List of Waste (Official Gazette no.100/05) • The steel pipes, tracks from used arches, zinced screws and rivets have been classified under the Waste Chapter 17 “Construction and demolition wastes (including excavated soil	

Project activity	Potential impact	Impact scale	Proposed mitigation measures	Responsibilities
Removal the used mercury vapor lamps **Removal the Lamp carriers-arches/ the Lantern lamps** **Placement of new sodium light bulbs and new Lamp carriers-arches and Lantern lamps-arches**				
			from contaminated sites)" with the waste code 17 04 – Metals, 17 04 04 "zinc" and 17 04 05 "iron and steel" and 17 04 11 "cables without dangerous substances" • The waste has been identified as a non-hazardous waste that could be recycled ➢ Separation of the steel pipes, steel tracks, pieces of cables, zinced screws and rivets from the old lamp carriers-arches from the hazardous waste at the light location site	
Regular operation and maintenance of the lights				
•	Possible adverse environmental and health risk due to the following: - broken lamp - vibrations of the vehicles could cause the screws, steel tracks or rivets to get loosened	Local Short-term	➢ Perform the periodically checkups and necessary steps need to be taken for safety usage of streetlights	• Municipality staff

11.6 ENVIRONMENTAL MITIGATION PLAN FOR THE PROJECT – CONSTRUCTION/RECONSTRUCTION OF SCHOOL BUILDING

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Demolition of the old school and construction of the new school building			
a) OH&S issues Possible adverse health impacts to the workers, facility users and general population in the community due to: - Location of school in the urban area - Possible injury to people and school users due to ongoing works - Non - compliance with national health and safety at work procedures - Non - compliance with local community safety regulations	Local/ short term/certain to happen/ high significance	• Adequate warning tapes and information signs around the old school during the demolition activities and around the new construction need to be provided and maintained during the civil works; • For the workers - the legally prescribed health and safety measures should be applied, like: a) use of proper protective clothing and equipment by employees, especially masks against dust and small wooden parts and fibres, and safety harnesses for work at heights; b) Maintain a good level of personal hygiene; c) Health protection-fist aid kits and medical service on sites need to be provided during the works; • Protection of pedestrians, general population and students - fence the area and prevent access of non-authorized personnel to construction site; • Organize 24-hour guard watch of the site; • The surrounding area (school yard) should be kept clean, without waste disposed there. The waste need to be collected and immediately removed from the yard as it could be a cause of injury; • The old windows and doors should be temporary put on safe place which is designed to prevent access of unauthorized persons; • The demolition related activities should be conducted outside of normal school hours to the extent most feasible; • Separation of the work areas from demolition and occupied areas of the buildings as much as possible using physical barriers; • Limit the foot traffic between work areas and occupied areas of the buildings; • The project site should be lighted during the nights; • Following safety guidelines for the storage, transport, and distribution of hazardous materials to minimize the potential for misuse, spills, and accidental human exposure;	• Contractor –Bidder • Supervisor

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Demolition of the old school and construction of the new school building			
		• The eventually broken windows glass (in the class, corridors or outside) should be clean immediately; • Regular maintenance of vehicles to minimize potentially serious accidents caused by equipment malfunction or premature failure; • Using labeling and placarding (external signs on transport vehicles).	
		• The cleaning schedule of the buildings should be increased to address the extra dust and dirt created by the demolition work; • Information that the demolition is ongoing should be posted on the entrance doors of the other prefabricated sheds; • The work during the breaks between class lessons should be prohibited; • The Dynamic Plan for re-schedule of the occupied school rooms should be done in accordance of demolition/construction work progress; • If possible begin and end demolition activities during the summer months or while staff and kids are not in school.	• Municipal staff (Communal Inspector/Environmental Inspector) • School officials
*b**) Waste management*** Possible adverse environmental impact and health effects could occur due to inappropriate waste management with various waste streams	Local/ short term/certain to happen with high significance	• Preparation of the Waste Management Plan for the expected waste streams during the decommissioning and construction phases of the project and its approval, within 15 days of starting the activities on site. The Plan must be reviewed and approved by the site supervisor. • Identify the hazardous and non-hazardous waste and separate them at the demolition/construction site; • The majority of waste would be classified under the Waste Chapter 17 "Construction and demolition wastes" with the waste code 17 01 – Waste from concrete, bricks, 17 09 04 – Mixed waste from construction site including glass from old windows and manage in accordance with national waste legislation for inert waste (separation at the spot, collection and temporary storage, re-use if it is possible, transport to the final deposition site); • Small quantities of glue, paint, packaging waste from paints and glue, aluminum profiles, screws and other construction material could be found after the finalization of the project and manage in accordance with national HW legislation (collection of hazardous materials, label as hazardous	• Contractor –Bidder • Supervisor

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Demolition of the old school and construction of the new school building			
		waste and give to the authorized company); • The contract with the company for waste collection and transportation should be signed for collection and transport of waste including old windows and doors; • The materials should be covered during the transportation to avoid waste dispersion; • Burning of construction waste is prohibited;	
		• The old windows and doors should be stored temporary in separate room in the school or if it is not possible outside in the yard covered and labeled "not to open/uncover" until final disposal happened.	• School officials
c) Water quality Possible environmental impact on the underground water could occur due to ground contamination from the spillage of materials such as vehicle fuel, motor oils, lubricants and improper dismantling of the boilers and fuel reservoirs	Local/Short term/ Medium significance/ Low propability	• Possible hazardous waste (motor oils, vehicle fuels, lubricants) should be collected separately and authorized company should be sub-contracted to transport and finally dispose the hazardous waste; • Dismantling of the equipment (fuel reservoirs, boiler) should be done by trained persons in order to avoid the potential effects of oil spills on soil, which would contaminate the underground water.	• Contractor –Bidder • Supervisor
d) Noise The construction activities and traffic will cause noise and vibration due to the machinery and vehicles used for transport of construction materials, transport of workers, and transport of waste produce in decommissioning and constructive phase	Local/Short term/ Medium significance/ Certain to happen	• The equipment should be fitted with appropriate noise devices that will reduce sound level; • The level of noise should not exceed more than national limited values for noise level (depends on the area of protection where the works take place); • The construction work should be not permitted during the nights, the operations on site shall be restricted to the hours 7.00 -19.00; • The vehicles that are excessively noisy shall not be operated until corrective measures have been taken.	• Contractor –Bidder • Supervisor • Communal Inspector/Environmental Inspector

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Demolition of the old school and construction of the new school building			
e) Air quality The decommissioning and construction activities will initiate emissions from the mobile sources (vehicles and construction machinery) of CO_2, NOx, PAH, SO_2 and suspended particulates (PM_{10}, $PM_{2.5}$). The airborne dust will be caused by dismantling of the equipment, excavation, vehicle movement and handling with materials, particularly around the construction site	Local/Short term/Low significance/ Certain to happen	• Usage of protective masks for the workers; • Vehicles and construction machinery will be required to be properly maintained and to comply with relevant emission standards; • Conduction of regular maintenance of the vehicles and construction machinery in order to reduce the leakages of motor oils, emissions and dispersion of pollution; • Vehicle loads have to be covered to prevent emission of dust; • Construction site, transportation routes and materials handling sites should be water-sprayed on dry and windy days, especially due to students and residential areas neighborhood; • Construction materials should be stored in appropriate covered places to minimize dust; • Open burning of debris will not be permitted • Restriction of the vehicle speed within the construction location	• Contractor –Bidder • Supervisor • Communal Inspector/ Environmental Inspector
Project activity: Removal of the asbestos containing wall panels - ACM (removal of the existing asbestos sheets, temporary disposal until final transportation and disposal of the asbestos sheets)			
a) OH&S issues Possible adverse health impacts to the workers, facility users, students and general public as a result of emissions of asbestos fibers and dust during the removal of asbestos sheets, their transport and final disposal	Local/ short term/major at the location of school building	• Post signs indicating" ASBESTOS REMOVAL – NO ADMITTANCE" on the workplace in the school yard; • Restrict access to the removal area to those people directly involved in the asbestos removal and site supervisor and municipal inspectors; • The roof should be demolish during nonworking days to decrease the health risks to students; • Install barriers tape and warning signs in proximity to the school; • For the workers - the personal protective equipment must be provided to all workers (full body covering including the head, water proof foot and hand protection and eye protection, dust mask with special HEPA filter ; • Maintain a good level of personal hygiene (facility for washing hands and face should be made available and need to be used by each employee when leaving the work area, all protective clothing and equipment shall work in the work area, footwear is to retain in the work area until work is	• Contractor –Bidder • Supervisor

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Demolition of the old school and construction of the new school building			
		completed, • Health protection-fist aid kits and medical service on sites need to be provided during the works; • No smoking, drinking, eating or chewing is allowed inside the working area; • The surrounding area (school yard, halls and corridors) should be kept clean, without ACM waste disposed there. The ACM waste (roof sheets or side wall panels) need to be collected, packaged and immediately removed from the school yard.	
		• If possible begin and end demolition activities during the summer months or while staff and students are not in school.	• School officials
b)***ACM Waste management*** Possible adverse environmental impact and health effects could occur due to inappropriate handling with waste containing asbestos	Local/ short term/major impact	• The personal in charge for removal of ACM roof sheets or side wall panels should be trained on proper safety dismantling of the roof sheets minimizing the health risks; • The identification of the asbestos containing material – waste as a hazardous waste should be done ; • The ACM waste need to be classified as a hazardous waste under the Waste Chapter 17 “Construction and demolition wastes” with the waste code 17 06 05* – Construction material containing asbestos in accordance with List of waste (Official Gazette of RM NO. 89/06); • The demolition and remove of the ACM roof sheets and side wall panels should be done very quickly by trained personal; • The ACM waste should be placed in polyethylene bags or other containers of at least 0.15 mm thickness. • Printed asbestos warning labels must appear on the outer surface of the container/bag warning that it is an ” Asbestos waste”; • The break of the ACM roof sheets into smaller pieces to fit into container/bag is forbidden ; • The roof sheets and/or sidewall panels should be handled very carefully and to be remove sheet by sheet in one piece , not to be broken because during the break the asbestos fibers and dust appear and pose a health	• Contractor –Bidder • Supervisor

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Demolition of the old school and construction of the new school building			
		risks; • It is better to avoid the temporary storage of roof sheets and/or side wall panels within the school yard, but if is necessary to be done for one/two days, the precautionary measures should applied – the ACM waste should be stored in a designated area with posted signage and/or caution tape to eliminate any damage; • The contract with the company for Asbestos containing waste collection and transportation should be signed for collection and transport of asbestos waste/roof sheets; • After the removal of the asbestos waste all surfaces in the school yard need to be dusted with a damp cloth or vacuumed with a HEPA filter; • The workers who perform clean up should wear protective clothes as those who perform dismantling of the roof sheets and /or side wall panels; • The contract with the Public Communal Enterprise Utility "Landfill Drisla" should be signed for final disposal of asbestos containing roof sheets and/or side wall panels; • On the landfill the asbestos containing waste should be disposed on the special area for disposal of that type of waste (responsibility duly to Landfill "Drisla").	
Operational phase of the Project			
No environmental risks are expected. Positive impact (more space for students, new sport facilities, energy efficiency and energy savings, reduction of GHGs emissions) is expected with construction of the new school replacing the old one.	Local/ short term/major at the location of school building	• The Fire prevention Plan should be prepared addressing the identification of fire risks and ignition sources, as well as measures needed to limit fast fire and smoke development. • The Prevention Maintenance Plan for regular and preventive maintenance should be prepared to ensure proper operation of all infrastructure components of the school (sewer system, storm-water system, water supply system, heating devices, etc); • The keep records procedure should be established in order to ensure proper files storage on all technical documentation for the new school. • A short training to the Housekeeper /Secretary of the School for records and files keeping should be organized by the municipality staff.	• School officials

Potential impact	Impact scale	Proposed mitigation measures	Responsibility
Project activity: Demolition of the old school and construction of the new school building			

12. MONITORING PLANS

12.1 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT - EXTENSION, RECONSTRUCTION/CONSTRUCTION OF WATER SUPPLY NETWORK, STORM WATER NETWORK, SEWERAGE NETWORK OR CONSTRUCTION OF DRINKING WATER RESERVOIR

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Construction	Operations	Construction of drinking water supply system	Operations of the drinking water supply system
Project activity: Marking out the location for water supply network, storm water network, sewerage network or drinking water reservoir								
The safety protection measures applied for the local residents where the water supply system, storm water network or sewerage network would be passed or made reservoir	On the construction site along the route	Visual checks	At the beginning of the construction work (first day) focused on the preliminary measures At the beginning of each working day during the project activities	To prevent health and safety risks – mechanical injuries			Contractor - Bidder Supervisor Environmental Inspector /Inspector for communal work at the Municipality	
Project activity: Extension/Reconstruction/Construction of water supply network, storm water network, sewerage network or drinking water reservoir								
Exposure of loud noise	On the construction site	Review the noise level	Before the beginning of the work (first day)	To protect the workers against			Contractor -	

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Construction	Operations	Construction of drinking water supply system	Operations of the drinking water supply system
from vehicle machine and electric tools	and on the transportation route	technical specifications of the used vehicle mechanization and equipment for their use outside	for all vehicles and equipment	exposure to loud noise taking into account the technical specifications of the equipment and time duration of the work outside			Bidder Supervisor Environmental Inspector /Inspector for communal work at the Municipality	
Noise level	On the site	Monitoring of the noise levels dB (A) with appropriate monitoring devices	On regularly basis during the work, through site visits, in accordance with the national legislation	To monitor if the noise level is above/or below the acceptance noise level for specific type of area			Contractor – Bidder Company authorized to performed noise levels measurements sub-contracted by the Contractor – Bidder Supervisor Environmental	

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Construction	Operations	Construction of drinking water supply system	Operations of the drinking water supply system
							Inspector to collect the noise level measurements	
Safety traffic flow through the district (redirection of the traffic on streets around the construction site)	On the site	Visual monitoring	During the traffic jam period (8 - 9.00/16.30-17.30 h)	To ensure the coordinated traffic flow through the district			Environmental Officer at Municipality together with the Traffic Engineer at the Municipality	
Primary selection of the waste streams as they are generated at the spot	On the site	Review the documentation – identification of the waste type according the List of waste	At the beginning of work with new material/s	To separate hazardous from the non-hazardous waste as well as inert from biodegradable waste			Contractor – Bidder Supervisor	
Collection and transport as well storage of hazardous waste (if any occur). Really it is not expected in	On safety temporary storage	Review the transportation list and conditions at the storage facility	Before the transportation of the hazardous waste (if there is any)	To improve the waste management practice on municipality and national level/In order to be in line with the environmental			Authorized Contractor for collection and transportation of hazardous waste (if any occurs) subcontracted by the	

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Construction	Operations	Construction of drinking water supply system	Operations of the drinking water supply system
high quantities (maybe some batteries, waste from motor oils, etc.)				requirements for the hazardous waste management . Not to dispose the hazardous waste on the municipal landfill.			Contractor-Bidder Environmental inspector from Municipality	
Collection transportation and final disposal of the solid waste	On the site and around the site	Visual monitoring and reviewing the transportation and disposal lists from the sub-contractor	After the collection and transportation of the solid waste on regular base each day	Not to leave the waste on the spot to avoid the environmental and health impacts to the residents To have the real data for generated waste streams and to improve the waste management			Contractor – Bidder who need to sign the contract with licensed company for collection, transportation and disposal of the solid waste	
Fulfilled Annual Report for collection, transportation and disposal of waste	Local self-government administration	Review of documentation – Identification waste List	After the accomplishment the task of collection, transportation, temporary disposal and final disposal of waste	To improve the waste management on local and national level To be in compliance with			Mayor of Municipality of Ministry of Environment and Physical Planning	

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Construction	Operations	Construction of drinking water supply system	Operations of the drinking water supply system
				national legal requirements				
Level of dust – fine particulate matters	At the spot	Visual monitoring and measurement devices	On the sunny, dry days only	To avoid and minimize the dust concentration into the air and to minimize the health risks for the workers and residents of the district			Contractor – Bidder and authorized company for dust measurements	
Drinking water quality	Before the distribution through the pipelines network The water sample should be analyzed by the Authorized laboratories – Public Health institute Accredited laboratories	Laboratory equipment for physical-chemical and microbiological water quality analysis	Continuously according the Plan for drinking water quality analysis (short-medium and long water quality analysis)	To ensure the distribution of high quality drinking water to the population minimizing the health risks of waterborne diseases				Public Utility for communal work

12.2 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT – CONSTRUCTION OF WASTE WATER TREATMENT PLANT

What	Where	How	When	Why	Cost		Responsibility	
parameter is to be monitored?	*is the parameter to be monitored?*	*is the parameter to be monitored/ type of monitoring equipment?*	*is the parameter to be monitored - frequency of measurement or continuous?*	*is the parameter to be monitored (optional)?*	install	operate	install	operate
Project Phase: Design of the WWTP								
The Main Design of the Project for Construction of WWTP including the implementation of environmental, OH&S and community measures proposed	Through the documentation	During the revision phase	Before issuing all necessary permitting documents for construction of WWTP	To minimize the negative environmental (pollution of surface waters, high adverse impacts to human health, high energy consumption, high noise level, etc.) OH&S and community safety			Municipality and Project Developers	
Project Phase: Construction of the WWTP								

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored/ type of monitoring equipment?*	When *is the parameter to be monitored - frequency of measurement or continuous?*	Why *is the parameter to be monitored (optional)?*	Cost		Responsibility	
					install	operate	install	operate
Air pollution - dust - pollutant substances due to the combustion of fuel from construction machinery and vehicles	At construction/ site/around site	Visual monitoring Monitoring by adequate monitoring devices	Regularly during work activities(for preparation on site and construction phase) through site visits, once per month, in accordance with established time schedule	To avoid and minimize the dust concentration into the air and to minimize the health risks for the workers and surrounding community		Covered by construction budget		Contractor Supervisor Local municipal environmental authorities
Collection and disposal of solid wastes	At construction/ site/around site	Visual monitoring and reviewing the transportation and disposal lists from the sub-contractor Review the documentation-identification of the waste type according to the List of Waste Types (Official Gazette No. 100/05)	Regularly during work activities through site visits, in accordance with established time schedule	In order to identify if the environment requirements are relevantly maintained Protection of soil, surface and ground water, visual aspect		Covered by construction budget		Contractor Supervisor Authorized Contractor for collection and transportation of waste Local municipal environmental authorities

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored/ type of monitoring equipment?*	When *is the parameter to be monitored - frequency of measurement or continuous?*	Why *is the parameter to be monitored (optional)*?	Cost		Responsibility	
					install	operate	install	operate
Leaks/spills/of fuel, lubricant	At construction/ site/around site and through documentation	Visual monitoring, analysis of documentation	Regularly during work activities, in accordance with established time schedule within the relevant Law Regulation	In order to identify if the environment requirements are relevantly maintained		Covered by construction budget		Contractor Supervisor Local municipal environmental authorities
The safety protection measures applied on site	On the construction site, around site	Visual monitoring Review the documentation	Regularly during work activities through site visits, in accordance with established time schedule within the relevant regulation	To prevent health and safety risks Protection of the environment, worker, passengers and employee of the terminal, and material wealth		Covered by construction budget		Contractor Supervisor Local municipal environmental authorities
Project Phase: Operation / Maintenance								

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored/ type of monitoring equipment?*	When *is the parameter to be monitored - frequency of measurement or continuous?*	Why *is the parameter to be monitored (optional)*?	Cost		Responsibility	
					install	operate	install	operate
Occupational Health and Safety and Community safety	On site, around site	Visual monitoring Review the documentation and permits issued by the relevant body	Continuously during operational phase	To prevent health and safety risks. Protection of the environment, workers and employee as well as to the surrounding community		Covered by operational costs		Operator Ministry of labor and social aspects State Labor Inspectorate Local municipal environmental authorities
Quality of waste water and treated wastewater (BOD_5, COD, TSS, nitrogen, phosphorus, and other parameters prescribed in the permits for discharging issued by the MOEPP)	Before inlet in the WWWP and before discharging in the channel for collection of the atmospheric water	Usual sampling and Laboratory for physical-chemical analysis in accordance monitoring manuals and introduced methodologies.	Twice a year (spring, winter)	To assess the operation of the device		Covered by operational costs		Operator Ministry of Environment and Physical Planning Municipal Environmental Inspection.

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored/ type of monitoring equipment?*	When *is the parameter to be monitored - frequency of measurement or continuous?*	Why *is the parameter to be monitored (optional)?*	Cost		Responsibility	
					install	operate	install	operate
Water quality – recipient surface waters (BOD5, COD, TSS, nitrogen, phosphorus, and other parameters proposed in the permits for discharging issued by the MOEPP)	River - recipient, before the place of discharging the treated waste water, on the place of discharging, after the place of discharging (3 sampling points).	Laboratory equipment for physical-chemical analysis in accordance monitoring manuals and introduced methodologies in the permits issued by the MOEPP.	12 samples taken at regular intervals during the first year, 4 samples in the coming years, if it is shown that the water complies with the provisions of the Rulebook on the methodology, reference methods of measurement, method and waste water monitoring parameters, including the sludge from the treatment of urban waste water ("Official Gazette of RM" no.108/11)	Protection of water quality in the river, protection of the downstream sensitive areas and health of people				Operator/ Administration Ministry of Environment and Physical Planning, Hydro-meteorological Administration Municipal Environmental Inspection Local municipal environmental authorities

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored/ type of monitoring equipment?*	When *is the parameter to be monitored - frequency of measurement or continuous?*	Why *is the parameter to be monitored (optional)*?	Cost		Responsibility	
					install	operate	install	operate
Sludge For the usage of the sludge for agricultural land the following parameters should be analyzed (according the national legislation and EU Directive on the protection of the environment, and in particular of the soil, when sewage sludge is used in agriculture 86/278/EEC): Heavy metals: Pb, Cd, Cr, CU, Ni,Zn,Hg Dry matter, organic matter, pH value; nitrogen and phosphorus	On site	Visual inspection Review the documentation for sludge management (according the Sludge Disposal Management Plan) Laboratory testing of the sludge quality	Sludge Disposal Management Plan need to be developed prior to the commissioning of the WWTP plant to detail for removal of the sludge. The monitoring of the sludge should be in compliance with the national regulation	Protection of soil, surface and ground water and health of people		Covered by operational costs		Operator Ministry of Environment and Physical Planning Municipal Environmental Inspection Accredited Laboratories

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored/ type of monitoring equipment?*	When *is the parameter to be monitored - frequency of measurement or continuous?*	Why *is the parameter to be monitored (optional)*?	Cost		Responsibility	
					install	operate	install	operate
Odor	On site, around site	Sense of smell,	At the beginning of work, everyday	Minimization of nuisance of the local people				Operator/ Ministry of Environment and Physical Planning Municipal Environmental Inspection

12.3 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT – REHABILITATION/RECONSTRUCTION/CONSTRUCTION OF LOCAL STREET OR LOCAL ROAD

What	Where	How	When	Why	Cost		Responsibility	
Parameter is to be monitored?	*is the parameter to be monitored?*	*is the parameter to be monitored?*	*is the parameter to be monitored (frequency of measurement)?*	*is the parameter to be monitored?*	Construction	Operations	Rehabilitation/ Reconstruction/ Construction of street or road	Operations of street or road
Project activity: Making out the route for Rehabilitation/Reconstruction/Construction of street or local road								
Safety traffic flow around streets or local roads	At the spot	Visual monitoring	During the project implementation	To ensure the coordinated traffic flow			Municipal staff/ Communal inspector at municipality/Traffic Engineer	
The safety protection measures applied	On the construction site	Visual checks	At the beginning of the construction work (first day) Every working day during the project activities	To prevent community health and safety risks – mechanical injuries due to the very urban area			Contractor - Bidder /Supervisor Communal inspector at the municipality/	
The occupational health and safety measures applied for the workers	On the construction site	Visual check	Before start of the project activities and each of working day	To avoid occupational and safety risks (injuries)			Contractor - Bidder /Supervisor/ Communal Environmental Inspector at municipality	
Project activity: Rehabilitation/Reconstruction/Construction of street or local road								
Separated hazardous and non-hazardous	On the construction site	Visual monitoring and reporting	During the project activities	To avoid disposal of hazardous waste on			Contractor - Bidder /Supervisor Municipal staff (Communal	

What *Parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Rehabilitation/ Reconstruction/ Construction of street or road	Operations of street or road
waste				municipal landfill			inspector)	
Fulfilled Annual Report for transportation and disposal of waste	Local self-government administration	Review of documentation – Identification waste List	After accomplishment the task of collection, transportation of waste on daily/monthly basis	To improve the waste management on local and national level To be in compliance with national legal requirements			Mayor / Director of PE	
Exposure the citizens to noise disturbance from vehicle machine and electric tools	On the site	Review the noise level technical specifications of the used vehicle mechanization and equipment for their use outside	Before the beginning of the work (first day)	To protect the citizens against exposure to loud noise taking into account the technical specifications of the equipment and time duration of the work outside			Contractor - Bidder / Supervisor Communal inspector/ Municipality	

12.4 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT – PROVIDING BASIC EQUIPMENT FOR THE MAINTENANCE OF PUBLIC HYGIENE (VEHICLES FOR COLLECTION OF COMMUNAL WASTE AND PROCUREMENT OF WASTE CONTAINERS)

What	**Where**	**How**	**When**	**Why**	**Cost**		**Responsibility**	
parameter is to be monitored?	*is the parameter to be monitored?*	*is the parameter to be monitored?*	*is the parameter to be monitored (frequency of measurement)?*	*is the parameter to be monitored?*	Construction	Operations	Delivery and put into operation of the waste collection vehicles	Operation of the waste collection vehicles
Project activity: Delivery and running of basic equipment for the maintenance of public hygiene (vehicles for collection of communal waste and waste containers)								
The environmental and safety protection measures applied before put the vehicle into operation	On the parking site of the CSE	Check the fuel quantity, lubrication oil quantity and breaking and steering system at the spot Test running successfully done	Immediately after arriving of the vehicles in the CSE	To prevent health and safety risks – mechanical broken and injuries			Contractor - Bidder Director of the CSE Municipality Inspector	
EURO 4 technical specifications Noise level specification of the vehicle Lights, electronic and hydraulic	At the homologation site – Faculty of Mechanical Science, Skopje (Homologation attest) The approval test site at the authorized body for annual registration (Registration card for the vehicles)	Review the technical specifications of the vehicles Mechanical and electronic checks	At the beginning of the running phase Before put into operation (running)	To minimize the adverse environmental and health impacts			Contractor – Bidder Director of the CSE with technical team	

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Delivery and put into operation of the waste collection vehicles	Operation of the waste collection vehicles
compression system, braking and anti-blocking system and tires								
Standard technical operational parameters of this kind of vehicle (protective steering, brakes, fuel consumption)	Pre-registration inspection at the authorized body for annual registration	Monitoring of the technical specifications Approval test Report showing that the vehicle is in compliance with safety requirements, environmental requirements related to noise, exhaust emissions and fitted devices	On annual basis	To ensure safety running of the vehicles and minimization of the environmental and health impacts				Director of the CSE with technical team
Announcement of the frequency and start-up of vehicles running and collection	Through the public announcement via local radio/newspaper/announcement table in the municipality building	Visual/audio check	Before start-up of running the vehicles	To increase the public awareness about the new waste management practice and waste				Director of the CSE with technical team Municipal

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Delivery and put into operation of the waste collection vehicles	Operation of the waste collection vehicles
				collection frequency				inspector
Project activity: Running of the waste collection vehicles								
Skill of driver/s on modern driving techniques and some improved performances of the new vehicle	At the CSE site	Training records kept Review of the training records	Before official startup of running	To improve the driving techniques and to be familiar with vehicle characteristics and compression system				Director of the CSE with technical team
Good maintenance practice and repair performed by professional staff	At the service company	Review of reports from the service company	Periodically (six months min.)	To ensure minimization of the environmental and occupational safety risks through high fuel efficiency and decrease of emissions of GHGs and other				Director of the CSE with technical team

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Delivery and put into operation of the waste collection vehicles	Operation of the waste collection vehicles
				pollutants (CO, HC, PM and NOx)				
Fuel consumption trend, annual quantity of waste collected and disposed at municipal landfill	At CSE site	Annual Report of the CSE	On annual basis reporting in front of the Management board and Municipality Council	To monitor the regular maintenance and to calculate the carbon footprint of the communal enterprise				Director of the CSE with technical team
Quantity of primary selected paper and PET bottles by the other solid waste	On several waste collection sites in the settlements across the Municipality	Review the documentation – collection of recyclable waste by the authorized collector/s	On regular basis (monthly/annually)	To decrease the quantity of mixed solid waste transported and disposed on the municipal landfill and to use the recyclable waste as raw material				Director of the CSE with technical team
Fulfilled Annual Report for collection,	Local self-government administration	Review of documentation – Identification	After the accomplishment the task of	To improve the waste management				Mayor of Municipality/ Ministry of

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Construction	Operations	Delivery and put into operation of the waste collection vehicles	Operation of the waste collection vehicles
transportation and disposal of waste		waste List	collection, transportation, temporary disposal and final disposal of waste	on local and national level To be in compliance with national legal requirements				Environment and Physical Planning
Quality of ground waters near the municipal landfill(ammonia, chloride, pH, SO_4, metals, Hg, nitrates, phosphorus, coliform bact and other defined in the Rulebook on landfill operation – Official Gazette of RM No. 156/07)	On the vicinity of the landfill (1 point at entrance zone and 2 points from exit zones of the ground waters near landfill	Taking samples of the ground waters and analysis according the ISO 5667-Part 11,1993)	Once per year	To minimize the risk of water pollution by the landfill especially the ground waters near by the municipality landfill To avoid the health problems caused by the polluted waters				Director of the CSE with technical team

12.5 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT - REPLACEMENT OF THE STREET LIGHTING

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Removal of old lamps/ Placement of new lights	Operations of the new lights	Removal of old lamps/ Placement of new lights	Operations of the new lights
Project activity: Removal the used mercury vapor lamps								
Power disconnection	On the sites according the drawings for position of street lights	Electrical tool	Before the removal steps	To avoid /prevent the risk of fatal electric shock			Contractor-Bidder	
The safety protection measures applied for the operators	On the sites	Visual checks	At the beginning of each working day and during the removal operation	To prevent health risks – inhaling mercury in vapor or powder, glass pieces			Contractor - Bidder / Environmental Officer at the Municipality	
Presence of mercury spills and glass parts due to broken bulbs	On the streets/around land/public greenery	Visual monitoring	Every day at the end of the working hours	To avoid health impact of the mercury to the local citizens and workers			Contractor-Bidder/ Environmental Officer at the Municipality	
Removed mercury vapor lamps	On the sites	Visual monitoring/ comparison with planned	According the frequency of removal for each site/at the end of each working day	In order to determine the compliance with the signed Contract To avoid health impacts due to possible break			Authorized Contractor for collection and transportation of hazardous waste subcontracted by the Municipality / Environmental Officer at the Municipality	
Collection, package,	On the sites	Visual check on packaging	When the packaging box	To prevent the environmental			Authorized Contractor for	

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Removal of old lamps/ Placement of new lights	Operations of the new lights	Removal of old lamps/ Placement of new lights	Operations of the new lights
labeling of hazardous mercury lamps		boxes, check the information on label and all necessary data and information to identify the hazardous waste	with hazardous waste is full and before the temporary storage/on weekly basis	pollution and health risks. To provide safety hazardous waste management according the national environmental and heath requirements			collection and transportation of hazardous waste subcontracted by the Municipality of /Environmental Officer/State Environmental inspector	
Separated hazardous and non-hazardous waste	On the sites	Visual monitoring and reporting	During the dismantling activities	To avoid disposal of hazardous waste on municipal landfill –			Contractor - Bidder / Environmental Officer	
Separated recycled waste of metal parts (steel pipes, tracks, zinced screws, rivets..) collected and transported on Collection Center for recycling materials	On the sites	Visual monitoring and reporting	During the dismantling activities/on daily basis	To collect the recycled materials			Contractor –Bidder together with Authorized Company Commerce for collection and transport of recycling materials/ Environmental Officer	
Transport and temporary storage of	On safety temporary storage dry, very well	Review the transportation list and conditions at	Before the transportation of the hazardous waste	In order to be in line with the environmental conditions			Authorized Contractor for collection and transportation of	

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Removal of old lamps/ Placement of new lights	Operations of the new lights	Removal of old lamps/ Placement of new lights	Operations of the new lights
hazardous waste	ventilated place (Separate room into the basement of Municipality building for boxes with unbroken lamps) The adequate place will be ensured by the Municipality for box/es with broken lamps The Municipality has already signed the Contract with the Municipality to take the used mercury lamps for further usage on their sites	the storage facility (dry place, ventilation, labels for restriction for entrance…		required for the hazardous waste management according national legislation and best practices			hazardous waste subcontracted by the Municipality /Environmental Officer/ Environmental inspector from	
Fulfilled Annual Report for collection,	At Authorized Contractor's headquarter building	Review of documentation – Identification waste List	After the accomplishment the task of collection,	To improve the waste management and hazardous waste			Environmental inspector / Ministry of Environment and Physical Planning	

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Removal of old lamps/ Placement of new lights	Operations of the new lights	Removal of old lamps/ Placement of new lights	Operations of the new lights
transportation and disposal of hazardous waste			transportation and temporary disposal of used lamps	management on local and national level To be in compliance with national legal requirements				
Fulfilled Annual Report for transportation and disposal of waste	Local self-government administration	Review of documentation – Identification waste List	After the accomplishment the task of collection, transportation, temporary disposal and give the used lamps to Municipality	To improve the waste management and hazardous waste management on local and national level To be in compliance with national legal requirements			Mayor of Municipality/ Ministry of Environment and Physical Planning	
Exposure of loud noise from hand and electric tools	On the site	Review the noise level technical specifications of the used tools – electric drill and grinder for their use outside	Before the beginning of the work (first day)	To protect the workers against exposure to loud noise taking into account the technical specifications of tools and time duration of the work outside			Environmental inspector / Environmental Officer/	
Noise level	On the site	Monitoring of the noise levels dB (A) with appropriate	On regularly basis during the work, through site visits, in accordance with	To monitor if the noise level is above/or below the acceptance noise level			Company authorized to performed noise levels measurements sub-contracted by the Contractor -	Noise level

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Removal of old lamps/ Placement of new lights	Operations of the new lights	Removal of old lamps/ Placement of new lights	Operations of the new lights
		monitoring devices	the national legislation				Bidder/Environmental Officer at Municipality	
Safety traffic flow through the site where street lighting is positioned	At the spot	Visual monitoring	During the traffic jam period (8 - 8.30/16.30-17 h)	To ensure the coordinated traffic flow through city of and other settlements			Contractor – Bidder/ Environmental Officer at Municipality / Traffic Engineer at Municipality	
Project stage: Placement of new sodium lamps								
Separated recycled waste of packaging waste from new sodium lamps (paper, cardboard,) collected and transported on recycling facility	On the sites	Visual monitoring and reporting	During the un packaging of new sodium lamps/on daily basis	To collect the recycled materials - paper and cardboard			Contractor-Bidder/ Municipality of Environmental Officer	
Content of mercury or other hazardous substances in sodium lamps	In the documentation about the product specification	Review the product specification list	Before the operation of placement start	To identify the content of hazardous substances in order to take a mitigation measures against adverse environmental and health impacts from				Environmental inspector from / Environmental Officer at the Municipality

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Removal of old lamps/ Placement of new lights	Operations of the new lights	Removal of old lamps/ Placement of new lights	Operations of the new lights
				broken lamps				
Project stage: Regular operation and maintenance								
Loosened of all parts of the light Clearness of the lanterns	At the sites	Visual monitoring and checkup Clean the lanterns for better lighting of the lamp	On every six months (winter/summer period)	To mitigate the adverse environmental and health impacts and to obtain better lighting of the lamps				Contractor-Bidder / Environmental Officer at the Municipality

12.6 ENVIRONMENTAL MONITORING PLAN FOR THE PROJECT – CONSTRUCTION/RECONSTRUCTION OF THE SCHOOL/KINDERGARTEN BUILDING

What *parameter is to be monitored?*	**Where** *is the parameter to be monitored?*	**How** *is the parameter to be monitored?*	**When** *is the parameter to be monitored (frequency of measurement)?*	**Why** *is the parameter to be monitored?*	**Cost**		**Responsibility**	
					Construction	Operations	Demolition of old school and construction the new one	Operations of the new school
Project activity: Demolition of old School/Kindergarten and startup with reconstruction/construction activities at school/kindergarten buildings								
The community safety regulation and protection measures applied	Around the project sites (school/kindergarten buildings)	Visual checks	At the beginning of the reconstruction/ construction work (first day) Every working day during the project activities	To ensure minimization of health and safety risks – mechanical injuries to the members of the local community – especially from broken glass, wooden windows and doors and spikes. Special attention should be put during the removal of the asbestos containing roof sheets			Contractor - Bidder /Supervisor/ Municipal staff (Communal and Environmental Inspector)/ School/ Kindergarten officials	
The OH& S protection measures applied for the workers at the sites	On the project sites	Visual checks	Every working day during the project activities	To minimize the risks on occupational health and safety of the workers especially protective equipment and clothes for workers who will remove asbestos containing wall panels			Contractor - Bidder /Supervisor/ Municipal staff (Communal and Environmental Inspector)/ School/Kindergarten officials	
Avoid and minimize safety	In the building and	Visual checks	At the beginning the	To avoid injuries of the students/kids or			Contractor - Bidder	

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Demolition of old school and construction the new one	Operations of the new school
and health risks for the students/kids and school/kindergarten employees	in school/kindergarten yard		demolition work and continuously every working day	school/kindergarten staff from falling pieces of windows, doors, broken glass and inhalation of the asbestos fibers or dust			/Supervisor/ Municipal staff (Communal and Environmental Inspector)/ School/Kindergarten officials	
Time for beginning and end of reconstruction/ construction work and especially time for removal of existing wall panels and sewer pipes containing asbestos	On the project site	Visual checks and documents (time schedule) review	Every day	To avoid the environmental, health and safety risks			Contractor - Bidder /Supervisor/ Municipal staff (Communal and Environmental Inspector)/ School/Kindergarten officials	
Waste Management Plan for waste management with all generated waste streams	On the project site	Review the document – Waste Management Plan	Before the demolition activities start	To ensure proper waste management with all waste streams minimizing the potential risks on environmental pollution (pollution of air, waters and soil) and risks on human health			Contractor - Bidder /Supervisor/	
Existence of the broken glass, dust generated	In the school/kinder	Visual checks	For broken glass immediately/Fo	To avoid and minimize injuries and dust inhalation			Contractor - Bidder /Supervisor/	

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Demolition of old school and construction the new one	Operations of the new school
during the demolition Generation of different types of waste	garten yard		r dust generation every day after completion of work For inert waste on 2-3 days				Municipal staff (Communal and Environmental Inspector)/ School/Kindergarten officials	
Level of dust – fine particulate matters	At the construction site	Visual monitoring and measurement devices	On the sunny, dry days only (once a week at the peak working hour)	To avoid and minimize the dust concentration into the air and to minimize the health risks for the students/kids workers and residents in the neighborhood.			Contractor – Bidder and authorized company for dust measurements	
Collection and transport as well storage of hazardous waste (if any occurs).	On safety temporary storage	Review the transportation list and conditions at the storage facility	Before the transportation of the hazardous waste (if there is any)	To improve the waste management practice on municipality and national level.			Authorized Contractor for collection and transportation of hazardous waste (if there is any occur) subcontracted by the Contractor-Bidder Environmental inspector	
Noise level	On the site	Monitoring of the noise	On regularly basis during the work, in accordance	To monitor if the noise level is above/or below the acceptance noise level for			Contractor – Bidder Authorized Company for	

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Demolition of old school and construction the new one	Operations of the new school
		levels dB (A) with appropriate monitoring devices	with the national legislation	that type of area			performing noise levels measurements sub-contracted by the Contractor – Bidder Environmental Inspector to collect the noise level measurements	
Exposure of loud noise from vehicle machine, mechanization and equipment	On the construction site	Review the noise level technical specifications of the used vehicle, mechanization and equipment for their usage outside	Before the beginning of the work (first day) for all vehicles and equipment	To protect the workers against exposure to loud noise taking into account the technical specifications of the equipment and time duration of the work outside			Contractor - Bidder Supervisor Environmental Inspector /Inspector for communal work	
Project activity: Demolition of roof sheets containing asbestos								
Primary	On the	Review	At the	To separate hazardous			Contractor –	

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Demolition of old school and construction the new one	Operations of the new school
selection of the waste streams at the project sites	project sites	the documentation – identification of the waste type according the List of waste	beginning of work	(packaging waste from glue, paints, insulation material) from the non-hazardous waste as well as inert from biodegradable waste			Bidder Supervisor/ Municipal staff (Communal and Environmental Inspector)	
Identification of the asbestos containing waste, proper packaging, labeling as a hazardous waste	On the project sites	Review the documentation – identification of the asbestos containing waste according the List of waste	At the beginning of work	The asbestos containing (ACM) waste is a hazardous waste with adverse environmental and health impacts			Contractor – Bidder Supervisor/ Municipal staff (Communal and Environmental Inspector)	
Temporary storage of the old windows and doors with	At separate room/basement of the buildings or	Visual checks	On daily basis	To minimize injuries			Contractor – Bidder School/Kindergarten officials	

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Demolition of old school and construction the new one	Operations of the new school
proper label and coverage Temporary storage of the removed asbestos containing roof sheets proper packaged and labeled	in the yard							
Collection transportation and final disposal of the wooden windows and doors	On the sites and around the sites	Visual monitoring and reviewing the transportation	After the collection and transportation of the waste from old wooden windows and doors by the public communal enterprise	Not to leave the waste on the spot to avoid the environmental and health impacts to the children			Contractor – Bidder who need to sign the contract with licensed company for collection, transportation and disposal of the waste from replacement	
The contract with the authorized transporter of the asbestos containing waste should be signed The contract with the Landfill	Before the removal/dismantle works start	Review the contracts	During the collection and transportation of the removed roof sheets Before the final disposal of removed sheets	To be sure that the asbestos containing waste will be treated according the national legislation, international conventions, good practice			Contractor – Bidder who needs to sign the contract with licensed company for acceptance and final disposal of the asbestos containing	

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Demolition of old school and construction the new one	Operations of the new school
should be signed as well for acceptance and final disposal of the waste							waste. The Landfill must have a License for acceptance and final disposal of asbestos waste issued by the Ministry of Environment and Physical Planning	
Fulfilled Annual Report for transportation and disposal of waste	Local self-government administration	Review of documentation – Identification waste List	After the accomplishment the task of collection, transportation, temporary disposal and final disposal of different type of waste including asbestos containing waste	To improve the waste management and hazardous waste management on local and national level			Mayor of Municipality	
Project activity: Operational phase of the School/Kindergarten								
Drinking water quality	Before the distribution through the new water supply system, the	Laboratory equipment for physical -	Before the start with school/kindergarten operation	To ensure the distribution of high quality drinking water to the students/kids minimizing the health risks of waterborne diseases				Municipal staff School/Kindergarten officials Public Enterprise

What *parameter is to be monitored?*	Where *is the parameter to be monitored?*	How *is the parameter to be monitored?*	When *is the parameter to be monitored (frequency of measurement)?*	Why *is the parameter to be monitored?*	Cost		Responsibility	
					Construction	Operations	Demolition of old school and construction the new one	Operations of the new school
	water sample should be analyzed by the Authorized laboratories – Public Health institute /Accredited laboratories	chemical and microbiological water quality analysis						
Fire Protection Plan	Before the start of school/kindergarten operation	Review of the Plan	At the beginning of school/kindergarten work	To ensure that all fire protection measures are implemented				Municipal staff (Communal and Environmental Inspector) School/Kindergarten staff
Plan for regular and preventive maintenance of the school/kindergarten	Before the start of school/kindergarten operation	Review of the Plan	At the beginning of school/kindergarten work	To ensure proper implementation of actions refer to just on time preventive and regular maintenance, procurement of spare parts, replacements of worn parts reducing unplanned failures, extend equipment lifetime and to ensure proper and safety school/kindergarten operation				Municipal staff (Communal and Environmental Inspector) School/Kindergarten staff

ANNEX 1 ENVIRONMENTAL SCREENING CHECK LIST

MSIP
MUNICIPAL SERVICES IMPROVEMENT PROJECT

ENVIRONMENTAL SCREENING CHECKLIST

Name of Sub-project	
Name of municipality	
Proposed date of start of work	
Technical drawing/ Specifications Seen (describe status of project, existing studies, …)	
Brief Description of Sub-project	

A) Environmental Impacts related to Proposed Sub-project – existing situation				
Environmental issues/concerns	Predicted Effect/Impact (to be described in words in suggested column)			
	No Impact	Minor	Moderate	Major
Will the sub-project affect declared protected areas				
Will the sub-project be located in or near Environmentally sensitive or protected area (in accordance with MK legislation)				
Will the sub-project affect critical habitats such as forest ecosystem, wetlands, marshlands, aquatic ecosystems?				
Will the sub-project affect endangered plant and animal species?				
Will the sub-project involve the introduction of exotic or alien species?				
Will the sub-project affect archaeological sites, historic monuments and settlements?				

1

Other physical and environmental issues and concerns – its nature and impact				

B) Environmental Impacts related to Sub-project Construction and Operation				
Environmental issues/concerns	Predicted Effects/Impacts (describe in words in suggested column)			
	No Impact	Minor	Moderate	Major
Will the sub-project involve the use of forest trees or other natural as building materials?				
Will the sub-project emit greenhouse gases (CO_2, NOx, O_3,) or ozone-depleting substances (CFC, methyl bromide etc.)?				
Will the project contribute to pollution of international waters?				
Will the sub-project involve the use of synthetic fertilizers and pesticides?				
Will the sub-project use, produce or discharge hazardous and toxic materials (eg. Hospital waste, industrial waste or other?)				
Will the sub-project produce or cause occupational and industrial hazards?				
Will the sub-project cause dust and noise pollution after its completion?				
Will the sub-project cause water pollution after its completion?				
Other environmental impact (describe nature and severity of its impact)				

MSIP
MUNICIPAL SERVICES IMPROVEMENT PROJECT

OFFICIAL ASSESMENT OF THE MF/SCREENING OFFICER ON THE IMPACTS OF SUB-PROJECT

	Minor	Moderate	Major	Remarks
What is the overall assessment of the MF on the environment and social impacts of the project?				
Does the Project belongs to area as determined in EAFD, and to which one (refer to table and page of EAFD)				
Other comments and information				

Name of Environmental Specialist: _____

Date of Screening _____

Cleared for approval by: _____ Yes _____ No _____

Name of Project Director: _____

Signature _____ Date _____

Notes:

Approval from WB will be required

ANNEX 2 ENVIRONMENTAL MONITORING REPORT

MSIP
MUNICIPAL SERVICES IMPROVEMENT PROJECT

MONITORING REPORT

MUNICIPALLITY	
PROJECT	

Date of visit	
No. of visit	
Location	
MSIP representatives	
Activities performed	
Mitigation measures/Monitoring activities applied	
Next steps	
ANNEXES	

Date

_____

Environmental Consultant:

_____

1

Summary of the public consultations meeting

Location	The Public consultations were held on October 8, 2015 at the premises of the Ministry of Finance, from 12am to 13.30pm
Objective	The public hearing and consultation meeting was aimed to present the main aims of MSIP2 project, WB environmental and resettlement policies and requirements prior loan decision-making and main aspects within the draft versions of **Environmental Assessments and Management Framework Document (EAMF) and Resettlement Policy Framework (RPF) for the MSIP2** in front of relevant interested stakeholders. The open, transparent and active public participation was ensured with main aim to enable the stakeholders to provide their concerns, comments and remarks on the draft documents.
Invitees	The following interested stakeholders have been invited: WB Office in Skopje, Ministry of finance (MoF), Ministry of Environment and Physical Planning (MoEPP), Environmental Administration AE (MoEPP), Ministry of Transport and Communication (MoTC), ADKOM, ZELS, City of Skopje, several environmental NGOs, Ministry of local self-government units, City of Skopje, consulting companies and other concerned institutions. The public announcement was launched in daily national newspaper (copy attached in **Annex 1**), and it was posted on the website of MoF () – **Annex 2.**
Participants	15 participants (and 2 PIU representatives) attended the Public hearing and consultation event, The copy of the List of Participants is enclosed in **Annex 3**. Several photos were taken during the event and are shown in **Annex 4**.
Summary conclusions and comments	**DISTRIBUTED MATERIALS** The draft versions of the EAMF Report and RPF Report (in English) and presentations (in Macedonian). Both draft documents were sent by email to the all invited participants and hard copies of PP presentation (handouts) were distributed to all participants. The hard copies of both Reports were also available at the project office. **CONCLUSIONS AND COMMENTS** The meeting was carried out according to the planned agenda. The Director of the MSIP project unit Mrs. Malgorzata Markiewicz-Bogov (**MMB**) welcomed the participants and she briefly introduced participants with main objectives of the project and the main aim of the event. The social expert Mrs. Gordana Pecelj (GP) presented RPF for MSIP2. Then, the Environmental expert Mrs. Slavjanka Pejcinovska-Andonova (**SPA**) presented EAMF document, the main aim of the document and WB environmental safeguard requirements related to the preparation of the EAMF and its presentation on the public hearing and consultation event.

The Environmental expert **SPA** presented the main aim of MSPI1 project, the status of implementation the MSIP1 projects, necessity of development the MSIP2 Project Document and main type of projects expected to be submitted by the municipality.

She gave an overview of the national environmental legislation with emphases on the EIA procedure for small projects (Category B projects refer to WB Environmental Safeguard Policy), sectorial legal acts related to waters and waste waters, air quality, waste management, noise and vibrations, OH&S and other aspects. SPA presented the relevant WB safeguard policies that should be followed during the developing the PAD for each sub-project within the MSIP2.

During the presentation **SPA** noted the importance of environmental impact assessment of the project activities, identification of the potential environmental and human health risks, impacts and necessity to propose the preventive, mitigation and compensation measures to be implement by the Contractor. Several positive examples were presented from MSIP1 already finished projects dealing with hazardous waste (waste from asbestos containing materials and mercury bulbs).

SPA explained that additionally to the national EIA requirements, the WB requires development of general Environmental Mitigation Plan and Monitoring Plan (EMPs) to be presented in the EAMF, and when the MSIP2 starts, for each sub-project, the site-specific Environmental Mitigation Plan and Monitoring Plan should be developed and EMPs will be a part of the Contract with Sub-Contractor and he/she need to implement them and the Supervisor needs to monitor their implementation.

The template for Site Visit Monitoring Report for site visits within the MSIP2 when the sub-projects will be carrying out was presented as well. At the end she opened the discussion.

Discussion

The discussion after the presentation of the document RPF document took place around the following points: (i) gap analysis between the World Bank and national regulation regarding the resettlement and expropriation process, (ii) compensation price during the expropriation prices.

First, representative of the Ministry of Transportation and Communications asked to get the matrix of compliance i.e. gap analysis between national regulations and WB policy in field of expropriation.

Namely, the consultant organization involved in preparation of RPF presented that according to the Operation Policy 4.12 and requirements of the WB so called Grievance Redress Committee should be established as an informal body to address complaints and grievances pertaining to resettlement and to pre-empt all disagreements being referred to the court.

In opinion of the speaker there are many such bodies in various institutions and the question is whether it is necessary to establish new bodies. The representative of the World Bank explained the necessity to establish such a body so that project affected persons to have another chance for agreement.

Second, representatives of the City of Skopje were interested how to reach higher compensation price during the expropriation process from the one gives from the authorized assessor. As was presented by the consultant affected persons who are more affected with the project, i.e. big proportion of their agricultural or construction land will be expropriated could be compensated with the higher unit price. This is due to different magnitude of social impact caused by expropriation process.

Employees in municipalities as a part of the team working on expropriation bound to

follow the prices set by the assessor, so they have no legal base to offer higher price. Therefore, this issue should be considered further because it causes a bigger problem than the expropriation process.

The remaining issues are addressed most of those who should be members of Grievance Redress Committee - GRC. Representative from city of Skopje asked if mediator can facilitate relation between municipalities and project affected persons (according to the national legislation Mediation is any arbitration to resolve dispute between parties by negotiation in a peaceful way through one or more licensed mediator). It was clarified that member of GRS will be representatives from the municipalities, PIU and project affected people.

The public debate finished after 40 minutes fruitful discussions and suitable explanations given by WB representative Mr. Bekim Ymeri based on Bank's and his own experience.

As concerns environmental issues, the first comment was provided by Mr. Ljubomir Jovanovski – **LjJ** (Councilor at the MoTC) who agreed with the presented environmental aspects pointing out that also the Law on Construction is very important as the law incorporates OH&S aspects and the Construction permit has been issued after receiving the Decision on approval the EIA Report-Elaborate issued by the relevant authority.

LjJ encouraged the municipalities saying that all these environmental related procedures have been implemented by the municipalities already for each project when the municipality is the project investor. He pointed out that the municipalities need to know the difference between the WB environmental and resettlement polices and national requirements and what additionally the municipality need to follow before applying for the WB loan. He expressed interest in seeing the matrix with correlation between national and WB environmental and resettlement polices.

The representative from the City of Skopje Mrs. Emilija Cvetkovska (**EC**) asked few questions about the resettlement policy documents that need to be developed and the legal basis for establishing the Resettlement Committee. Also, she commented that for all questions refering to environmental and resettlement issues they could contact the MSIP and relevant experts to support them during application process. SPA explained her role in the MSIP project supporting the municipalities to follow the national environmental legislation as well as the WB safeguard policies. SPA explained that the municipality should prepare the EIA Report – Elaborate and to submit it to the relevant authority. The EIA Report-Elaborate and the Decision for approval of the EIA Report-Elaborate should be submitted to the MSIP2 unit and additionally, the site-specific Environmental Mitigation Plan and Monitoring Plan will be developed by SPA as a part of Project Appraisal Document.

No specific comments or remarks on the draft EAMFD was provided by any participant and no need for any amendments is foreseen till now.

CLOSING REMARKS

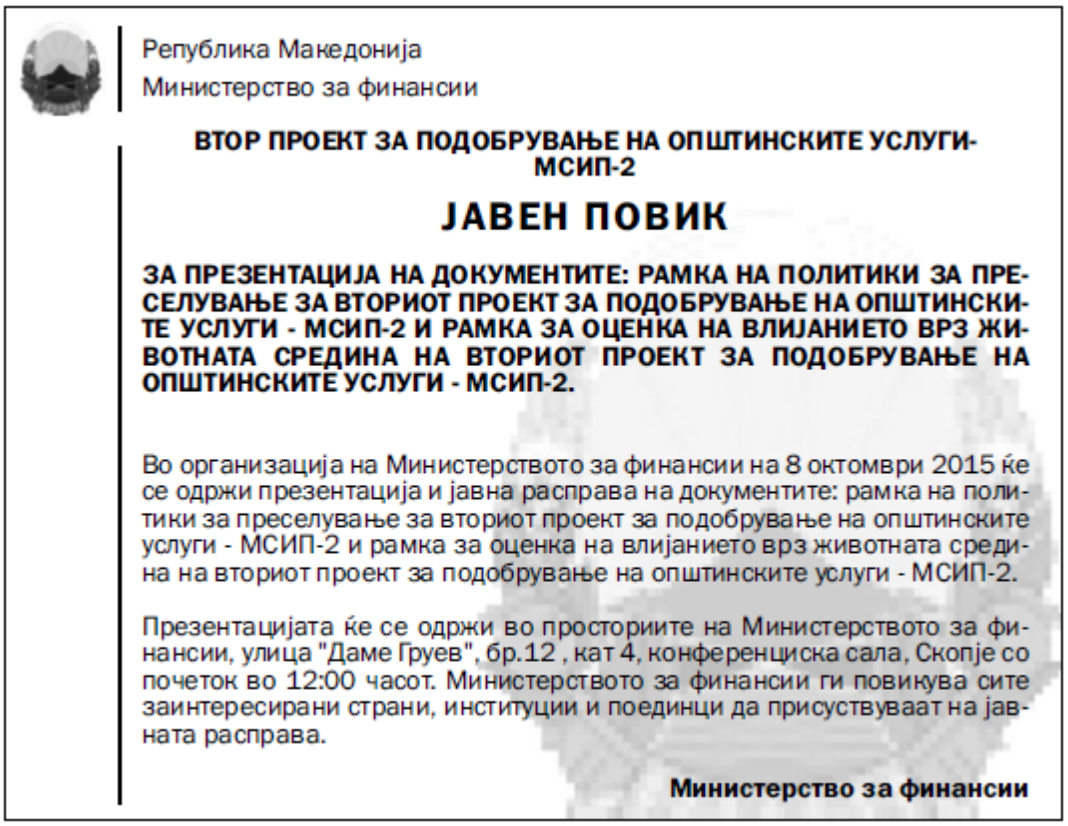
The meeting was closed and closing remarks were given by MMB, expressing gratitude to all participants about their attendance the event, their active participation and interest concerning the MSIP2 project.

Responsibility Environmental expert **(SPA)** will prepare the final version of **Environmental Assessments and Management Framework Document** and also she will prepare Summary of the public consultation and discussion related to the draft EAMF and she

will incorporate them within the final version of the EAMF. Social expert (GP) will prepare the final version of RPF document.

The final versions of EAMF and RPF documents will be delivered to MSIP project unit and to the Ministry of Finance and passed to the World Bank for final review and no-objection.

Annex 1: Public announcement concerning public consultation in the daily newspaper "Dnevnik" on October 3, 2015



Република Македонија
Министерство за финансии

ВТОР ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ-МСИП-2

ЈАВЕН ПОВИК

ЗА ПРЕЗЕНТАЦИЈА НА ДОКУМЕНТИТЕ: РАМКА НА ПОЛИТИКИ ЗА ПРЕСЕЛУВАЊЕ ЗА ВТОРИОТ ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ - МСИП-2 И РАМКА ЗА ОЦЕНКА НА ВЛИЈАНИЕТО ВРЗ ЖИВОТНАТА СРЕДИНА НА ВТОРИОТ ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ - МСИП-2.

Во организација на Министерството за финансии на 8 октомври 2015 ќе се одржи презентација и јавна расправа на документите: рамка на политики за преселување за вториот проект за подобрување на општинските услуги - МСИП-2 и рамка за оценка на влијанието врз животната средина на вториот проект за подобрување на општинските услуги - МСИП-2.

Презентацијата ќе се одржи во просториите на Министерството за финансии, улица "Даме Груев", бр.12 , кат 4, конференциска сала, Скопје со почеток во 12:00 часот. Министерството за финансии ги повикува сите заинтересирани страни, институции и поединци да присуствуваат на јавната расправа.

Министерство за финансии

Annex 2: Public announcement launched on the Ministry of Finance web site

Република Македонија
Министерство за финансии

ВТОР ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ-МСИП-2

ЈАВЕН ПОВИК

ЗА ПРЕЗЕНТАЦИЈА НА ДОКУМЕНТИТЕ: РАМКА НА ПОЛИТИКИ ЗА ПРЕСЕЛУВАЊЕ ЗА ВТОРИОТ ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ - МСИП-2 И РАМКА ЗА ОЦЕНКА НА ВЛИЈАНИЕТО ВРЗ ЖИВОТНАТА СРЕДИНА НА ВТОРИОТ ПРОЕКТ ЗА ПОДОБРУВАЊЕ НА ОПШТИНСКИТЕ УСЛУГИ - МСИП-2.

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Министерство за финансии

ANNEX 4.6 MAIN STEPS FOR OBTAINING A POSITIVE OPINION FOR SUB-BORROWING BY THE MINISTRY OF FINANCE

1. Decision by the Municipal Council

2. Sub-project approved by the World Bank.

3. Request for Sub-Borrowing prepared in accordance with the Rulebook on the Form and the Contents of the Request for Borrowing by Public Institutions Established by the Republic of Macedonia and the Municipalities, Municipalities in the City of Skopje and the City of Skopje and submitted to the Ministry of Finance.

   The minimum required documents/information accompanying the municipal Request for sub-borrowing are presented below:

   • Decision by the Municipal Council;

   • Filled out narrative and financial forms of the prescribed Request for borrowing with project data for which the borrowing is requested (the form is attached to this Annex);

   - The scope of the narrative form is consisted of the following information: project name and objective; project amount and source of financing; terms and conditions for borrowing; short project description; economic, financial and municipal benefits, etc;

   - Financial form containing data for projected and realized revenues and expenditures for the current and two previous fiscal years, as well as projections for the next two fiscal years.

Pursuant to paragraph (7), Article 16 of the Law on Public Debt („Official Gazette of the Republic of Macedonia“, nos. 62/05, 88/08 and 35/11), the Minister of Finance adopted the following

Rulebook

on the Form and the Contents of the Request for Borrowing by Public Institutions Established by the Republic of Macedonia and the Municipalities, Municipalities in the City of Skopje and the City of Skopje

Article 1

This Rulebook shall regulate the form and the contents of the request for borrowing by public Institutions established by the Republic of Macedonia and the municipalities, municipalities in the City of Skopje and the City of Skopje by concluding loan agreement for issuance of securities.

Article 2

Request for borrowing shall include data on the project and data on the financial capacity of the applicant - borrower.

Form and contents of the form of the request for borrowing referred to in paragraph 1 of this Article is attached hereto and it shall be an integral part of this Rulebook.

Article 3

This Rulebook shall enter into force on the following day it is published in the “Official Gazette of the Republic of Macedonia”.

Minister of Finance

Zoran Stavreski MA, in his own hand

No. 10 – 20273/1

14 June 2011

Skopje

_____

_____
(NAME OF THE APPLICANT- BORROWER)

REQUEST FOR BORROWING

_____

_____
(PROJECT NAME)

_____
(date)

Data on the project, for which request for borrowing shall be submitted

1. Project name

_____
_____
_____

2. Short description of the project

_____
_____
_____
_____
_____
_____

3. Total amount of the investment

_____
_____

4. Amount of the borrowing

_____
_____

5. Amount of own funds

_____
_____

6. Acceptable borrowing conditions

- acceptable interest rate_____
- acceptable repayment period and grace period _____
- manner of repayment _____
- draft-depreciation schedule for potential borrowing

7. Expected effects

- Economic, financial and social benefit

_____
_____
_____
_____
_____
_____

8. Period and manner of implementation of the project

_____
_____

Data on the financial capacity of municipalities, municipalities in the City of Skopje and the City of Skopje

Data from the Budget of the municipality, municipalities in the City of Skopje and the City of Skopje		C Y - 2		C Y-1		C Y	C Y+1	C Y+2
		Plan	Real.	Plan	Real.	Amount	Amount	Amount
71	**TAX REVENUES**							
711	Income tax, profit tax and capital gain tax							
713	Property taxes							
717	Taxes on specific services							
718	Utilization fees or licenses for performing an activity							
72	**NON-TAX REVENUES**							
721	Entrepreneurship revenue and property revenue							
722	Fines, court and administrative fees							
723	Fees and charges							
724	Other government services							
725	Other non-tax revenues							
73	**CAPITAL REVENUES**							
731	Sale of capital assets							
731120	Revenues from sale of capital assets, being property of municipalities							
732	Sale of goods							
733	Sale of land and intangible investments							
734	Revenues from dividends;							
74	**TRANSFERS AND DONATIONS**							
741	Transfers from other government levels							
741115	Grants of the municipality, from VAT revenues							
742	Donations from abroad							
743	Capital donations							
744	Current donations							
78	**REVENUES FROM REPAYMENT OF LOANS**							
781	Revenues from paid extended loans							
7	***TOTAL REVENUES***							
40	**SALARIES AND ALLOWANCES**							
41	**RESERVES AND NON-DEFINED EXPENDITURES**							
42	**GOODS AND SERVICES**							
43	**CURRENT TRANSFERS TO EXTRA-BUDGETARY FUNDS**							
44	**CURRENT TRANSFERS TO LOCAL GOVERNMENT UNITS**							
45	**INTEREST PAYMENTS**							

46	**SUBSIDIES AND TRANSFERS**							
47	**SOCIAL BENEFITS**							
48	**CAPITAL EXPENDITURES**							
485570	Payment under guarantees							
49	**PRINICIPAL REPAYMENT**							
4	***TOTAL EXPENDITURES***							
	Grants							
	Self-financing activities							
	Donations							
75	**DOMESTIC BORROWING**							
751	Short-term loans in the country							
753	Long-term bonds							
754	Other domestic borrowing							
76	**FOREIGN BORROWING**							
761	International Development Agencies							
762	Foreign governments							
769	Other borrowing from abroad							
77	**SALE OF SECURITIES**							
771	Sale of securities							

	Amount
Tax revenues per capita (for the current year)	
Non=tax revenues per capita (for the current year)	
Capital revenues per capita (for the current year)	
Transfers and donations per capita (for the current year)	

71	TAX REVENUES	
72	NON-TAX REVENUES	
731	SALE OF CAPITAL ASSETS	
731120	REVENUES FROM SALE OF CAPITAL ASSETS, BEING PROPERTY OF MUNICIPALITIES	
733	SALE OF LAND AND INTANGIBLE INVESTMENTS	
741115	GRANTS OF THE MUNICIPALITY, FROM VAT REVENUES	
CURRENT-OPERATING REVENUES OF THE CORE BUDGET OF THE MUNICIPALITY FOR THE PREVIOUS FISCAL YEAR (71+72+731-731120+733+741115)		
CURRENT-OPERATING REVENUES OF THE CORE BUDGET OF THE MUNICIPALITY FOR THE PREVIOUS FISCAL YEAR		
Liabilities for repayments on the basis of short-term borrowing (at the moment of submitting the request)		

Liabilities on the basis of short-term loans (at the moment of submitting the request)	
Liabilities s for repayments on the basis of potential short-term borrowing	
TOTAL AMOUNT OF SHORT-TERM BORROWING	
Liabilities for repayment of principal, interest and other costs related to long-term borrowing (at the moment of submitting the request)	
Liabilities for repayment of principal and interest on the basis of long-term borrowing (at the moment of submitting the request)	
Liabilities for repayment of principal and interest related to potential long-term borrowing	
TOTAL AMOUNT OF ANNUAL REPYAMENT OF DEBT FOR LONG-TERM BORROWING	
Outstanding long-term debt of the municipality (at the moment of submitting the request, also including the potential borrowing)	
Guarantees issued to the municipalities (at the moment of submitting the request)	
TOTAL AMOUNT OF UNDUE LONG-TERM DEBT OF THE MUNICIPLAITY AND GUARANTEE S ISSUED TO THE MUNICIPALITY	

C Y – Current year;
C Y- 1 - One year before the current year;
C Y- 2 – Two years before the current year;
C Y+ 1 – One year after the current year;
C Y+ 2 – Two years after the current year.

ANNEX 4.7 SUB-LOAN AGREEMENT FORMAT

S U B - L O A N A G R E E M E N T

dated _____

between the

REPUBLIC OF MACEDONIA
represented by the MINISTRY OF FINANCE
("MoF")

and the

The Municipality of _____
("Sub – Borrower)"

for

MKD _____
("Sub - Loan")

- Second Municipal Services Improvement Project – Republic of Macedonia -

Preamble

In accordance with the Loan Agreement No. _____(hereinafter "Loan Agreement"), dated _____, between the International Bank for Reconstruction and Development and the Republic of Macedonia, the Ministry of Finance of the Republic of Macedonia (hereinafter "MoF") and the Municipality of _____ (hereinafter "Sub - Borrower") hereby enter into the following Sub-Loan Agreement.

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.1 The "International Bank for Reconstruction and Development General Conditions for Loans" (as defined in the Appendix to this Agreement) constitute an integral part of this Sub-Loan Agreement.
1.2 Unless the context requires otherwise, the capitalized items used in this Sub Loan Agreement have the meanings ascribed to them in the General Conditions, or the Appendix to the Loan Agreement.
1.3. The procedure for municipal borrowing and borrowing by public enterprises in the Republic of Macedonia is in accordance with the Public Debt Law (Official Gazette of the Republic of Macedonia no.62/2005, 88/08, 35/11, 139/14 and 165/14) and the Law on financing Local Governments (Official Gazette of the Republic of Macedonia no. 61/2004, 96/2004, 67/2007,156/09 and 47/11).

ARTICLE II – SUB-LOAN AMOUNT AND PURPOSE

2.1. The MoF shall extend a Sub - Loan to the Sub – Borrower, on the terms and conditions set forth or referred to in this Sub-Loan Agreement, the amount of MKD _____ , to finance the project described in Schedule 1 to this Sub – Loan Agreement.

2.2 The Sub - Borrower shall use the Sub - Loan exclusively for investments under the Second Municipal Services Improvement Project – Republic of Macedonia ("MSIP2 Project") and, specifically, shall use the Sub - Loan to finance the sub-project described in Schedule 1 to this Sub Loan Agreement.

2.3. Poverty/Social Inclusion Investment Grants stipulated within the Component B of the MSIP2 Project, can be provided to the Sub - Borrower as an as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions specified in Annex 1 to this agreement, upon satisfactory targeting of the neighbourhood as defined in Project Operational Manual.

ARTICLE III – TERMS AND CONDITIONS

3.1 The Sub - Borrower shall pay interest on the Sub - Loan at an interest rate as it is stipulated in Section 2.04. of Loan Agreement. Interest shall be charged from the dates at which disbursements are debited, but latest from_____(insert date) to the dates at which repayments are credited to Treasury Account specified in Article 3.4.
Terms of the sub - loan are as follows:
a) The Sub-loan is denominated in Macedonian Denars;

b) The total maturity of the Sub-loan is __(put the number of total years) years, including ____(insert the number of the years) years of grace period. Last repayment date of the Sub-loan shall not exceed the last repayment date of the Loan Agreement;
c) The interest payable by a Sub-loan recipient shall be equal to the interest payable by the Borrower to the Bank according to Section 2.4. of Loan Agreement;
d) Grace period – _ years starting from the date of the first disbursement.
e) If any amount of the Sub - Loan remains unpaid when due and such non-payment continues for a period of thirty days, then the Sub - Borrower shall pay the Default Interest on such overdue amount at default interest rate prescribed by `law.
f) Payment dates of interest and principle are February 15 and August 15.

3.2 The Sub - Borrower shall repay the Loan as stated in the Repayment schedule – SCHEDULE 2

3.3 Undisbursed or prematurely repaid loan amounts shall be credited in equal proportions against all outstanding repayment instalments unless MoF at its own discretion determines a different offsetting mode in a particular case, especially in the case of amounts of lesser volume.

3.4 The Sub - Borrower shall remit all payments to Sub – Loan Treasury Account No._____ (to be determined).
The MoF will notify the Sub - Borrower on the Sub – Loan amount that should be transferred on the account stipulated in paragraph 1 of this Article, at least 15 days before the payment date.
The Sub - Borrower is obliged to transfer each payment, according to the Repayment schedule stated in Schedule 2 of this Sub - Loan Agreement at least two days before payment date.

3.5 If the Sub - Borrower fails to provide sufficient funds for full and timely servicing of the credit liability under this Agreement, the MoF – Treasury Department will have the right:
a) to shift funds from the budget account of the Sub - Borrower to the account of the Ministry of Finance up to the amount necessary to service the liability of the Borrower and/or,
b) to keep part of the grants from the Central Budget of the Republic of Macedonia to be distributed to the Borrower up to the amount necessary to service the liability of the Borrower.

ARTICLE IV – SUSPENSION OF DISBURSEMENT AND PREMATURE PAYMENT

4.1 The Sub - Borrower may at any time

a) subject to the fulfilment of its obligations under Article 6, cancel any amounts not yet disbursed, and
b) repay the Sub - Loan in whole or in part in advance of maturity.

4.2 MoF may not suspend or terminate disbursements unless

a) the Sub - Borrower has failed to perform its obligations to MoF to make payments when due, or any other obligations under this Sub – Loan Agreement
b) the Sub - Borrower is unable to prove that the proceeds from the Sub - loan have been used for the stipulated purpose,
c) extraordinary circumstances arise that preclude or seriously jeopardize the implementation, the operation, or the purpose of the Sub - project, or the performance of the obligations assumed by the Sub - Borrower under this Sub – Loan Agreement.

4.3. If any of the situations specified in Article 4.2 a), b) or c) has occurred and has not been eliminated within a period determined by MoF, which shall, however, be at least 30 days, MoF may,

a) in the case specified in Article 4.2 a) and 4.2 b) demand the immediate repayment of all outstanding loan amounts as well as the payment of all interest accrued and all other incidental charges;
b) in the case specified in Article 4.2 c), demand the immediate repayment of such Amounts as the Sub - Borrower is unable to prove to have been used for the stipulated purpose.

ARTICLE V – COST AND PUBLIC CHARGES

5.1 The Sub - Borrower shall make all payments to be effected under this Sub - Agreement without any deduction for taxes, other public charges or other costs, and shall pay the transfer and conversion costs accruing in connection with the disbursement of the Sub - Loan.

5.2 All expenditures that cannot be financed by the Sub-Loan in accordance with the provision of the Loan Agreement shall be borne by the Sub – Borrower.

ARTICLE VI – SUB – PROJECT IMPLEMENTATION

6.1 The Sub - Borrower shall
(a) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds, the EAMF and the LARPF;
(b) provide, promptly as needed, the resources required for the purpose of the Sub-project;
(c) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the MoF and the World Bank, the progress of the Sub-project and the achievement of its objectives;
(d) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the MoF and the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the MoF or the Bank's request, have such financial statements audited in accordance with consistently applied auditing standards, and promptly furnish the statements as so audited to the MoF;
(e) enable the MoF and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and

(f) prepare and furnish to the MoF or the Bank all such information as the MoF or the Bank shall reasonably request relating to the Sub-project.

ARTICLE VII – PROCUREMENT OF GOODS, WORKS AND SERVICES UNDER THE SUB-PROJECT

7.1. Procurement related to the Sub project will be carried out in accordance with Section III of Schedule 2 to the Loan Agreement.

7.2. The PMU will lead the procurement for the sub-project funded by Sub-Loan on behalf of the Sub-Borrower with active participation of the Sub–Borrower in all stages of the procurement process.

7.3. The contracts under the Sub-Project will be signed by the Sub - Borrower and the respective awarded contractors, suppliers and consultants.

7.4. The Sub - Borrower will be in charge of the payments to be made directly to the respective contractors, suppliers and consultants, as in accordance with the conditions of the signed contracts. The Sub-Borrower will make the payments within 5 working days after the funds were received in the Sub-Loan Denar Account.

ARTICLE VIII – SUPERVISION AND MONITORING OF THE WORKS

8.1. The Sub - Borrower will carry out the supervision and monitoring of works under the Sub-Project implementation.

8.2. The MoF through PMU can carry out its own supervision and monitoring of works.

8.3. Where there is disagreement between the Sub - Borrower's supervision and the PMU's supervision, the judgment of the PMU is binding.

ARTICLE IX – HAND OVER, ACCEPTANCE AND PAYMENT OF GOODS, WORKS AND SERVICES

9.1. The acceptance of goods, works and services under the Sub-Project should be done by the Sub-Borrower, in accordance with the conditions of the signed contracts.

9.2. The quality of the procured goods, works and services shall correspond to the technical and quality parameters agreed by the Sub-Borrower and the respective contractors, suppliers and consultants, as in accordance with the conditions of the signed contracts..

9.3. Upon completion of the works or supply of goods, acceptance will be effected in the presence of the parties concerned – Sub - Borrower, Firm, Supervisory body and PMU. The performance shall be examined and if found satisfactory, final payment to the Firm shall be effected.

ARTICLE X – PROCEDURE FOR PAYMENT

10.1. The PMU carries out all procurement processes on behalf of the Sub-Borrower, and the Sub-Borrower is signatory to the contract.

10.2. The transaction based disbursement method will be used for the Sub Project. The Sub - Borrower will open a Sub - Loan Denar account within the Treasury Single Account, to capture all transfers of funds related to this Sub-loan Agreement. The Sub Loan funds will flow from the PMU Designated Account, passing through the Sub Loan Denar account, to the suppliers. The Sub - Borrower is obliged to transfer the Sub - loan funds to the respective contractors, suppliers and consultants, as in accordance with the conditions of the signed contracts, but not later than 5 (five) working days after the funds were received in the Sub-Loan Denar Account. The Sub Loan Denar Account will be managed and operated by the Sub-Borrower.

10.3. Documents evidencing that goods, services, and works have been received and are in line with what has been contracted is a mandatory accompanying document for payment.

10.4. Any future request for payment by the Sub - Borrower needs to be supported by appropriate documentation that the previous payments have been executed.

ARTICLE XI - RIGHTS, OBLIGATIONS AND RESPONSIBILITIES OF THE MOF& PMU

11.1. The MoF through PMU can carry out the monitoring of works, goods and services, so that the amounts, costs and quality of the works provided by the “Firm” correspond to the technical specifications and budget agreed to by the PMU and the Sub - Borrower.

11.2. The MoF through PMU is obliged to inform the Sub - Borrower regarding the date of first disbursement in the written form.

ARTICLE XII -RIGHTS, OBLIGATIONS AND RESPONSIBILITIES OF THE SUB - BORROWER

12.1. The Sub - Borrower shall repay the principal and the interest in accordance with provisions of Article III of this Sub – Loan Agreement.

12.2. Until the full repayment of principal and interest of the Sub - Loan the Sub - Borrower shall determine as a mandatory Articles in its planned budget of the each following year.

12.3. The Sub - Borrower shall be responsible for the operational maintenance of the works and activities provided as a result of the Sub-Project implementation.

12.4. The Sub - Borrower carries out the monitoring and technical supervision of the goods, works, and services, so that the amounts, costs and quality of the goods, works, and services provided by the “Firm” correspond to the technical specifications and budget agreed to by the PMU and the Sub - Borrower.

12.5. The Sub – Borrower is obliged to provide the MoF / PMU with copies of contracts signed with the “Firm”.

12.6 The Sub-Borrower shall monitor and evaluate the progress of the Sub-Project and prepare Municipal Sub Project Financial reports and furnish to the PMU not later than twenty (20) days after the end of each calendar quarter in form presented in Annex 2.

ARTICLE XIII -MISCELLANEOUS PROVISIONS

13.1 The Sub - Borrower shall ensure that the Sub – Project is carried out in accordance with the provisions of the World Bank Anti – Corruption Guidelines and the provisions of the Law against corruption (Official Gazette No. 83/04,126/06,10/08 and 161/08) and the Law of hindering conflict of interests (Official Gazette No. 70/07).

13.2 If any of the provisions of this Sub – Loan Agreement is invalid, all other provisions shall remain unaffected thereby. Any gap resulting there from shall be filled by a provision consistent with the purpose of this Sub – Loan Agreement and the Loan Agreement No.___

ARTICLE XIV -CHANGES, AMENDMENTS AND NOTIFICATIONS

14.1. Changes and amendments can be made any time to this Sub - Loan Agreement between the Parties and shall be an integral part of this Sub – Loan Agreement.

14.2. Any changes and amendments shall be made in written.

14.3. Changes shall be executed in the form of amendments to this Sub - Loan Agreement.

14.4 Any notifications related to this Sub- Loan Agreement made by the Parties shall be submitted in written.

14.5 Amendments to this Sub- Loan Agreement and the respective notifications that are not executed according to the rules determined by this Article, shall not be considered as valid.

14.6 The changes and amendments to this Sub- Loan Agreement shall enter into force from the date of their signing or from any other date specified therein.

ARTICLE XV -DURATION OF THE SUB- LOAN AGREEMENT

15.1 The Sub- Loan Agreement enters into force on the date of the signature of both parties and remains effective till the full repayment of principal amount of the Sub - Loan and of the interest accrued.

ARTICLE XVI -TERMINATION OF THE SUB- LOAN AGREEMENT

16.1 The Parties at any time can claim termination of this Sub- Loan Agreement on the basis of due justification.

16.2. If the termination of this Sub – Loan Agreement at any time is caused by the failure of the Sub - Borrower to fulfill its obligations or by undue fulfillment thereof, the Sub - Borrower shall return the total amount of the Sub – Loan received prior to the termination of this Sub- Loan Agreement. If this Sub – Loan Agreement is terminated before the completion of works under the "Sub-Project" and the termination is caused by the failure of the Sub - Borrower to fulfill its obligations or by undue fulfillment thereof, the Sub - Borrower shall return also the used amount received prior to the termination of this Sub – Loan Agreement.

ARTICLE XVII - FORCE MAJEURE

17.1. In case of Force Majeure- wars, natural disasters, embargo, inhibit normative acts issued by the State, which have direct impact on this Agreement and hamper its fulfillment, time limits of this Sub - Loan Agreement and the terms of its implementation shall be prolonged for the period of the Force Majeure.

17.2. The deterioration of existing social and economic conditions in the Republic of Macedonia shall not be considered as Force Majeure.

17.3. In case of Force Majeure conditions the parties are obliged to inform each other thereof in written.

ARTICLE XVIII – DISPUTE RESOLUTION

18.1. The Administrative court of the Republic of Macedonia shall be competent court for all disputes, and difference in opinions under this Sub-Loan Agreement.

Done in 4 originals in the Macedonian language.

Skopje,
this day of, _____

_____
Republic of Macedonia
represented by the
MINISTRY OF FINANCE

_____
Sub-Borrower – The Municipality of

SCHEDULE 1

Detailed description of the Sub – Project to be financed with this Sub – Loan Agreement under the Second Municipal Services Improvement Project

Section I. Sub-Project Description

SCHEDULE 2

Amortization Schedule

ANNEX1

Description of the Component B Poverty/Social Inclusion Grants

Component B - Poverty/Social Inclusion Investment Grants, will be provided to the municipalities as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions.

This component is specifically designed to target poorer and marginalized communities for municipal infrastructure improvements. Such communities will be identified via their geographic targeting of neighborhoods within participating municipalities. Municipalities by themselves will need to identify such a target community in lieu of reliable official community-level statistics. Community-level service coverage data on paved roads, drainage, piped water, public sewers, kindergartens and other could serve as a determinant of a neighborhoods poverty status.

The Poverty/Social Inclusion Investment Grants can be awarded to the participating municipality after successful completion of the sub-project financed with sub-loan, whenever the mapping of the poorest settlement is verified by the independent expert for verification of poverty and social inclusion grants. The grant award amount to an individual municipality will be up to 27 percent of the investment sub-loan. The grants can be used for new investment of the type funded under Component A. The municipality would need to present a sub-project proposal to the PMU that meets the same appraisal criteria as for Component A investments. The Poverty/Social Inclusion Grants would be subject to separate Grant Agreements under the terms and conditions and in a format as specified in Annex 4.10 of the MSIP2 Project Operational Manual.

ANNEX 2

Format of Municipal sub-project financial reports to the PMU

Second Municipal Services Improvement Project

Sub Project for _____, Sub loan No. ____

Municipality of _____

LOAN DENAR ACCOUNT STATEMENT

Account number _____

For the quarter ending xx/xx/20xx

In MKD

Opening Balance on LA		
Plus: Replenishment from the MLSP PMU during the period		
		0
Less: Amount of eligible expenditures paid during the period		
		0
Closing Balance as of the end of period		0
Balance per Loan Denar Account per Bank Statement No. in MKD		
Discrepancy in closing balance		0
Explanation		

Second Municipal Services Improvement Project

Sub Project for _____, Sub loan No. ____

Municipality of _____

BREAKDOWN OF LOANS

Account number _____

For the quarter ending xx/xx/20xx

In MKD

Contract	Loan No./ Invoice reference	Loan amount/ Invoice amount	Description	Paid loan amount to date/ paid invoice amount to date	Date of payment/ Bank stat. No.	Remaining balance (Loan / Invoice)	Commitments	Outstanding payments
Contract 1								
- Invoice No.1								
- Invoice No.2								
- Invoice No.3								
Contract 2								
- Invoice No.1								
- Invoice No.2								
- Invoice No.3								
Total								

Brief narrative description of the factors influencing the financial and physical progress during the quarter as well further plans for completion of the sub projects implementation.

APPENDIX

Definitions

- "Grant Agreement" means a grant agreement between a Participating Municipality and the Republic of Macedonia represented by the Ministry of Finance for provision of a Poverty/Social Inclusion Investment Grant under Part B of the MSIP2 Project
- " Poverty/Social Inclusion Investment Grant" or "Grant" means a grant provided or proposed to be provided by the Republic of Macedonia to a Participating Municipality under Component B of the Project.
- "Project Management Unit" or "PMU" means the project management unit established by the Ministry of Finance for day-to-day Project management, coordination, monitoring and evaluation.
- "Sub-loan" means a subsidiary loan provided by the Republic of Macedonia to a Participating Municipality to finance a Sub-project under Component A of the Project.
- "Sub-loan Agreement" means a sub-loan agreement between a Participating Municipality and the Republic of Macedonia represented by the Ministry of Finance for provision of a Sub-loan under Part A of the MSIP Project
- "Sub – loan Borrower" means the participating municipality eligible to borrow under the procedure for municipal borrowing and by public enterprises in the Republic of Macedonia in accordance with the Public Debt Law (Official Gazette of the Republic of Macedonia No.62/05 and 88/08) and the Law on Financing Local Governments, (Official Gazette of the Republic of Macedonia No.61/04, 96/04 and 67/07), and the Loan Agreement, No._____.
- "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated July 1, 2005 (as amended through February 12, 2008).
- "Sub Loan Denar Account" means the denar account opened within the Treasury Single Account by the Sub Borrower, that capture all transfers of funds related to the Sub-loan Agreement.

MSIP2
MUNICIPAL SERVICES IMPROVEMENT PROJECT 2

ANNEX 4.8.1 PROCUREMENT PLAN

Macedonia - SECOND MUNICIPAL SERVICES IMPROVEMENT PROJECT - MSIP
Procurement estimation & monitoring

in EUR

No.		Municipality		Type	Number of Contracts	Contract Cost estimate/budget (EUR)	Procurement Method	Prior / Post Review	Bidding documents submission date	WB No Objection	Issue of Bidding Documents	Bid Opening	BID ER sent to the WB	WB NO on ER	WB No objection on Contract Award	Contract Award	Contract Start Date	Contract Duration (Month)	Contract Completion Date	Contract Price	Contractor
		A: MUNICIPAL INVESTMENTS																			
1	GAZI BABA	Construction of primary water supply network at 5 branches in high zone in village Rashtak	P																		
			A																		
2	KISELA VODA	Construction of the storm water system in the district Przino, in Kisela Voda municipality	P																		
			A																		
3	DELCEVO	Construction/reconstruction of local streets in Delcevo	P																		
			A																		
4	CITY OF SKOPJE	Construction of new main street	P																		
			A																		
	Other municipalities	In proceces of funds allocation																			
	Total Component A Municipal Investement:																				
		B: POVERTY/SOCIAL INCLUSION INVESTMENT GRANTS																			
1	GAZI BABA	TED	P																		
			A																		
2	KISELA VODA	TED	P																		
			A																		
3	DELCEVO	TED	P																		
			A																		
4	CITY OF SKOPJE	TED	P																		
			A																		
	Other municipalities	In proceces of funds allocation																			
	Total Component B																				
		C: PROJECT MANAGEMENT, MONITORING AND EVALUATION, AND CAPACITY BUILDING																			
	C1: Project Management Unit (PMU)																				
	Director*																				
	Financial Specialist*																				
	Procurement Specialist*																				
	Civil Engineer*																				
	Civil Engineer*																				
	Civil Engineer*																				
	Civil Engineer*																				
	Translator*																				
	Administrative Operative Assistant*																				
	Financial Assistant*																				
	Civil Engineer*																				
	Civil Engineer*																				
	Procurement Assistant*																				
	Interpreter																				
	Economist																				
	Civil Engineer																				
	Total C1																				

MSIP2
MUNICIPAL SERVICES IMPROVEMENT PROJECT 2

No.		Municipality		Type	Number of Contracts	Contract Cost estimate/budget (EUR)	Procurement Method	Prior / Post Review	Bidding documents submission date	WB No Objection	Issue of Bidding Documents	Bid Opening	BID ER sent to the WB	WB NO on ER	WB No objection on Contract Award	Contract Award	Contract Start Date	Contract Duration (Month)	Contract Completion Date	Contract Price	Contractor
		A: MUNICIPAL INVESTMENTS																			
	C2. Technical assistance for (i) sub-project preparation/implementation and local capacity building for municipalities and CSEs to improve service delivery, and (ii) national level institutional																				
	TA for project preparation																				
	Safeguards Specialist (environmental)																				
	TA for capacity building for municipalities/CSEs to improve service delivery																				
	TA for capacity building of national level institution																				
	TA for verification of powerty/social inclusion grants																				
	Other Specialists																				
	Total C2																				
	C3: Project Financial Audit (Multiple)																				
	Total C1																				
	C4: Other costs																				
	IT equipment																				
	Vehicle																				
	Other operating costs																				
	Training for PIU staff																				
	Total C4:																				
	Total C																				
	Front and Fee																				
	Total Loan funds:																				

Note: International Competitive Bidding **(ICB),** National Competitive Bidding (NCB), Quality and Cost Based Selection(QCBS), Individual Consultant(IC), Least Cost Selection (LCS), Shopping (SH), Consultant Qualifications (CQ)

MSIP2
MUNICIPAL SERVICES IMPROVEMENT PROJECT 2

I. Works and goods **Prior Review Threshold**		
Procurement Method	**Procurement threshold (in EUR)**	**Prior review threshold (in EUR)**
ICB (Goods)	> 1 000 000	All
NCB (Goods)	< 1 000 000	First package
ICB (Works)	>5 000 000	All
NCB (Works)	<5 000 000	First package
Shopping (Goods)	< 100 000	First package
Shopping (Works)	< 200 000	First package
Direct Contracting Goods and Works (DC)	NA	All > 80 000. Borrower would still need to meet the requirements for DC as outlined in par 3.7 of the Procurement Guidelines

II. Consulting services		
1. Prior Review Threshold		
Selection Method	**Procurement threshold (in EUR)**	**Prior review threshold (in EUR)**
QCBS	N/A	First contract, all contracts above 300 000 and all TORs
FBS	N/A	First contract, all contracts above 300 000 and all TORs
LCS	N/A	First contract, and all TORs
CQS	<300 000	First contract and all TORs
IC	N/A	All TORs, long term consultants in accordance with the procurement plan, procurement and legal consultants.

ANNEX 4.8.2 PROCUREMENT STEPS

Steps in ICB		Responsibility
1.	Prepare technical specifications of goods and drawings, technical specifications and bill of quantity for works.	Municipality/ Technical staff
2.	Prepare Bidding Documents (based on the SBD agreed with the Bank and using the technical specifications, detailed designs, bill of quantity prepared by Municipality	PMU/Municipality
3.	Obtain the WB "No Objection" on the Bidding Documents	PMU
4.	Send the Bank for publishing the Specific Procurement Notice (IFB) in on-line edition of UN Development Business (in printed edition at the option of the implementing agencies) and publish after Bank's confirmation the IFB in the major local newspaper/s on the same date (or within 2 days) of the on-line publication.	PMU
5.	Appoint committee for evaluation of bids.	Municipality
6.	Issue Bidding Documents to interested and eligible Bidders	PMU
7.	Convene the pre-bid conference and arrange site visits (if specified so in the Bidding Documents).	PMU and Municipality
8.	Document any requests for clarification by potential bidders and the respective answers. Respond to all potential bidders.	PMU and Municipality
9.	Receive bids until the deadline and file them properly	PMU
10.	Open the bids publicly immediately after deadline for bid submission.	Evaluation Committee with support of the PMU
11.	Prepare the minutes of public opening of bids and promptly send it to the WB and to all bidders who submitted bids in time.	PMU
12.	Evaluate and compare bids using the standard form of Evaluation Report	Municipality with PMU
13.	Prepare Evaluation Report with the recommendation for award.	PMU with the Municipality
14.	Obtain the WB "No Objection" on the Evaluation Report and the recommendation for award	PMU
15.	Issue the Notice of Award to the successful Bidder	Municipality with help from the PMU
16.	Publish information about the contract award in UNDB online	PMU
17.	Finalize Contract with the successful Bidder	PMU
18.	Obtain performance security and release bid security	Municipality
19.	Inform unsuccessful bidders and release their bid security	PMU
20.	Sign the Contract with the supplier/contractor	Municipality
21.	Submit a copy of the signed Contract to the WB and assure appropriate registration of the contract.	PMU
22.	Receive and inspect goods and process supplier's payment requests/Supervise the implementation of works and process payments.	Municipality, Independent Audit and PMU

Steps in NCB		Responsibility
1.	Prepare technical specifications and BoQ (AS) for works	Municipalities/ Technical staff
2.	Prepare Bidding Documents (based on the BD/SBD agreed with the Bank and using the technical specifications prepared by implementing agencies).	PMU with help from Municipality
3.	Obtain the WB “No Objection” on the Bidding Documents.	PMU
4.	Publish Specific Procurement Notice in local newspaper(s) in	PMU
5.	Appoint committee for evaluation of bids.	Municipalities/PMU
6.	Issue Bidding Documents to interested and eligible Bidders.	PMU
7.	Document any requests for clarification by potential bidders and the respective answers. Respond to all potential bidders.	PMU with help from Municipality
8.	Receive bids until the deadline and file them properly.	PMU
9.	Open the bids publicly immediately after deadline for bid submission.	PMU in presence of the Evaluation Committee
10.	Prepare the minutes of public opening of bids and promptly send it to the WB and to all bidders who submitted bids in time.	PMU
11.	Evaluate and compare bids using the standard form of evaluation report	Evaluation Committee with help of the PMU
12.	Prepare Evaluation Report with the recommendation for award.	PMU
13.	Obtain the WB “No Objection” on the Evaluation Report and the recommendation for award	PMU
14.	Issue the Notice of Award to the successful Bidder	PMU
15.	Finalize Contract with the successful Bidder	PMU
16.	Obtain performance security and release bid security	Municipality
17.	Inform unsuccessful bidders and release their bid securities	PMU
18.	Sign the Contract with the Contractor.	Municipality
19.	Submit a copy of the signed Contract to the WB and assure appropriate registration of the contract.	PMU
20.	Supervise the implementation of works and process payments	Municipality, Independent Audit and PMU

Steps in SH (works and goods)		Responsibility
1.	Prepare technical specifications of works or goods.	Municipalities/ Technical staff
2.	Prepare the Invitation to Quote (ITQ), using regional sample format for ITQ and the technical specifications prepared by implementing agencies.	PMU with help from Municipality
3.	Prepare the list of Contractors or Suppliers, comprising at least three Contractors/Suppliers. It is recommendable to solicit quotations from more contractors/suppliers in order to obtain at least three quotations.	PMU
4.	Obtain the WB "No Objection" on the ITQ.	PMU
5.	Appoint committee for evaluation of quotations.	Municipality
6.	Send ITQ to short-listed Contractors /Suppliers.	PMU
7.	Document any requests for clarification by potential bidders and the respective answers. Respond to all potential bidders.	PMU with help from Municipality
8.	Receive quotations until the deadline and file them properly.	PMU
9.	Open quotations immediately after deadline for submission.	PMU in presence of the Evaluation Committee
10.	Evaluate and compare bids using the shopping sample form of evaluation report.	Evaluation Committee with support from PMU
11.	Prepare Evaluation Report with the recommendation for award.	PMU
12.	Obtain the WB "No Objection" on the Evaluation Report and the recommendation for award.	PMU
13.	Finalize the draft Purchase Order including Terms and Conditions of Supply (or Contract in case of works) and send to the selected supplier/contractor.	Municipality with help from the PMU
14.	Obtain the Confirmation of Receipt of the Purchase Order (or contract).	PMU
15.	Inform unsuccessful bidders.	PMU
16.	Sign the Contract with the supplier/contractor.	Municipality
17.	Submit a copy of the signed Contract to the WB and assure appropriate registration of the contract.	PMU
18.	Receive and inspect goods or supervise the works and make payments on invoices as per the purchase order/contract	Municipality, Independent Audit and PMU

Direct Contracting (DC)

This method does not provide the benefits of competition and the transparency, so it is used in exceptional cases properly justified and approved.

Steps in DC (goods)		Responsibility
1.	Prepare estimated cost of the goods to be procured directly from a single source	Municipalities with the help from the PMU
2.	Prepare justification for direct contracting	Municipalities
3.	Submit the estimated cost and the justification for direct contracting to the WB for “No Objection”	PMU
4.	If WB accepts justification and issues its “No Objection”, proceed with the purchase by preparing technical specifications and contract conditions	Municipality with support from the PMU
5.	Send contract conditions to the supplier	PMU
6.	Make sure that the prices being charged are at least the same as the supplier charges to its other customers	Municipality with the PMU
7.	Send draft Contract to the WB for “No Objection”	PMU
8.	After “No Objection” received, sign the contract	Municipality
9.	Publish award of contract	PMU
10.	Submit copy of the final Contract to the WB	PMU
11.	Receive and inspect goods and make payments as per the purchase order	Municipality, Independent Audit and PMU

Steps in QCBS		Responsibility
1.	Prepare the TOR compatible with the budget.	Technical staff
2.	Obtain the WB “No Objection” on the TOR.	PMU
3.	Publish REI in the local newspaper(s) and send it to the Bank for publishing in on-line edition of UNDB (for consultants’ contracts above US$ 100.000).	PMU
4.	Appoint committee for evaluation of Expressions of Interest (EOIs).	Beneficiaries/PMU
5.	Prepare criteria for evaluation of Expressions of Interest.	Evaluation Committee with support of PMU
6.	Collect the EOIs received and file/copy them properly. Prepare the minutes on receipt of EOIs and issue it to the World Bank and members of the Evaluation Committee.	PMU
7.	Evaluate Expressions of Interest and prepare a short list of consultants who responded to the SPN. The short list shall include six firms - out of them not more than two firms from one country and at least one firm from a developing country (if qualified).	Evaluation Committee with support of the PMU
8.	Prepare the Request for Proposals (RFP), which includes a Letter of Invitation, Information to Consultants, ToR and proposed contract.	Beneficiaries/PMU
9.	Obtain the approval of the implementing agencies and the WB “No Objection” on the short list and the RFP.	PMU
10.	Provide the final short list to the firms who expressed interest, as well as to any other firm who specifically asked so.	PMU
11.	Issue the RFP to the shortlisted firms.	PMU
12.	Hold the meeting with the Consulting firms requesting to visit the PMU or site, if specified in the RFP.	PMU and Beneficiaries
13.	Document any question for clarifications and their respective answers, and respond to all consulting firms without identifying the name(s) of the consulting firms requesting clarification.	PMU and Beneficiaries
14.	If needed, modify the RFP through an Amendment approved by the WB and issue the Amendment to the shortlisted firms.	PMU and Beneficiaries
15.	Appoint committee (3-5 members) for evaluation of proposals.	Beneficiaries
16.	Receive the proposals and mark the time and date when the proposal was received. Return unopened any proposal received after the deadline.	PMU
17.	Open the technical proposals in presence of the Evaluation Committee immediately after deadline for proposal submission. Prepare the minutes on receipt of proposals and opening of technical proposals, and send it to the World Bank and members of the Evaluation Committee.	PMU
18.	Deposit the financial proposals with independent authority until they are opened publicly.	PMU
19.	Evaluate quality of technical proposals on the basis of criteria/subcriteria and points specified in the RFP. Each member of the Evaluation Committee shall score independently.	Evaluation Committee with support of the PMU
20.	Prepare the report on evaluation of technical proposals. Obtain the WB “No Objection” on Technical Evaluation Report.	PMU
21.	Notify successful firms that they have secured the minimum qualifying mark and advise them on date, time and address for public opening of the financial proposals.	PMU
22.	Open the financial proposals publicly in the presence of evaluation committee members and representatives of the successful consulting firms who choose to attend. Announce the names of successful consulting firms and their technical score, and the read aloud the proposed prices.	PMU with presents of the Evaluation Committee
23.	Prepare the minutes of the public opening of financial proposals and promptly send it to the WB and to all consultants who submitted proposals.	PMU

Steps in QCBS		Responsibility
24.	Evaluate financial proposals.	Evaluation Committee with support of the PMU
25.	Complete the final evaluation report ranking the proposals according to their combined technical and financial scores (using the RFP assigned weights). Send the report as information to the WB.	PMU
26.	Invite to negotiations the firm scoring the highest combined technical and financial score.	PMU
27.	Appoint the Negotiation Committee.	Beneficiaries/Project Director
28.	Hold the negotiations with the highest ranking consulting firm.	Negotiation Committee with support of the PMU
29.	If negotiations with the highest ranking firm fail to result in an acceptable contract, the next ranked firm will be invited for negotiations. Consult with the WB prior to taking this step.	PMU and Negotiation Committee
30.	Incorporate results of the negotiations in a draft Contract.	PMU
31.	Present to and agree draft Contract with the implementing agencies.	PMU
32.	Obtain the WB “No Objection” on Contract to be signed.	PMU
33	Inform unsuccessful bidders about successful completion of the negotiations.	PMU
34.	Sign the Contract with the consultant.	MoF
35.	Submit a copy of the signed Contract to the WB and assure appropriate registration of the contract.	PMU
36.	Return unopened financial proposals of firms who have not secured minimum qualifying mark during evaluation of quality of the proposals.	PMU
37.	Publish information about the contract award in UNDB online. Send the same information to all consultants who have submitted proposals.	PMU
38.	Provide explanation to any consultant who wishes to ascertain the ground on which its proposal was not selected.	PMU
39.	Receive the invoice for advance payment (if so specified in the Contract) and the bank guarantee by the contracted consultant, and pay the amount promptly to enable the work to begin.	PMU

Least Cost Selection (LCS) procedures will be used for selection of auditing firm for annual audits throughout the life of the project.

Steps in LCS		Responsibility
1.	Prepare the TOR compatible with available budget.	PMU
2.	Obtain the WB "No Objection" on the TOR.	PMU
3.	Establish a short-list based on the ECA list of qualified auditors	PMU with support from World Bank
4.	Preparation of short list and the RFP. Before composing the short list, the firms should confirm their interest in the assignment.	PMU
5.	Obtain the approval of the implementing agencies and the WB "No Objection" on the short list and the RFP.	PMU
6.	Send the RFP to the shortlisted firms, requesting technical and financial proposals to be submitted in two envelopes in one outer envelope.	PMU
7.	Document any question for clarifications and their respective answers, and respond to all consulting firms without identifying the name(s) of the consulting firms requesting clarification.	PMU
8.	Appoint committee for evaluation of proposals.	Project Lead Coordinator
9.	Receive the proposals and mark the time and date when the proposal was received. Return unopened any proposal received after the deadline.	PMU
10.	Open the technical proposals in presence of the Evaluation Committee immediately after deadline for proposal submission. Prepare the minutes on receipt of proposals and opening of technical proposals, and issue it to the World Bank and members of the Evaluation Committee.	PMU with the support from the Evaluation Committee
11.	Deposit the financial proposals with independent authority until they are opened publicly.	PMU
12.	Evaluate "quality" of technical proposals.	Evaluation Committee with help from the PMU
13.	Prepare the report on evaluation of "quality" of technical proposals. Obtain the WB "No Objection" on Technical Evaluation Report.	PMU
14.	Notify successful firms that they have secured the minimum qualifying mark and advise them on date, time and address for public opening of the financial proposals.	PMU
15.	Open the financial proposals publicly in the presence of evaluation committee members and representatives of the successful consulting firms who choose to attend. Announce the names of successful consulting firm and the read aloud the proposed prices.	PMU
16.	Prepare the minutes of the public opening of financial proposals and promptly send it to the WB and to all consultants who submitted proposals.	PMU
17.	Evaluate financial proposals.	Evaluation Committee with the support from the PMU
18.	Complete the Financial Evaluation Report. Obtain the WB "No Objection" on the report.	PMU
19.	Invite firm with the lowest price to negotiations.	PMU
20.	Appoint the Negotiation Committee.	Project Lead Coordinator
21.	Hold the negotiations with the consulting firm with the lowest price	PMU and the Negotiation Committee
22.	Incorporate results of the negotiations in a draft Contract;	PMU
23.	Present to and agree draft Contract with the implementing agencies.	PMU
24.	Obtain the WB "No Objection" on Contract to be signed.	PMU

Steps in LCS		Responsibility
25.	Inform unsuccessful bidders about successful completion of the negotiations.	PMU
26.	Sign the Contract with the consultant.	MoF
27.	Submit a copy of the signed Contract to the WB and assure appropriate registration of the contract.	PMU
28.	Return unopened financial proposals of firms who have not secured minimum qualifying mark during evaluation of “quality” of the proposals (if any).	PMU
29.	Publish information about the contract award in UNDB online. Send the same information to all consultants who have submitted proposals.	PMU
30.	Provide explanation to any consultant who wishes to ascertain the ground on which its proposal was not selected.	PMU
31.	Receive the invoice for advance payment (if so specified in the Contract) and the bank guarantee by the contracted consultant, and pay the amount promptly to enable the work to begin.	PMU

Selection under a Fixed Budget

The method is used for simple assignments when the budget is fixed. FBS procedures may be used for assignments related to Public Relations (PR) and Education campaigns. In accordance with paragraph 3.5 of the Consultants Guidelines the RFP shall indicate the maximum available budget and a firm will be selected that offers the best quality technical proposal within that available budget. The following table delineates steps necessary for completion of FBS and responsibility for their completion:

Steps in FBS		Responsibility
1.	Prepare the TOR compatible with available budget.	Beneficiaries
2.	Obtain the WB "No Objection" on the TOR.	PMU
3.	Publish Specific Procurement Notice.	PMU
4.	Appoint committee for evaluation of Expressions of Interest.	Project Lead Coordinator and Beneficiaries
5.	Prepare criteria for evaluation of Expressions of Interest.	Evaluation Committee with support of PMU
6.	Collect the EOIs received and file/copy them properly. Prepare the minutes on receipt of EOIs and issue it to the World Bank and members of the Evaluation Committee.	PMU
7.	Evaluate Expressions of Interest and prepare a short list of consultants who responded to the SPN.	Evaluation Committee with support of the PMU
8.	Prepare the Request for Proposals, which indicates maximum budget available.	PMU and beneficiaries
9.	Obtain the approval of the implementing agencies and the WB "No Objection" on the short list and the RFP.	PMU
10.	Provide the final short list to the firms who expressed interest, as well as to any other firm who specifically asked so.	PMU
11.	Issue the RFP to the shortlisted firms.	PMU
12.	Hold the meeting with the Consulting firms requesting to visit the PMU or site, if specified in the RFP.	PMU and Beneficiaries
13.	Document any question for clarifications and their respective answers, and respond to all consulting firms without identifying the name(s) of the consulting firms requesting clarification.	PMU and Beneficiaries
14.	If needed, modify the RFP through an Amendment approved by the WB and issue the Amendment to the shortlisted firms.	PMU and Beneficiaries
15.	Appoint committee for evaluation of proposals.	Beneficiaries
16.	Receive and mark the time and date when the proposal was received. Return unopened any proposal received after the deadline.	PMU
17.	Open the technical proposals in presence of the Evaluation Committee immediately after deadline for proposal submission. Prepare the minutes on receipt of proposals and opening of technical proposals, and issue it to the World Bank and members of the Evaluation Committee.	PMU
18.	Deposit the financial proposals with independent authority until they are opened publicly.	PMU
19.	Evaluate quality of technical proposals on the basis of criteria/subcriteria and points specified in the RFP. Each member of the Evaluation Committee shall score independently.	Evaluation Committee with support of the PMU
20.	Prepare the report on evaluation of technical proposals. Obtain the WB "No Objection" on Technical Evaluation Report.	PMU
21.	Notify successful firms that they have secured the minimum qualifying mark and advise them on date, time and address for public opening of the financial proposals.	PMU

Steps in FBS		Responsibility
22.	Open the financial proposals publicly in the presence of evaluation committee members and representatives of the successful consulting firms who choose to attend. Announce the names of successful consulting firm and their technical score, and the read aloud the proposed prices.	PMU
23.	Prepare the minutes of the public opening of financial proposals and promptly send it to the WB and to all consultants who submitted proposals.	PMU
24.	Evaluate financial proposals. Reject proposals that exceed the indicated budget.	Evaluation Committee with support of the PMU
25.	Complete the final evaluation report ranking the proposals according to their technical scores. Send the report to the WB for clearance.	PMU
26.	Invite to negotiations the selected firm with the highest technical score.	PMU
27.	Appoint the Negotiation Committee.	PMU and Beneficiaries
28.	Hold the negotiations with the highest ranking consulting firm.	Negotiation Committee with support of the PMU
29.	If negotiations with the highest ranking firm fail to result in an acceptable contract, the next ranked firm will be invited for negotiations. Consult with the WB prior to taking this step.	PMU and Negotiation Committee
30.	Incorporate results of the negotiations in a draft Contract.	PMU
31.	Present to and agree draft Contract with the implementing agencies.	PMU
32.	Obtain the WB “No Objection” on Contract to be signed.	PMU
33	Inform unsuccessful bidders about successful completion of the negotiations.	PMU
34.	Sign the Contract with the consultant.	MoF
35.	Submit a copy of the signed Contract to the WB and assure appropriate registration of the contract.	PMU
36.	Return unopened financial proposals of firms who have not secured minimum qualifying mark during evaluation of quality of the proposals.	PMU
37.	Publish information about the contract award in UNDB online. Send the same information to all consultants who have submitted proposals.	PMU
38.	Provide explanation to any consultant who wishes to ascertain the ground on which its proposal was not selected.	PMU
39.	Receive the invoice for advance payment (if so specified in the Contract) and the bank guarantee by the contracted consultant, and pay the amount promptly to enable the work to begin.	PMU

Selection Based on Consultants' Qualifications (CQ) procedures would be used for very small consulting assignments at the amount of less than US$100,000.

Steps in CQ		Responsibility
1.	Prepare the TOR compatible with available budget.	Beneficiaries with support of PMU
2.	Obtain the WB "No Objection" on the TOR.	PMU
3.	Publish Specific Procurement Notice, requesting information on the consultants' experience and competence relevant to the assignment.	PMU
4.	Appoint committee for evaluation of Expressions of Interest.	Beneficiary
5.	Prepare criteria for evaluation of Expressions of Interest.	PMU and the Evaluation Committee
6.	Collect the EOIs received and file/copy them properly. Prepare the minutes on receipt of EOIs and issue it to the World Bank and members of the Evaluation Committee.	PMU
7.	Evaluate Expressions of Interest and prepare the EOI Evaluation Report with the short list. Ask for additional qualification information (if needed)	Evaluation Committee and the PMU
8.	Obtain the approval of the implementing agencies and the WB "No Objection" on the EOI Evaluation Report and the RFP.	PMU
9.	Prepare the Letter of Invitation, which will ask the selected firm to submit a combined technical-financial proposal.	PMU
10.	Issue the LOI to top-ranked consulting firm from the short list.	PMU
11.	Provide clarifications as requested by selected consulting firm.	PMU with help from the Beneficiary
12.	Appoint committee for evaluation of proposals.	Beneficiary
13.	Receive combined technical-financial proposal.	PMU
14.	Review the proposal and prepare the Minutes on the Proposal Review.	Evaluation Committee with support of PMU
15.	Invite the selected consulting firm to negotiations.	PMU
16.	Appoint the Negotiation Committee.	Beneficiary/ PMU
17.	Hold the negotiations with the selected consulting firm.	Negotiation Committee and the PMU
18.	If negotiations with the first-ranked consulting firm fail to result in an acceptable contract, the second-ranking firm will be asked for combined technical and financial proposal and invited for negotiations. Ask for the WB prior approval before taking this step.	PMU
19	Incorporate results of the negotiations in a draft Contract.	PMU
20.	Present to and agree draft Contract with the implementing agencies.	PMU
21.	Obtain the WB "No Objection" on Contract to be signed.	PMU
22.	Sign the Contract with the consultant.	MoF
23.	Submit a copy of the signed Contract to the WB and assure appropriate registration of the contract.	PMU
24.	Publish information about the contract award in UNDB online. Send the same information to all consultants who have submitted EOIs.	PMU
25.	Provide explanation to any consultant who wishes to ascertain the ground on which its proposal was not selected.	PMU and the Evaluation Committee
26.	Receive the invoice for advance payment (if so specified in the Contract) and the bank guarantee by the contracted consultant, and pay the amount promptly to enable the work to begin.	PMU

Individual Consultants (local and international) would be hired in accordance with Section V of the Consultants' Guidelines.

Steps in IC		Responsibility
1.	Prepare the TOR compatible with available budget.	Beneficiary with support from the PMU
2.	Obtain the WB "No Objection" on the TOR.	PMU
3.	Publish advertisement in the national press and in Development Business (if needed), asking for CVs of individual consultants to be submitted as a part of the EOI.	PMU
4.	Appoint committee for evaluation of EOIs of individual consultants.	Beneficiary/ Project Lead Coordinator
5.	Prepare criteria for evaluation of EOIs of individual consultants.	Evaluation Committee with help from the PMU
6.	Collect the EOIs and file/copy them properly. Prepare the minutes on receipt of EOIs of individual consultants and issue it to the World Bank and members of the Evaluation Committee.	PMU
7.	Evaluate EOIs of individual consultants and prepare the Evaluation Report.	Evaluation Committee and PMU
8.	Obtain the approval of the implementing agencies and the WB "No Objection" on the Evaluation Report.	PMU
9.	Invite the first-ranked individual consultant to negotiations.	PMU
10.	Appoint the Negotiation Committee.	Beneficiary/ Project Lead Coordinator
11.	Prepare the draft Contract.	PMU
12.	Hold the negotiations with the selected individual consultant.	Negotiation Committee and PMU
13.	If negotiations with the first-ranked consulting firm fail to result in an acceptable contract, the second-ranking consultant will be invited for negotiations. Ask the WB for approval prior to taking this step.	PMU and the Negotiation Committee
14.	Incorporate results of the negotiations in a draft Contract.	PMU
15.	Present to and agree draft Contract with the implementing agencies.	PMU
16.	Obtain the WB "No Objection" on Contract to be signed.	PMU
17.	Sign the Contract with the consultant.	MoF
18.	Submit a copy of the signed Contract to the WB and assure appropriate registration of the contract.	PMU
19.	Inform unsuccessful consultants about successful completion of the negotiations.	PMU
20.	Provide explanation to any consultant who wishes to ascertain the ground on which she/he was not selected.	PMU
21.	Receive the invoice for advance payment (if so specified in the Contract) by the contracted consultant and pay the amount promptly to enable the work to begin.	PMU

Single – Source Selection

This method does not provide the benefits of competition and the transparency, so it is used in exceptional cases properly justified and approved. The following table delineates steps necessary for completion of SSS and responsibility for their completion:

Steps in SSS		Responsibility
1.	Prepare the TOR compatible with available budget.	Beneficiary/PMU
2.	Obtain the WB “No Objection” on the TOR.	PMU
3.	Prepare a letter of justification for the single source selection of the consultant	Beneficiary
4.	Prepare the Letter of Invitation, which will ask the selected consultant to submit a combined technical-financial proposal.	PMU
5.	Obtain the approval of the implementing agencies and the WB “No Objection” on the Letter of justification for the single source selection and the LOI.	PMU
6.	Issue the LOI to selected consultant.	PMU
7.	Provide clarifications as requested by the selected consultant.	PMU and Beneficiary
8.	Appoint committee for evaluation of proposals.	Beneficiary/PMU
9.	Receive combined technical-financial proposal.	PMU
10.	Review the proposal and prepare the Minutes on the Proposal Review.	Evaluation Committee with support of the PMU
11.	Invite the selected consultant to negotiations.	PMU
12.	Appoint the Negotiation Committee.	Beneficiaries
13.	Hold the negotiations with the selected consultant.	Negotiation Committee with support of the PMU
14.	Incorporate results of the negotiations in a draft Contract.	PMU
15.	Present to and agree draft Contract with the implementing agencies.	PMU
16.	Obtain the WB “No Objection” on Contract to be signed.	PMU
17.	Sign the Contract with the consultant.	MoF
18.	Submit a copy of the signed Contract to the WB and assure appropriate registration of the contract.	PMU
19.	Publish information about the contract award in UNDB online	PMU
20.	Receive the invoice for advance payment (if so specified in the Contract) and the bank guarantee by the contracted consultant, and pay the amount promptly to enable the work to begin.	PMU

ANNEX 4.9.1 POVERTY/SOCAL INCLUSION GRANT AGREEMENT

G R A N T A G R E E M E N T

dated _____

between the

REPUBLIC OF MACEDONIA
represented by the **MINISTRY OF FINANCE**
("MoF")

and the

The Municipality of _____
("Recipient)"

for

MKD _____
("Grant")

- Second Municipal Services Improvement Project - Macedonia –

Preamble

In accordance with the Loan Agreement No. _____(hereinafter "Loan Agreement"), dated _____, between International Bank for Reconstruction and Development and the Republic of Macedonia and the Sub – Loan No. ____ between the Republic of Macedonia represented by MoF and the Municipality of _____, the Republic of Macedonia represented by Ministry of Finance and the Municipality of _____ (hereinafter "Recipient") hereby enter into the following grant agreement.

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.1 The "International Bank for Reconstruction and Development General Conditions for Loans" (as defined in the Appendix 1 to this Grant Agreement) constitute an integral part of this Grant Agreement.

1.2 Unless the context requires otherwise, the capitalized items used in this Grant Agreement have the meanings ascribed to them in the General Conditions or the Appendix 1 to this Grant Agreement.

ARTICLE II – GRANT AMOUNT AND PURPOSE

2.1. The MoF shall extend a Grant to the Recipient, on the basis of satisfactory implementation of performance criteria, set forth in the Sub-Loan Agreement No.____, article 2.3, and Annex 1, the amount of MKD _____, to finance the project described in Schedule 1 to this Grant Agreement.

2.2 The Recipient shall use the Grant exclusively for investments under the Municipal Services Improvement Project – Macedonia ("MSIP Project") and, specifically, shall use the Grant to finance the project specified in the project documentation, described in Schedule 1 to this Grant agreement (project).

ARTICLE III – SUSPENSION OF DISBURSEMENT

3.1 The Recipient may at any time, subject to fulfilment of its obligations under Article 4, cancel any amounts not yet disbursed.

3.2 MoF may not suspend or terminate disbursements unless:

a) The Recipient has failed to perform its obligations to MoF under this Grant Agreement,

b) The Recipient is unable to prove that the proceeds from the Grant have been used for the stipulated purpose,

c) Extraordinary circumstances arise that preclude or seriously jeopardize the implementation, the operation, or the purpose of the Grant project, or the performance of the obligations assumed by the Recipient under this Grant Agreement.

ARTICLE IV – COST AND PUBLIC CHARGES

4.1 The Recipient shall make all payments to be effected under this Grant Agreement without any deduction for taxes, other public charges or other costs, and shall pay the transfer and conversion costs accruing in connection with the disbursement of the Grant.

4.2 All expenditures that can not be financed by the Grant in accordance with the provision of the Loan Agreement shall be borne by the Recipient.

ARTICLE V – GRANT PROJECT IMPLEMENTATION

5.1 The Recipient shall

(a) carry out its Grant project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines of the World Bank applicable to recipients of loan proceeds, the EAMF and the LARPF;

(b) provide, promptly as needed, the resources required for the purpose of the project;

(c) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the MoF and the World Bank, the progress of the project and the achievement of its objectives;

(d) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the MoF and the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the project; and (2) at the MoF or the Bank's request, have such financial statements audited in accordance with consistently applied auditing standards, and promptly furnish the statements as so audited to the MoF;

(e) enable the MoF and the Bank to inspect the project, its operation and any relevant records and documents; and

(f) prepare and furnish to the MoF or the Bank all such information as the MoF or the Bank shall reasonably request relating to the project.

ARTICLE VI– PROCUREMENT OF GOODS, WORKS AND SERVICES UNDER THE PROJECT

6.1. Procurement related to the Grant Project will be carried out in accordance with Section III of Schedule 2 to the Loan Agreement.

6.2. The PMU will carry out the procurement for the Grant project on behalf of the Recipient with participation of the Recipient in all stages of the procurement process.

6.3. The contracts under the project will be signed by the Recipient and the respective awarded contractors, suppliers and consultants.

6.4. The Recipient will be in charge of payments to be made directly to the respective contractors, suppliers and consultants, as in the accordance with the conditions of the

signed contracts. The Recipient will make the payments within 5 working days after the funds were received in the Grant Dinar account.

ARTICLE VII – SUPERVISION AND MONITORING OF THE WORKS

7.1. The Recipient will carry out the supervision and monitoring of works under the Project implementation.

7.2. The MoF through PMU can carry out its own supervision and monitoring of works.

7.3. Where there is disagreement between the Recipient's supervision and the PMU's supervision, the judgement of the PMU is binding.

ARTICLE VIII – HAND OVER, ACCEPTANCE AND PAYMENT OF GOODS, WORKS AND SERVICES

8.1. The acceptance of goods, works and services under the Project should be done by the Recipient, in accordance with the conditions of the signed contracts.

8.2. The quality of the procured goods, works and services shall correspond to the technical and quality parameters agreed by the Recipient and the respective contractors, suppliers and consultants, as in accordance with the conditions of the signed contracts.

8.3. Upon completion of the works or supply of goods, acceptance will be effected in the presence of the parties concerned – Recipient, Firm, Supervisory body and PMU. The performance shall be examined and if found satisfactory, final payment to the Firm shall be effected.

ARTICLE IX – PROCEDURE FOR PAYMENT

9.1. The PMU carries out all procurement processes on behalf of the Recipient and the Recipient is a signatory to the contract.

9.2. The transaction based disbursement method will be used for the Grant Project. The Recipient will open a Grant Denar account within the Treasury Single Account, to capture all transfers of funds related to this Grant Agreement. The Grant funds will flow from the PMU Designated Account, passing through the Grant Denar account, to the suppliers. The Recipient is obliged to transfer the Grant funds to the respective contractors, suppliers and consultants, as in accordance with the conditions of the signed contracts, but not later than 5 (five) working days after the funds were received in the Grant Denar Account. The Grant Denar Account will be managed and operated by the Recipient.

9.3. Documents evidencing that goods/services and works have been received and are in line with what has been contracted is a mandatory accompanying document for payment.

9.4. Any future request for payment by the Recipient needs to be supported by appropriate documentation that the previous payments have been executed.

ARTICLE X - RIGHTS, OBLIGATIONS AND RESPONSIBILITIES OF THE MoF& PMU

10.1. The MoF through PMU can carry out the monitoring of works, goods and services so that the amounts, costs and quality of the works provided by the "Firm" correspond to the technical specifications and budget agreed to by the PMU and the Recipient.

ARTICLE XI -RIGHTS, OBLIGATIONS AND RESPONSIBILITIES OF THE RECIPIENT

11.1. The Recipient shall be responsible for the operational maintenance of the works and activities provided as a result of the Grant Project implementation.

11.2. The Recipient carries out the monitoring and technical supervision of the goods, works and services, so that the amounts, costs and quality of the goods, works and services provided by the "Firm" correspond to the technical specifications and budget agreed to by the PMU and the Recipient.

11.3. The Recipient is obliged to provide the MoF/PMU with copies of contracts signed with the "Firm".

11.4. The Recipient shall monitor and evaluate the progress of the Sub-Project and prepare Grant Financial reports and furnish to the PMU not later than twenty (20) days after the end of each calendar quarter in form presented in Annex 2.

ARTICLE XII -MISCELLANEOUS PROVISIONS

12.1 The Recipient shall ensure that the Grant Project is carried out in accordance with the provisions of the World Bank Anti – Corruption Guidelines and the provisions of the Law against corruption (Official Gazette No. 83/04,126/06, 10/08 and 161/08) and the Law of hindering conflict of interests (Official Gazette No. 70/07).

12.2 If any of the provisions of this Grant Agreement is invalid, all other provisions shall remain unaffected thereby. Any gap resulting there from shall be filled by a provision consistent with the purpose of this Grant Agreement and the Loan Agreement No.___

ARTICLE XIII -CHANGES, AMENDMENTS AND NOTIFICATIONS

13.1. Changes and amendments can be made any time to this Grant Agreement between the Parties and shall be an integral part of this Grant Agreement.

13.2. Any changes and amendments shall be made in written.

13.3. Changes shall be executed in the form of amendments to this Grant Agreement.

13.4 Any notifications related to this Grant Agreement made by the Parties shall be submitted in written.

13.5 Amendments to this Grant Agreement and the respective notifications that are not executed according to the rules determined by this Article, shall not be considered as valid.

13.6 The changes and amendments to this Grant Agreement shall enter into force from the date of their signing or from any other date specified therein.

ARTICLE XIV – EFFECTIVENESS OF THE GRANT AGREEMENT

14.1 The Grant Agreement enters into force on the date of its signature by both parties.

ARTICLE XV -TERMINATION OF THE GRANT AGREEMENT

15.1 The Parties at any time can claim termination of this Grant Agreement on the basis of due justification.

15.2. If this Grant Agreement is terminated before the completion of works under the "Project" and the termination is caused by the failure of the Recipient to fulfil its obligations or by undue fulfillment thereof, the Recipient shall return also the used amount received prior to the termination of this Grant Agreement.

ARTICLE XVI - FORCE MAJEURE

16.1. In case of Force Majeure- wars, natural disasters, embargo, inhibit normative acts issued by the State, which have direct impact on this Grant Agreement and hamper its fulfilment, time limits of this Grant Agreement and the terms of its implementation shall be prolonged for the period of the Force Majeure.

16.2. The deterioration of existing social and economic conditions in Macedonia shall not be considered as Force Majeure.

16.3. In case of Force Majeure conditions the parties are obliged to inform each other thereof in written.

ARTICLE XVII – DISPUTE RESOLUTION

17.1. The Administrative court of the Republic of Macedonia shall be competent court for all disputes, and difference in opinions under this Grant Agreement.

Done in 2 originals in the Macedonian language

Skopje, this day of, _____

Republic of Macedonia	Recipient – The Municipality of
represented by the Ministry of Finance	

SCHEDULE 1

Detailed description of the Project to be financed with this Grant Agreement under the Second Municipal Services Improvement Project

Section I. Project Description

ANNEX 2

Format of Municipal Grant-project financial reports to the PMU

Second Municipal Services Improvement Project

Grant Project for _____, Grant No. ____

Municipality of _____

GRANT DENAR ACCOUNT STATEMENT

Account number _____

For the quarter ending xx/xx/20xx

In MKD

Opening Balance on GA		
Plus: Replenishment from the MSIP PMU during the period		
		0
Less: Amount of eligible expenditures paid during the period		
		0
Closing Balance as of the end of period		0
Balance per Grant Denar Account per Bank Statement No. in MKD		
Discrepancy in closing balance		0
Explanation		

Second Municipal Services Improvement Project

Grant Project for _____, Grant No. ____
Municipality of _____
BREAKDOWN OF GRANT
Account number _____
For the quarter ending xx/xx/20xx
In MKD

Contract	Grant No. / Invoice reference	Grant amount/ Invoice amount	Description	Paid grant amount to date/ paid invoice amount to date	Date of payment/ Bank stat. No.	Remaining balance (grant / Invoice)	Commitments	Outstanding payments
Contract 1								
- Invoice No.1								
- Invoice No.2								
- Invoice No.3								
Contract 2								
- Invoice No.1								
- Invoice No.2								
- Invoice No.3								
Total								

Brief narrative description of the factors influencing the financial and physical progress during the quarter as well further plans for completion of the sub projects implementation.

APPENDIX

Definitions

1. “Grant Agreement” means a grant agreement between a Participating Municipality and the Republic of Macedonia represented by the Ministry of Finance for provision of a Performance-based Investment Grant under Part C of the MSIP2 Project.
2. “Poverty/Social Inclusion Grant” or “Grant” means a grant provided or proposed to be provided by the Republic of Macedonia to a Participating Municipality under Component B of the Project.
3. “Project Management Unit” or “PMU” means the project management unit established by the Ministry of Finance for day-to-day Project management, coordination, monitoring and evaluation.
4. “Grant” means an amount provided by the Republic of Macedonia to a Participating Municipality to finance a project under Component B of the Project.

ANNEX 4.9.2 POVERTY/SOCIAL INCLUSION GRANTS PROCEDURE

Phase 1: VERIFICATION		
Municipality	Prepare letter of interest for Poverty/Social Inclusion Investment Grant submitted to the PMU	Letter of interest
Municipality	Mapping of the poorest settlement with objective data/rationale	Letter of interest
ISPSIG	Review by independent specialist for verification of Poverty/Social Inclusion Grant (ISPSIG)	
ISPSIG	Recommendation of ISPSIG on grant approval/disapproval	Report of PSIG
Coordination Committee	Presentation of Report of PSIG to the Coordination Committee (in case of positive recommendation of IPVC)	
Coordination Committee	Approval of grant by the Coordination Committee	Minutes from CC
PMU	Notification of grant approval to the municipality	Letter
Phase 2: APPLICATION		
Municipality	Preparation of technical documentation for grant	Technical documents
PMU	Review of technical documentation	
Municipality	Preparation of PAD for grant	PAD
Municipality, PMU	Submission of project appraisal documents	PAD + technical documents
WB	Project approval	Mail
PMU	Notification of project approval to the municipality	Mail
PMU	Preparation of grant agreement	Grant agreement
Coordination Committee	Approval of grant agreement by the Coordination Committee	Minutes from CC
MoF, Municipality	Signing of grant agreement	Grant agreement
Phase 3: IMPLEMENTATION		
Municipality, PMU	Preparation of bid documents	
WB	Approval of bid documents	Bid documents
Municipality, PMU	Tender	
Municipality, PMU	Implementation	Monitoring reports
PMU	Monitor and evaluate grant investment performances	Financial management reports

Poverty/Social Inclusion Investment Grants will be provided to municipalities as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions. These grants are specifically designed to target poorer and marginalized communities for municipal infrastructure improvements. Such communities will be identified via their geographic targeting of neighbourhoods within participating municipalities.

Municipalities by themselves will need to identify such a target community in lieu of reliable official community-level statistics. Community-level service coverage data on paved roads,

drainage, piped water, public sewers, kindergartens and other services as well as population data (vulnerable people, socially insecure people, receivers of the social welfare benefits, unemployed, etc.) could serve as a determinant of a neighbourhoods poverty status.

The capacity building and knowledge acquired under the Urban Partnership Program (UPP), funded by Austrian Government, which was provided to the municipalities aimed to improve local government capacity in few key areas such as municipal finance, urban planning and land management, and social accountability. This can be used for mapping the settlements and targeting the poorest and marginalized one, where the municipal infrastructure investments are essential for improvement of the basic level of municipal services.

Several UPP innovative capacity-building tools in support of the carrying out of “Urban Audits” are available to the municipalities and can be used for this purpose.

APPLIED APPROACH

All municipalities interested in the Grant Component have to present and provide the required documents to prove fulfilment of selected criteria for targeting the poorest and marginalized settlements. The set of documents that need to be provided by the Municipality in order to demonstrate that mapping of the neighbourhoods is properly prepared as well as guidelines for targeting the poorest one, will be developed by the independent specialist for verification of the poverty/social inclusion grants and will be included in this POM as well as in the template of the Grant agreement.

ANNEX 5.1. FINANCIAL MANAGEMENT MANUAL

a. MSIP2 Financial Resources

To achieve its objectives and perform its functions, the MSIP2 mobilizes and operates with World Bank (IBRD) loan resources transferred to the MSIP2 by the Government of Republic of Macedonia.

b. Use of MSIP2 Financial Resources

The financial resources at the disposal of MSIP2 will be used exclusively for:

(i) loan and grant financing of investment projects for municipalities;

(ii) provision of technical assistance to support (i) capital investment planning, sub-project preparation/implementation and local capacity building for municipalities to improve service delivery, (ii) strengthening municipal financial management systems and practices, and (iii) national level institutional strengthening.

(iii) provision of poverty/social inclusion grants to the municipalities;

(iv) financing of operating expenditures of MSIP PMU;

c. Financial management and accounting principles

i. Implementing Entity

The Ministry of Finance, through the MSIP PMU, which mandated with specific assignment of coordinating and managing both projects implemented by MoF, will act as the overall implementing agency for the projects. The MSIP PMU includes qualified and experienced financial management staff that will be further trained in disbursements and project financial management, as needed. One Financial Management Specialist (Currently acting as Lead Project Coordinator until appointment of the new Lead Coordinator which is planned immediately after the completion of the forth coming parliamentarian elections) and one Financial Management Assistant will perform financial management and disbursement functions of the project, as per the attached terms of reference. Under the above temporary arrangements, no single person is responsible for all stages of a transaction and there are several layers of controls in terms of reviewing and authorizing the contracts, invoices and payments under the project. The Lead Coordinator will direct and supervise the implementation activities.

ii. Accounting Policies

The accounting books and records are maintained on the cash receipts and payment basis in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the MSIP2 Loan Agreement. On this basis, cash receipts are recognized when received and cash expenditures are recognized when paid rather than when incurred.

The MSIP2 Project accounts are kept in local currency i.e. in Macedonian Denars ("MKD"). The MSIP2 Project financial statements will be presented in EUR as this will be the reporting currency of the Project.

Additionally the MSIP PMU will ensure that its accounting policies and procedures also comply with the accounting principles and methodologies for budget users set by the Ministry of Finance.

iii. Accounting standards

The accounting and internal control systems for MSIP2 will be maintained according to international accounting standards. The accounting systems will: (i) reliably record and report all financial transactions, assets and liabilities of the project, and (ii) provide adequate financial information for project managing and monitoring activities.

MSIP PMU will ensure that its accounting policies and procedures also comply with the accounting principles and methodologies set up by the Ministry of Finance.

iv. Accounting Management

Day to day management of accounting is the responsibility of Financial Management specialist, as supported by the Financial Management Assistant, who reports directly to the Lead Coordinator.

d. Project Financial Management System (PFMS)

The MSIP PMU established a Project Financial Management System (FMS) acceptable to the Bank, which keeps the accounts for MSIP2. The FMS is designed to accomplish the following objectives:

- Regular and precise record keeping and denoting of all project financial accounting transactions according to the requirements, needs and applications of the legislative of the Republic of Macedonia and the World Bank;
- Produce Financial reports for two separate groups of users: i) World Bank reporting requirements - as per forms and principals laid down in the WB guidelines, and ii) statutory reporting requirements – in accordance with the Macedonian legislation.

The basic principles are designed to ensure that the accounting records are complete, relevant and reliable, and that the accounting practices are followed consistently from one period to another, so that financial reporting is comparable. These terms are defined as follows:

- *Complete:* all appropriate transactions have been recorded in accordance with the accounting procedures manual;
- *Relevant:* accounting information is relevant when accounting transactions are recorded and reported in timely fashion; all accounts should be updated and reconciled on a monthly basis and reports should be issued no less frequently than each quarter. Financial information provided by the FMS influences the decisions of users by helping them evaluate past, present or future events or correcting their past evaluation;

- *Reliable:* information is reliable when it is free from material error, when it is neutral: that is, it is free from bias, and it can be depended upon to represent faithfully that which it either purports to represent or could reasonably be expected to represent;
- *Comparable:* users must be able to compare the financial statements of the Project over time in order to identify trends in its financial position and performance. Hence, the measurement and display of the financial effects of like transactions must be consistent over time.

The PFMS include:

- Proper accounting system
- Internal Control system
- Interim un-audited Financial Reports (IFRs)
- Auditing and monitoring of Project activities
- Accounting and Financial Flows
- Financial Control System

i. Information system

It was agreed with the PMU that accounting data would be backed up on regular basis.

MoF uses the Treasury system for its accounting and reporting. The Treasury system was assessed by the diagnostic work in Macedonia and found to be sound with reliable reporting and ex-ante controls. The reporting is based on the treasury reporting but due to the complexity of the project design and need for reliable and transparent timely information, Edusoft software is used for project accounting and reporting and supplements Treasury reports. "Edusoft" software is widely-used by World Bank financed projects in Macedonia and is considered a satisfactory system. It provides reliable accounting information. IFRs will be generated automatically by the software.

The MSIP PMU has purchased "Edusoft" software for the purpose assurance recording of business transactions. The project accounting software is upgraded to accommodate the financial information for theMSIP2 source of financing and to generate stand-alone IFRs for the MSIP2.

The Financial Management Specialist will record, classify, report and interpret MSIP2 project financial data. To keep necessary financial records and prepare financial statements, the MSIP PMU financial staff will follow the accounting cycle, a six-step process including:

- analysis of transactions from source documents into an appropriate number of debits and credits to be entered into accounting records;
- journalization of transactions, i.e. recording transactions in a journal for later posting to the general ledger;
- posting the general ledger at the end of each month of operations;
- adjusting general ledger at the end of each quarter
- closing and balancing the ledger at the end of the year;
- preparing financial statements in IFRs format.

The MSIP2 accounting structure should reflect the sources of funds, project component, disbursement categories, location of activities performed and relevant expense accounts, broken down into the various types of expenditures for the project. The accounting structure

should be able to produce financial reports that show budgetary items related to the current project financial data to measure MSIP2's performance in the implementation of the project.

ii. Internal Control System

The MSIP2 internal control system should be able to ensure that financial records are reliable and complete. In particular, the internal control system should ensure proper recording and safeguarding as well as transaction control.

Robust system of internal controls and procedures will be instituted for the project. The controls and procedures to be applied are described in the *Financial Management Manual.*

*K*ey internal controls to be applied for the project include:

- appropriate authorizations and approvals;
- segregation of duties;
- different persons being responsible for different phases of transaction;
- reconciliations between records and actual balances, as well as with third parties should be performed on regular basis;
- complete original documentation should exist to support project transactions.

Adequate procedures and controls will be instituted and applied in practice for loans and grant lines to municipalities. The respective procedures are designed to ensure use of funds for intended purposes and are described in Project/Grant Operations Manual.

Key internal controls and procedures include:

- clear identification of the Project's name and number in order to avoid/prevent double-financing of the same activity from both sources of financing MSIP and MSIP2;
- clear description of eligibility criteria for beneficiaries;
- clear description of eligibility criteria for projects;
- procedures relating to evaluation and selection of municipalities, including determining and describing responsibilities for this process;
- procedures and processes of monitoring of grants implementation, including reporting back;
- the procurement processes for the grants;
- clear segregation of activities financed under the MSIP and MSIP2;
- separate accounting and recording for both projects (MSIP and MSIP2);
- flow of funds.

The municipalities publish tenders and are signatory to the contract. After receiving an invoice, municipalities forward the invoice and necessary supporting documentation to the PMU. Document evidencing that goods/services have been received and are in line with what has been contracted is a mandatory accompanying document. An engineer within the PMU will perform on site visits and checks that the quality and quantity of the delivery is in line with contracts. Independent consultants may also be contracted to perform verification that goods, services or works have been delivered to acceptable level prior to payments.

The invoice is then registered and checked by the financial management assistant and reviewed by the financial management specialist who controls the invoice. After putting his/her initials the invoice is reviewed by the project procurement/engineer staff. All relevant documentation shall be attached to the invoice enabling the Lead Coordinator to immediately evidence that the necessary checks have been performed. Payment orders and

the invoice with all designated approvals and signatories are submitted for payment. In the cases of loans or grants, the funds are transferred to municipalities, which are obliged to transfer the funds to suppliers in the shortest possible time. Any future request for payment by municipalities needs to be supported by appropriate documentation that the previous payments have been executed.

Commercial Bank Statements of the Designated Account are received daily by the PMU, and Treasury reports on regular basis. Municipalities submit statements of their accounts to the PMU on regular basis and frequency is defined by the on-lending/grant agreement. Based on the Bank Statements/Treasury reports the PMU Financial Management Specialist will record executed payments and perform due reconciliation of the bank balances.

The MSIP PMU would establish additional internal controls that would mitigate the risk of double-financing, i.e. one sub-project implemented by a municipality under MSIP to be financed under the MSIP2; financing the same activity from two different Projects or posting the expenses under the wrong Project. The following measures would prevent the MSIP2 from this type of risks;

(i) In line with the FM arrangements agreed on, the Borrower (Macedonia) through MoF should open a separate Designated Account in the National Bank of the RM and a mirror Treasury account for the MSIP2 IBRD loan and maintain adequate analytical records to identify expenses per source of financing;
(ii) Sub loan/grant agreements stipulate that the municipality should open a separate Treasury account for any sub-loan/grant obtained under MSIP2, as well as maintain adequate analytical records to identify expenses per source of financing;
(iii) Each sub-loan/grant agreement should be declared at the Government Treasury System 15 working days after its signing, with notification of the Contract amount, date and number, Treasury account of the recipient of the funds (in our case the municipality) and the Treasury account of the payer of the funds (MoF) and the proposed schedule of payment. The Treasury system does not allow payments opposite of the declared instruction for payment.
(iv) Beneficiaries payment requests will clearly specify the sub-project name, source of financing (MSIP/MSIP2), and the documentation submitted (invoices, contract, bank statement) will contain references to the individual sub-project financed under MSIP2;
(v) The beneficiary's payment requests with all supporting documents will be carefully reviewed by the civil engineer/procurement specialist at the first stage of internal control, than by the financial management specialist at the second stage of control and then will be submitted for approval to the Lead Coordinator. Payment orders are prepared based on the approved beneficiaries' requests.
(vi) PMU will monitor sub-projects in Excel and Edusoft per MSIP and MSIP2 separately, per each municipality in terms of amount signed, amount spent, municipality contribution, and will book the expenses in analytical accounts per each source of financing;
(vii) PMU will report to the Bank on the breakdown of sub-loans and grants under both MSIP and MSIP2 on a quarterly basis;
(viii) The audit will have an extended scope from financial audit to ensure that sub-loans and grants funds have been given for the purposes intended, in accordance with the applicable procedures and they were used with efficiency.

iii. Interim Financial Reports

Interim un-audited Financial Reports (IFRs) will be regularly provided in accordance with the World Bank requirements, as well as the reports requested by the Government of the Republic of Macedonia.

Project management-oriented interim un-audited financial reports (IFRs) will be used for monitoring and supervision of Second Municipal Services Improvement Project. The format of the IFRs is included in the Financial Management Manual. The MSIP PMU will produce a full set of separate IFRs for each calendar quarter throughout the life of the MSIP2 project. They will be due 45 days after each quarter ends. The IFRs will comprise the following reports presented in the agreed format (as per Annex 5.3):

- Designated Account statement;
- Project Cash Receipts and Payments;
- Uses of Funds by Project Activity;
- Unit of Output by Project Activity;
- Breakdown of Loans and Grants;
- Accounting Policies and Explanatory Notes.

The accounting for the project is cash basis with additional information provided for commitments on signed contracts.

iv. Auditing of Project activities

As the capacity of the SAO for conducting efficient financial audit is still quite limited, the project's financial statements will be audited in accordance with terms of reference acceptable to the Bank by a private audit company acceptable to the Bank, and the audit report will be submitted to the Bank at the latest 6 months after the end of the period audited. The annual cost of the audits of the project will be covered by the project funds. Given the complexity of the components, the financial audit will have an extended scope and will check also if all loans and grants have been provided to municipalities for the purposes intended in accordance with the applicable conditions to ensure that the agreed outputs are delivered in an efficient manner.

v. Financial Control System

All transactions must be reflected by supporting documentation. The process of registering the supporting documents is the first step for record keeping.

Cash Control

A Petty Cash Fund is established to have small amounts of cash in Denar (MKD) for immediate payment of such items as office supplies, taxi fares, fuel, delivery charges, etc. All Petty Cash operations will be in line with the relevant articles from the Law on payment operations. The ceiling of Petty Cash Account will be regulated by the Decision for petty cash maximum issued by the Lead Project Coordinator. Whenever the petty cash fund drops below a certain balance it should be replenished through a withdrawal from the Project Designated Account. All disbursements from the petty cash fund must be documented with a corresponding receipt.

A system of internal control is established to ensure that petty cash amount is protected from theft or embezzlement. The Financial Management Assistant is managing the Project Petty

Cash and the Financial Management Specialist is in charge of cash control. Internal control procedures include the following:

- Cash is under lock;
- Statement of cash flow reflecting the both cash receipts and cash disbursement records;
- Regular maintenance of the cash counts sheet by the Financial Assistant and periodical entrance of each petty cash expenditures into the general bookkeeping ledger with allocation of appropriate account. Bookkeeping is done by the Financial Management Specialist.
- Regular reconciliation between the physical cash, accounting and cash counts records;
- Random control of the cash operations by the individuals which are not financial staff of the MSIP PMU;

Fixed Asset Control

The internal control of fixed assets such as furniture, equipment, and office accessories and any other asset procured under the MSIP2 is to be maintained by the MSIP PMU. All employees are responsible and accountable for fixed assets in their possession. The controls over fixed assets include: maintaining an assets register, verifying the existence and condition of assets periodically and developing policies for authorisation of asset disposal

- ❑ An Assets Register should be established with an entry for each asset. Each asset should be given a unique reference number for identification purposes. The register will contain information about where and when the item was purchased; how much it cost; reference number or serial number and depreciation. The Assets Register should be checked by an inventory committee at the end of each calendar year and any discrepancies will be reported and appropriate action taken.
- ❑ Regular maintenance (eg vehicles and equipment) and budgeting funds for this purposes will help to improve safety and prolongs the life the assets, as well as preserving their value.

Any acquired or donated assets will be recorded in a Fixed Asset Record, if the item has a value of EUR100 or more. This record will include a description of the asset, date received, cost or estimated value, location, and an indication if it was purchased or donated. The financial manager will maintain the Fixed Asset Record.

e. Bank account management, Flows of Funds and Documents and Disbursement Arrangements

i. Bank account Management for MSIP2 Loan

Project funds will flow from: (i) the Bank, either as an advance via a Designated Account to be opened in the NBRM as a part of the Single Treasury Account, which will be replenished under transaction based disbursement method, and managed as described below in the section on disbursement arrangements, or, if specific need arises, through direct payments to suppliers; and (ii) GoM, where payments will be executed by order of Ministry of Finance via the treasury system.

The transaction based disbursement method will be used for the MSIP2 Project. After effectiveness of the Loan a Designated Account will be opened in the NBRM, to which the funds will be transferred from the World Bank. A mirror Denar account is opened within the Treasury Single Account to serve as an operating account for withdrawals from the foreign currency account. The mirror account is credited only with amounts coming from the Designated Account. The Denar account is, in essence, a zero or immaterial balance account, with all spending taking place through it, with a corresponding transfer of the Denar equivalent amount from the foreign exchange account. The Designated Account will be managed and operated by MSIP PMU.

Municipalities who are sub-loans or grants beneficiaries will open Denar accounts within the Treasury Single Account, to which the funds will flow from the Designated Account (passing through the mirror Denar account), and from which the funds will flow to suppliers. In case a municipality is implementing several sub-projects financed under MSIP and/or MSIP2, different Treasury accounts will be used and separated accounting records per each source of financing and sub-project.

The payments under Components C will be managed and operated centralize, i.e. directly from the MSIP PMU, in that case, when payments to local suppliers are made, then a corresponding amount of foreign currency is exchanged in Denars and credited to the Denar mirror account. From there, the amount is transferred to the respective supplier. If a payment needs to be made to a foreign supplier in foreign currency, then the foreign currency equivalent amount is converted to Denars and credited to the mirror Denar account. The Denar account is then debited with the transaction amount, the Denars are converted to the appropriate foreign currency, and the respective amount transferred to the supplier. This flow of funds is followed even if the Designated Account and the payment due to the supplier are in the same currency. This ensures that the mirror Denar account, as part of the Single Treasury Account, captures all amounts paid to suppliers in the Treasury system.

The payments under Component A and Component B will be decentralized. Once the Municipality sign a Sub-Loan Agreement or Grant Agreement, the municipality is obligated to open a separate Sub-Loan or Grant Denar account within the Treasury Single Account, which will capture all transfers of funds related to that particular Sub-Loan or Grant. The Municipality Denar accounts are credited only with amounts comings from the MSIP2 Designated account through the mirror Denar account. When the Municipality has to made payments to local and foreign suppliers, than a corresponding amount of foreign currency from the MSIP2 designated account is exchanged in Denars and credited to the Denar mirror account. Than the same amount of Denar funds are debited from the Denar mirror account and credited to the municipality Sub-Loan or Grant Denar account. After that the municipality Sub-Loan or Grant Denar account is debited with the respective amount transferred to the supplier, i.e. funds flow from the Designated Account, through the mirror Denar account, to the municipality Sub-Loan or Grant Denar account. The municipalities are obliged to transfer the funds to suppliers within five working days. Any future request for payment by municipalities needs to be supported by appropriate documentation that the previous payments have been executed.

ii. Funds Flow and Disbursement Arrangements

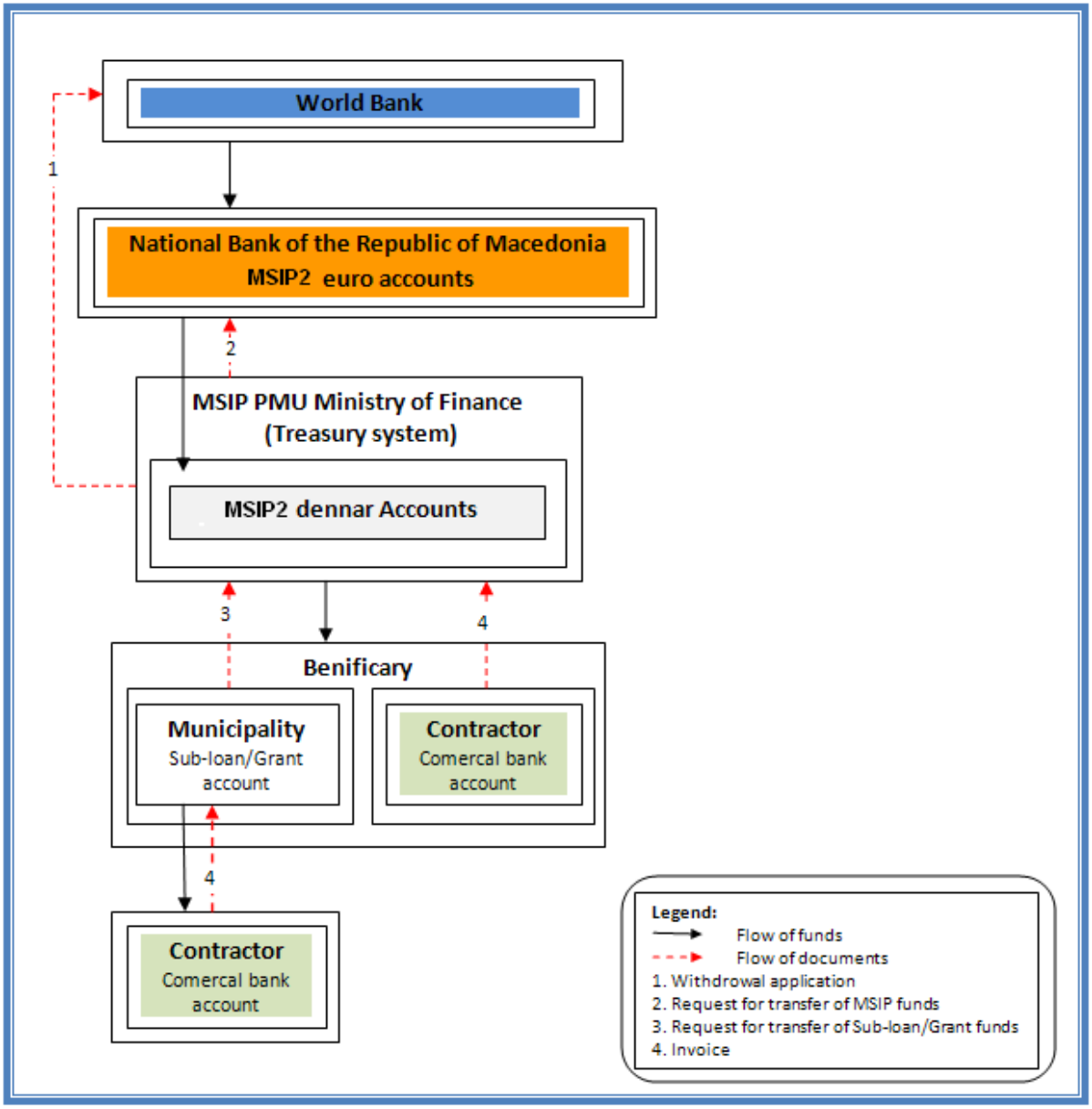

Chart 1: Flow of funds and Flow of documents for IBRD Loan

The procedure of receiving and processing the documentation is the following:

- The office administrator receives from municipalities/contractors/suppliers documentation for payment (invoices, interim certificate, request for funds etc.) and registers it in the MSIP2 Project archives writing down the number and the date, as well as putting the stamp.
- The office administrator than hand over the documentation to financial staff. They review and approve the documentation and put his/her initials on it. After that documentation is reviewed by the project procurement staff.
- The checked documentation afterwards is submitted to the PMU Lead Coordinator of the Project.

- After its verification by the Lead Coordinator, the documentation is once again submitted to the financial managers in order documents for payments to be prepared.
- The documents for payment prepared by the financial management specialist are submitted to the authorized signatures to be signed. In the end, the financial management specialist makes the payment and enters in the books.
- In the case of financing the on-lending loans/poverty social inclusion grants provided to the Municipality, the Municipality prior to request new portion of the loan/grant funds should submit to the MSIP PMU appropriate evidence that the previous payments have been executed.

iii. Disbursement Arrangements

a. Disbursement methods

The following disbursement methods may be used under the MSIP2.

- Advance to designated account
- Direct payment from the loan/Grant account at IBRD to a third party for amounts due,
- Special Commitments.

b. Withdrawal of Loan Proceeds

All disbursements (payments) for local expenditures to suppliers, contractors, consultants, etc., from the MSIP2 funds will be made in the local currency of Republic of Macedonia (MKD) and for reporting purposes converted into EUR. All foreign expenditures will be made in a currency other than the Denar (MKD).

The World Bank Form “Application for Withdrawal” - Form 2380 together with its Summary Sheet will be used for the following:

- Advance to designated account,
- Direct payment from the loan/grant account at IBRD to a third party for amounts due.

The Ceiling for the Designated Account is included in the Disbursement Letter which was agreed at negotiations.

Documentation requirements for replenishment would follow standard Bank procedures as described in Disbursement Handbook. Supporting documentations that should be provided with each application for withdrawal are as follows:

For reporting eligible expenditures paid from the Designated Account:

- For reporting eligible expenditures paid from the Designated Account:
    - Records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for: i) goods and non-consulting services against contracts valued at or more than EUR 160,000 equivalent; ii) works against contracts valued at or more than EUR 800,000 equivalent: iii) consultants’ services against contracts valued at or more than EUR 80,000 equivalent for firms and EUR 40,000 equivalent for individual consultants;
    - Statement of Expenditure in the prescribed form (Attachment 4 of Disbursement Letter) for all expenditures / contracts, including training and operating costs;

- List of payments against contracts that are subject to the World Bank's prior review, in the prescribed form (Attachment 5 to Disbursement Letter); and
- A Designated Account reconciliation statement (Attachment 6 to Disbursement Letter) and related bank statement.

Statements of Expenditure

The certified statements of expenditure shall provide a detailed listing of all payments made together with respective reference to the supporting documentation (including filing code) for each one. Statements of expenditure will be prepared under the responsibility of the Financial Management Specialist, they will be certified by the PMU Lead Coordinator.

For requests for Direct Payment:

- Records evidencing eligible expenditures, e.g., copies of receipts, suppliers invoice.

The Minimum Value of Applications for direct payment is defined in the Disbursement Letter.

Letters of Credit and Special Commitment

To finance the purchase of imported goods, in most cases the Borrower will need to open a Letter of Credit. If the commercial bank in question is unwilling to open, advice or confirm the letter of credit without any guarantee or security, the Bank at the request of the Borrower, can provide the commercial bank with the guarantee it requires in the form of a Special Commitment.

The World Bank "Application for Special Commitment" - Form 1931 will be used to request the Bank to issue a Special Commitment.

The Minimum Value of Applications for direct payment is defined in the Disbursement Letter.

Letters of Credit

Letter of credit will be opened before the shipment date. A letter of credit (a) describes the goods, (b) specifies shipment from/to destinations, and (c) defines payment terms, for example, 80% payment based on specified documents and 20% based on acceptance certificate.

Special Commitment

A special commitment is an irrevocable letter of credit confirmed by the World Bank. An Application for Special Commitment is submitted by the PMU to the IDA Task Team Leader in two signed copies.

Filing of Supporting Documentation

The supporting documentation for each payment (invoice and attached statements of work, copy of the signed payment order and copy of instruments delegating signature authority, if appropriate) shall be filed in accordance with a chronological numbering system. A file of supporting documentation shall be kept and regularly updated. It shall allow for document selection according to the following criteria (cross-referenced or not):

- Contract category
- Name of contracted firm
- Date or time period.

Replenishment of the MSIP2

Replenishment of the MSIP2 Designated Accounts will be made as follows:

- The MSIP PMU will send replenishment requests to IBRD with authorized signatures. The PMU will record the date of transmittal with the identification number and the date of the request.
- After a period of 15 working days, if the replenishment has not taken place, the Financial Management Specialist will send a follow-up email to IBRD, primarily in order to obtain the reference codes on the payment concerned.
- Upon receipt of this information, the PMU will alert the depository bank so that it may proceed to make any necessary inquiries.

Supervision Plan

During project implementation, the Bank will supervise the project's financial management arrangements in two main ways:

(i) review the project's interim un-audited financial reports for each calendar quarter, as well as the project's annual audited financial statements and auditor's management letter; and

(ii) perform on-site supervisions, review the project's financial management and disbursement arrangements to ensure compliance with the Bank's minimum requirements. Supervisions will be performed by the Bank accredited Financial Management Specialist.

ANNEX 5.2. EXTERNAL AUDIT – TERMS OF REFERENCE

TERMS OF REFERENCE

FOR THE AUDIT OF THE SECOND MUNICIPAL SERVICES IMPROVEMENT PROJECT FOR THE YEAR ENDED DECEMBER 31, 201X and throughout the life of the project

Background

The Second Municipal Services Improvement Project (MSIP2) will be financed through an IBRD Loan of EUR 25 million and will be implemented over a period of five years, until 2021.

The objective of the MSIP2 is to improve transparency, financial sustainability, and inclusive delivery of targeted municipal services in the participating municipalities.

The above-maintained Project includes the following components:

Component A: Municipal Investments (EUR 18.5 mn)

This component would provide sub-loans to selected municipalities that are eligible to borrow. Investments to be financed under this component would be mainly for revenue-generating public services and other investment projects of high priority to municipalities and with cost saving potential. These will include water supply, sewerage including small-scale wastewater treatment, solid waste management, energy efficiency improvements of municipal buildings, local roads, markets, street lighting, stormwater drainage, rehabilitation and limited construction of schools, kindergartens and other facilities for early childhood development.

Component B: Poverty and Social Inclusion Investment Grants (EUR 5 mn)

This component will provide investment grants to municipalities as an incentive for them to invest in infrastructure improvements in poorer and marginalized communities within their jurisdictions. Investment grants will be awarded according to simple and objective criteria and procedures as set in the Project Operational Manual.

Component C: Project Management, Capacity Building, Monitoring and Evaluation (EUR 1.5 mn)

This component would support operation of a project management unit (PMU) and assist with overall project implementation and monitoring.

Ministry of Finance (MoF) is in charge for overall implementation and therefore the special Project management unit (PMU) is established within the Ministry.

Objective

The objective of the audit is to enable the auditor to express an opinion on the project financial statements (PFS) of the Second Municipal Services Improvement Project as of [December 31, 201X.

The Project's accounting system (books and records) provides the basis for the preparation of the PFS, was established to record the financial transactions of the Project, and is

maintained by the Project's implementing agency, the Ministry of Finance of the Republic of Macedonia.

Scope

The audit will be conducted in accordance with International Standards on Auditing (ISA) as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC), with special reference to ISA 800 (Auditor's Report on Special Purpose Audit Engagements) and to relevant World Bank guidelines. Those Standards require that the auditor plans and performs the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In complying with ISA, the auditor is expected to pay particular attention to the following matters, including special considerations for public sector entities:

a) In planning and performing the audit to reduce audit risk to an acceptably low level, the auditor should consider the risks of material misstatements in the financial statements due to fraud as required by International Standard on Auditing 240: The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.

b) When designing and performing audit procedures and in evaluating and reporting the results thereof, the auditor should recognize that noncompliance by the entity with laws and regulations may materially affect the financial statements as required by International Standard on Auditing 250: Consideration of Laws and Regulations in an Audit of Financial Statements.

c) The auditor should communicate audit matters of governance interest arising from the audit of financial statements to those charged with governance of an entity as required by International Standard on Auditing 260: Communication of Audit Matters with those Charged with Governance.

d) The auditor should communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements as required by International Standard on Auditing 265: Communicating Deficiencies in Internal Control to Those Charged with Governance and Management.

e) In order to reduce audit risk to an acceptably low level, the auditor should determine overall responses to assessed risks at the financial statement level, and should design and perform further audit procedures to respond to assessed risks at the assertion level as required by International Standard on Auditing 330: The Auditor's Procedures in Response to Assessed Risks.

f) In instances where certain aspects of an entity's operations are performed by a third party service provider, the auditor is expected to include an understanding and assessment of the internal control environment of the service provider during the audit process as required by International Standard on Auditing 402: Audit Considerations Relating to an Entity Using a Service Organization.

g) As part of the audit process, the auditor is expected to obtain written representations from management and, where appropriate, those charged with governance as required by International Standard on Auditing 580: Written Representations.

In evidencing compliance with agreed project financing arrangements the auditor is expected to carry out tests to confirm that:

a) External funds have been used in accordance with the conditions of the relevant general conditions, relevant financing agreements and disbursement letter, with due attention to economy and efficiency, and only for the purposes for which the financing was provided. Relevant general conditions and financing agreements are the Loan Agreement for IBRD Loan No.8561-MK, as well as the separate on-lending and grant agreements between the Ministry of Finance and the participating municipalities;
b) Sub-loans and investment grants funds have been provided and used in accordance with the relevant conditions stipulated in the Loan Agreement of IBRD Loan No. 8561-MK and as per the more detailed provisions of the separate sub-loan and grant agreements to ensure that agreed outputs are delivered in an effective and efficient manner;
c) Counterpart funds have been provided and used in accordance with the relevant general conditions, relevant financing agreements and disbursement letter, and only for the purposes for which they were provided;
d) Works, goods and services financed have been procured in accordance with the relevant general conditions, relevant financing agreements and disbursement letter;
e) Necessary supporting documents, records, and accounts have been kept in respect of all Project ventures including expenditures reported via Summary or Designated Accounts (DA). Clear linkages should exist between the accounting records and the financial reports presented to the Bank.
f) Where Designated Accounts have been used, they have been maintained in accordance with the provisions of the relevant general conditions, relevant financing agreements and disbursement letters.
g) The PFS have been prepared in accordance with generally accepted accounting principles, practices and relevant World Bank guidelines, and give a true and fair view of the financial position of the Project as of December 31, 201X and of the resources and expenditures for the fiscal year then ending.
h) Review the compliance on each of the financial covenants in the Loan Agreement of IBRD Loan No. 8561-MK.

Project Financial Statements

The Project Financial Statements should include:

a) a Summary of Funds received, showing the World Bank, Project funds from other donors, and counterpart funds separately.
b) a Summary of Expenditures shown under the main project headings and by main categories of expenditures, both for the current fiscal year and accumulated to-date;
c) a Summary of Summary Reports used as the basis for the submission of withdrawal applications;
d) a Statement of Designated Account; and
e) a Balance Sheet showing Accumulated Funds of the Project, bank balances, other assets of the Project, and liabilities, if any.

Summary Reports

As part of the audit of the PFS, the auditor is required to audit all Summary Reports and Interim Un-audited Financial Reports (IFRs) used as the basis for the submission of withdrawal applications.

These Summary Reports (or Interim Reports) should be compared for project eligibility with the relevant general conditions, relevant financing agreements, and disbursement letter, and with reference to the Project Appraisal Document for guidance, when considered necessary. Where ineligible expenditures are identified as having been included in withdrawal applications and reimbursed against, these should be separately noted in separate note disclosures and also in the management letter, by the auditor. The Project Financial Statements (or included within the notes to the project financial statements) should be a schedule listing individual Summary Reports withdrawal applications by specific reference number and amount.

The auditor should pay particular attention as to whether:

a) the Summary Reports (or Interim Reports) have been prepared in accordance with the provisions of the relevant financing agreements.
b) expenditures have been made wholly and necessarily for the realization of project objectives.
c) information and explanation necessary for the purpose of the audit have been obtained;
d) supporting records and documents necessary for the purpose of the audit have been retained, and
e) the Summary Reports (or Interim Reports) can be relied upon to support the related withdrawal applications.

Designated Account

In conjunction with the audit of the Project Financial Statements, the auditor is also required to audit the activities of the Designated Account associated with the Project. The Designated Account usually comprise

(i) deposits and replenishments received from the Bank;

(ii) payments substantiated by withdrawal applications;

(iii) interest that may be earned from the balances and which belong to the borrower; and

(iv) the remaining balances at the end of each fiscal year.

The auditor should pay particular attention as to the compliance with the Bank's procedures and the balances of the Designated Account at the end of the fiscal year (or period). The auditor should examine the eligibility of financial transactions during the period under examination and fund balances at the end of such a period, the operation and use of the DAs in accordance with the relevant general conditions, relevant financing agreements and disbursement letter, and the adequacy of internal controls for this type of disbursement mechanism.

For this Project, the Designated Account are referred to the IBRD Loan No 8561-MK Agreement, the relevant general conditions, financing agreements and disbursement letter.

Audit Reports

The auditors will issue an audit opinion on the Second Municipal Services Improvement Project (MSIP2) Financial Statements (refer to the “Project Financial Statements” paragraph above for a definition of the statements included therein).

In addition to the audit opinion, the auditor will prepare a "management letter," in which the auditor will:

a) give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
b) identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
c) report on the lack of compliance of each financial covenant in the relevant financing agreement;
d) quantify and report expenditures that are considered to be ineligible and either paid out of the designated account(s) or which have been claimed from the World Bank
e) communicate matters that have come to their attention during the audit which might have a significant impact on the implementation of the project;
f) bring to the borrower's attention any other matters that the auditor considers pertinent; and
g) include management's comments in the final management letter.

The financial statements, including the audit opinion, and management letter should be received by the Project’s implementing agency, PMU, no later than six months after the end of the audited fiscal year. The Project’s implementing agency should then promptly forward two copies of the audited project financial statements (including audit opinion) and management letter to the Bank.

Public Disclosure

In accordance with "The World Bank (the Bank) Policy on Access to Information" dated July 1, 2010 for Bank-financed operations for which the invitation to negotiate is issued on or after July 1, 2010, the Bank requires that the borrower makes the audited financial statements publically available in a timely fashion and manner acceptable to the Bank. **In addition**, following the Bank’s formal receipt of these financial statements from the borrower, the Bank makes them available to the public in accordance with this policy.

Management Letters, special audits (i.e. whose nature is not financial), and unaudited financial statements (e.g. Interim Financial Reports) are not considered to be part of the definition of the audited financial statements for the purposes of disclosure.

Only in exceptional cases the Bank may agree i.e., when the audited financial statements contain proprietary or commercially sensitive information that the borrower or designated project entity may be exempted from disclosing the full set of audited financial statements, but is still required to disclose an abridged version of them in a form acceptable to the Bank. Exceptions are approved by World Bank management.

General

The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the MSIP Project Management Unit (MSIP PMU). This includes the maintenance of adequate accounting records and internal controls, the selection and

application of accounting policies, and the safeguarding of the assets of the entity. As part of the audit process, the auditor will request from management written confirmation concerning representations made to the auditor in connection with the audit.

The PMU will co-operate fully with the auditor and will make available to the auditor whatever records, documentation and other information is requested by the auditor in connection with the audit. The auditor should be given access to all legal documents, correspondence, and any other information associated with the project and deemed necessary by the auditor. Confirmation should also be obtained of amounts disbursed and outstanding at the Bank.

It is highly desirable that the auditor become familiar with the relevant World Bank guidelines, which explain the Bank's financial reporting and auditing requirements. These guidelines include:

- Reference Material to the Financial Management Manual for World Bank-Financed Investment Operations (March 2010): *RM 3 - Financial Reporting and Auditing*;
- Disbursement Handbook for World Bank Clients, dated May 2006 (available on Client Connection web site);
- Disbursement Guidelines for Projects, dated May 2006 (available on Client Connection web site).
- Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants - January 2011 (as revised in July 2014).
- Guidelines: Selection and Employment of Consultants under IBRD Loans & IDA Credits & Grants by World Bank Borrowers - January 2011 (as revised in July 2014).

This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

The auditor should understand that working papers under World Bank project can be subject to the review by Client's and/or World Bank designated staff.

ANNEX 5.3. FORMAT OF THE QUARTERLY IFR

Interim un-audited financial reports (IFRs)									
Second Municipal Services Improvement Project (IBRD Loan No. 8561-MK)									
PROJECT CASH RECEIPTS & PAYMENTS									
For the quarter ending xx/xx/20xx									
In EUR									
	Actual			Budget			Variance		
	Current period	Year To Date	Cumulative to Date	Current period	Year To Date	Cumulative to Date	Current period	Year To Date	Cumulative to Date
Sources of Funds									
IBRD Loan									
Interest Earned									
Total sources	-	-	-	-	-	-	-	-	-
Less: Uses of Funds									
A. Municipal Investments									
B. Poverty and Social Inclusion Investment Grants									
C. Project Management, Capacity Building, Monitoring and Evaluation									
Front-end Fee									
Total uses of funds	-	-	-	-	-	-	-	-	-

Net increase/(Decrease) in cash flow									
Bank Balances beginning of period									
Bank Balances end of period									

Interim un-audited financial reports (IFR)									
Second Municipal Services Improvement Project (IBRD Loan No. 8561-MK)									
USES OF FUNDS BY PROJECT ACTIVITY									
For the quarter ending xx/xx/20xx									
In EUR									
	Actual			**Budget**			**Variance**		
	Current period	**Year To Date**	**Cumulative to Date**	**Current period**	**Year To Date**	**Cumulative to Date**	**Current period**	**Year To Date**	**Cumulative to Date**
A. Municipal Investments									
Sub-Loan 1									
Contract 1									
Contract 2									
Payments without contract									
Other Sub-Loans									
Sub-total component A									
B. Poverty and Social Inclusion Investment Grants									
Grant 1									
Contract 1									
Contract 2									
Payments without contract									
Other Grants									
Sub-total component B									

C. Project Management, Capacity Building, Monitoring and Evaluation									
Contract 1									
Contract 2									
Payments without contract									
Front-end Fee									
Total Project Expenditures	-	-	-	-	-	-	-	-	-

Interim un-audited financial reports (IFR)

Second Municipal Services Improvement Project

(IBRD Loan No. 8561-MK)

DESIGNATED ACCOUNT STATEMENT

For the quarter ending xx/xx/20xx

In EUR

Opening Balance on DA		
Plus: Replenishment during the period		
Interest earned and retained on account		
Less: Amount of eligible expenditures paid during the period		
Refund from DA		
Closing Balance as of the end of period		
Balance per Designated Account Bank Statement Euro		
Discrepancy in closing balance		
Explanation		

MSIP2 Treasury Denar Account -

collected interest and principal from municipalities that received sub-loans

in MKD

Collected interest and principal from the municipalities Transferred funds to the Ministry of Finance		
Balance		**0**

Second Municipal Services Improvement Project (IBRD Loan No. 8561-MK)

UNIT OF OUTPUT BY PROJECT ACTIVITY

For the quarter ending xx/xx/20xx

In EUR

Activities from the MSIP2 Procurement Plan	Procurement plan amount Euro	Contracted in Euro equivalent	Paid amount in Euro equivalent	Procurement method	Contract amount original currency	Paid original currency	Contract amount local currency	Paid amount local currency	Commitment in contract currency (F-G)
A	B	C	D	E	F	G	H	I	J
Component A: MUNICIPAL INVESTMENTS									
Sub-loan 1									
Contract 1									
Contract 2									
Remaining sub-loan funds									
Other Sub-Loans									
Sub-total component A									
Component B: POVERTY & SOCIAL INCLUSION GRANTS									
Grant 1									
Contract 1									
Contract 2									
Remaining grant funds									
Other grants									

Sub-total component B									
Component C: PROJECT MANAGEMENT, CAPACITY BUILDING, MONITORING AND EVALUATION									
Contract 1									
Contract 2									
Sub-total component C									
Front-end fee									
Total									

Second Municipal Services Improvement Project (IBRD Loan No. 8561-MK)

BREAKDOWN OF LOANS AND GRANTS

For the quarter ending xx/xx/20xx

In EUR

Description	Loan/Grant No. / WB approved date	Loan/Grant amount	Paid loan/Grant amount	Remaining balance	Outstanding payments	Payment requests processed
Component A. Municipalities Investments						
Municipality 1						
Sub-Loan 1						
Contract 1						
Contract 2						
- Remaining loan funds						
municipality contribution, if any						
Sub-Loan 2						
Contract 1						
Contract 2						
- Remaining loan funds						
municipality contribution, if any						

Municipality 2 **Sub-Loan 1**						
Contract 1						
Contract 2						
- Remaining loan funds						
municipality contribution, if any **Sub-Loan 2**						
Contract 1						
Contract 2						
- Remaining loan funds						
municipality contribution, if any						
Component B. Poverty & Social Inclusion Grants						
Municipality 1						
Municipality 2						
TOTAL						

Interim un-audited financial reports (IFRs)

Second Municipal Services Improvement Project (IBRD Loan No. 8561-MK)

ACCOUNTING POLICIES AND EXPLANATORY NOTES

ANNEX 6.1. SEMI-ANNUAL PROGRESS REPORT FORMAT

Second Municipal Services Improvement Project

(MSIP2)

Semi-annual progress report

Project Name:

Project Number:

Reported period:

Prepared By:

Document Owner(s)	Project/Organization Role

PROJECT STATUS REPORT PURPOSE

Report purpose

- Status of ongoing sub-projects
- General data on progress in implementation: Number of new sub-loans and contracts
- Problems encountered and resolved

PROJECT STATUS REPORT DETAILS

1. Project objectives and description
2. Summary of project activities
3. Status of project components (by sub-project)
4. Implementation of previously planned activities and activities planned for the next semester
5. Project outcome indicators for the last reporting period
6. Other issues/ specific areas of concerns, specific problems
7. Recommendations

   Will the project be completed on time and on budget?

   Will the project outcome indicators be completed within acceptable quality levels?

   Are project issues and risks being addressed successfully and mitigated?

   Are all customers concerns being addressed successfully?

Annex 1: Financial management tables

Annex 2: Procurement plan

PROJECT STATUS REPORT TEMPLATE

Table 1: Project outcome indicators

No	PDO	Progress to date	The annual target	Target value (end of project)
1.	Increased accountability and transparency as evidenced by the percentage[9] of participating municipalities[10] that regularly[11] publish benchmarks and sub-project progress information on their municipal or CSE's websites, and on PMU's Project portal.			
2.	Number of participating municipalities implementing institutional development reforms contributing to the PDO, as evidenced by the number of municipalities that meet 4 or more of the 7 performance criteria (i.e. that qualify for performance grants).			
3.	Improved financial performance as reflected by the percentage of participating municipalities achieving increased revenue earnings and/or cost savings in completed sub-projects.			
4.	Percentage of participating municipalities achieving targeted improvements in delivery of selected services in completed sub-projects.			

9 Wherever "percentage" of participating municipalities is measured, the nominator and denominator in absolute numbers will also be reported to adequately reflect progress in a dynamic sub-project pipeline.

10 "Participating municipalities" are defined as municipalities that have signed a Sub-Loan Agreement

11 "Regularly" is defined as: minimum on a quarterly basis

Table 2: Intermediate outcome indicators

Component	No	Intermediate outcome indicator	Progress to date	The annual target	Target value (end of project)
A	1.	Number of municipalities that qualify for sub-loans (i.e. meet the eligibility criteria to participate in MSIP2)			
	2.	Number of sub-loans signed			
	3.	Number of sub-projects successfully completed			
B	4.	Number of participating CSEs and/or municipalities supported by TA activities under Component B			
	5.	TA contracts supporting national level institutions completed to Client's satisfaction			
	6.	Continued and sustained dialogue on institutional reform as evidenced by submission and review of studies to concerned ministries, such as development of a Strategy for Financial Intermediation for Municipal Investments			
C	7.	Number of applications to access funds (performance investment grant) under Component C			
	8.	Number of municipalities receiving a Performance Investment Grant			

PROJECT STATUS REPORT APPROVALS

Prepared by _____

PMU Lead Coordinator

Approved by_____

ANNEX 7.1: INDICATORS FOR MONITORING

Loan No. 8561-MK

(Second Municipal Services Improvement Project)

Performance Monitoring Indicators

Project Development Objectives

PDO Statement

The proposed Development Objective of MSIP2 Project (PDO) is to improve transparency, financial sustainability and inclusive delivery of targeted municipal services in the participating municipalities.

These results are at	**Project Level**

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
Direct project beneficiaries (Number) - (Core)	0.00	0	0	20,000	60,000	100,000	100,000
Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	0.00	0	0	50	50	50	50
Vulnerable/marginalized people with marginalized measured as the number of unemployed, social assistance receiving or in other ways vulnerable population that benefits from the project intervention (Percentage - Sub-Type: Supplemental)	0.00	0	0	5	7	10	10

Number of participating municipalities (i.e. the municipalities which signed sub-loan agreements) that regularly publish sub-project progress information on their official websites or elsewhere (Number)	0.00	2	4	8	14	20	20
Percentage of completed sub-projects that generated improved financial performance, including through increased revenue earnings or cost savings (Percentage)	0.00	0	0	30	50	90	90
Number of the completed subprojects that focus on social inclusion (Number)	0.00	0	0	5	9	17	17

Intermediate Results Indicators

		Cumulative Target Values					
Number of sub-loans signed (Number)	0.00	3	5	10	15	20	20
Number of poverty/social inclusion investment grants signed (Number)	0.00	0	0	5	9	17	17
Number of sub-projects, financed by sub-loans or grants, successfully completed (Number)	0.00	0	3	10	20	37	37
Number of jobs generated, measured as the number of employees of contractors and engineering companies that perform works under the sub-projects (Number)	0.00	200	500	900	1100	1,500	1,500

Number of visits to websites that publish sub-project progress information (Number)	0.00	5,000	50,000	100,000	250,000	500,000	500,000
Participants in consultation activities during sub-projects preparation (Number)	0.00	50	100	200	300	400	400
Participants in consultation activities during sub-projects preparation - female (Number - Sub-Type: Breakdown)	0.00	15	30	60	90	120	120
Piped household water connections that are benefiting from rehabilitation works undertaken by the project (Number) - (Core)	0.00	100	200	300	400	600	600
Roads rehabilitated, Rural (Kilometers) - (Core)	0.00	0	0	10	20	30	30
Roads rehabilitated, non-rural (Kilometers) - (Core)	0.00	0	0	8	15	20	20

ANNEX 7.2 SUB-PROJECTS RESULTS MONITORING

Water and waste water

These indicators are extracted from IBNET

Unit	Description	Notes
Service Coverage		
%	1.1 Water Coverage	Population with easy access to water services (either with direct service connection or within reach of a public water point)/total population under utility's nominal responsibility, expressed in percentage.
%	2.1 Sewerage Coverage	Population with sewerage services (direct service connection)/total population under utility's notional responsibility, expressed in percentage.
Water production and consumption		
litres/person/ day	3.1 Water Production	Total annual water supplied to the distribution system (including purchased water, if any) expressed by population served per day & by connection per month.
m3/conn /month	3.2 Water Production	Total annual water sold expressed by population served per day & by connection per month
litres/person/ day	4.1 Total Water Consumption	
m3/conn /month	4.2 Total Water Consumption	
%	*Water consumption split by customer type:*	*Shows the split of total water consumption into 4 customer type categories*
	4.3 Residential Consumption	
	4.4 Industrial / commercial Consumption	
	4.5 Consumption by Institutions & others	
	4.6 Bulk treated supply	
litres/person/ day	*4.7 Residential Consumption*	
Non revenue water		
%	6.1 Non Revenue Water	Difference between water supplied and water sold expressed as a percentage of net water supplied; as volume of water "lost" per km of water distribution network per day; and volume of water "lost" per water connection per day.
m3/km/day	6.2 Non Revenue Water	
m3/conn/day	6.3 Non Revenue Water	
Meters		
%	7.1 Metering level	Total number of connections with operating meter/ total number of connections, expressed in percentage
%	8.1 % sold that is metered	Volume of water sold that is metered/ Total volume of water sold, expressed in percentage
Network performance		
breaks/km/yr	9.1 Pipe Breaks	Total number of pipe breaks per year expressed per km of the water distribution network
blockages/km/yr.	10.1 Sewer System Blockages	Total number of blockages per year expressed per km of sewers

Operating Cost and staff		
US$/m3 sold	11.1 Unit Operational Cost W&WW	Total annual operational expenses[1]/Total annual volume sold.
US$/m3 produced	11.2 Unit Operational Cost W&WW	Total annual operational expenses[1]/Total annual water produced.
US$/m3 sold	*11.3 Unit Operational Cost – Water only*	Annual water service operational expenses[1]/Total annual volume sold.
%	*11.4Operational Cost Split - % Water*	Split of the total cost into water and wastewater
%	*11.5Operational Cost Split - % Wastewate*	
US$/WW pop served	*11.6 Unit Operational Cost – Wastewater*	Annual wastewater operational expenses[1]/ Population served
#/'000 W&WW conn	12.2 ☐ Staff W&WW/'000 W&WW conn.	Total number of staff expressed as per thousand connections
#/'000 W conn	*12.1 Staff W/'000 W conn.*	
#/'000 WW conn	*12.5 Staff WW/'000 WW conn*	
#/'000 W&WW pop served	12.4 Staff W&WW/'000 W&WW pop served	Total number of staff expressed as per thousand people served
#/'000 W pop served	*12.3 Staff W/'000 W pop served*	
#/'000 WW pop served	*12.6 Staff WW/'000 WW pop served*	
%	*12.7 Staff % Water*	Repartition of staff
	12.8 Staff % Wastewater	
Quality of service		
Hrs/day	15.1 Continuity of Service	Average hours of service per day for water supply.
%	15.2 Customers with discontinuous supply	The % of customers with a water supply that is discontinuous during normal operation.
% of # required	15.3 Quality of water supplied: nr of tests for residual chlorine	The number of tests carried out on samples taken from the distribution system, as a % of the number required by the standard that applies. This may exceed 100%. Operational samples, or any others that were not taken to check compliance with the standard, are excluded.
%	15.4 Quality of water supplied: samples passing on residual chlorine	The % of samples tested for residual chlorine that pass the relevant standard
% of W&WW conn	16.1 Complaints about W&WW services	Total number of W&WW complaints per year expressed as a percentage of the total number of W&WW connections
%	17.1 Wastewater – at least primary treatment	Proportion of collected sewage that receives at least primary treatment, i.e. involving settlement with the intention of removing solids, but not biological treatment. Both lagoon and mechanical treatment can be included, where appropriate.

%	17.2 Wastewater primary treatment only	Proportion of collected sewage that receives primary treatment only, i.e. involving settlement with the intention of removing solids, but not biological treatment. Both lagoon and mechanical treatment can be included, where appropriate.
%	17.3 Wastewater secondary treatment or better	Proportion of collected sewage that receives at least secondary treatment, i.e. removing oxygen demand as well as solids, normally biological. Both lagoon and mechanical treatment can be included, where appropriate.
Billing and collection		
US$/m3 water sold	18.1 Average Revenue W&WW	Total annual W&WW operating revenues expressed by annual amount of water sold
US$/m3 water sold.	*18.3 Average Revenue – water only*	*Operating revenues (W only) expressed by annual amount of water sold.*
% of total for W&WW	*18.4 Revenue Split - % water*	*% split of total revenue into water and wastewater*
	18.5 Revenue Split - % wastewater	
% of total water revenue	*18.6 Water revenue – residential*	*% split of water revenue by customer type*
	18.7 Water revenue – industrial/commercial	
	18.8 Water revenue – institutions & others	
	18.9 Water revenue – bulk treated supply	
%	23.2 Collection ratio	Cash income / Billed revenue as a %
Financial Performance		
Ratio	24.1 Operating Cost Coverage	Total annual operational revenues/Total annual operating costs
%	25.1 Debt Service Ratio	Cash income / Debt service * 100

Solid Waste management

Unit	Description	Notes
Coverage (extension)		
%	Population covered	Population living and working within appropriate distance of containers
inh/km2	Average density of population	For relevance of project. Help to differentiate little projects with huge impact and small ones
cont/inh	Repartition of containers	Containers by population

Rate of collection (improvement)		
%	Average rate of collection	Number of days of collection in a year
	Rate of collection of domestic and municipal waste	
	Rate of collection of commercial and industrial waste	
	Rate of collection of recycling	
	% of domestic and municipal waste	Repartition of wastes. On total collection volume
	% of commercial and industrial waste	
	% of construction and demolition waste	
	% of recycling on total collected	
	% of hazardous waste on total collected	
Efficiency (improvement and extension)		
t collected /day/inh	Total tonnage collected	more an indicator of the education level but can also indicate a better service and extension
%	Staff service	Staff / population
%	Staff efficiency	Staff / ton collected
km/t collected	Efficiency of routes	Average distance by ton collected (Keep in mind the Density of Population)
CO2/t collected	Carbon emissions	Green trucks AND efficiency
%	Complaints of population	
%	Complaints of staff	
Maintenance and operation (mostly improvement but extension as well)		
US$/ t collected	Operating costs for collection	For trucks
US$/ t collected	Cost of maintenance for trucks and containers	For trucks and containers (collection)
US$/ t disposed of	Operating costs for disposal	For installations (disposal)
US$/ t disposed of	Cost of maintenance for disposal installations	For installations (disposal)
%	Replacement rate for trucks	
%	Replacement rate for containers	
Disposal (new unit)		
%	Solid waste disposed of in appropriate landfill	
%	Solid waste incinerated with production of energy	
%	Recyclable solid waste recycled	Some collected containers might have to be discarded because the sorting is not done properly
%	Hazardous waste properly disposed of	
%	Solid Waste diverted to other municipalities/regions/countries	

Street Lighting

Unit	Description	Notes
Coverage (extension)		
%	Population covered	Population living and working in streets with appropriate illumination
inh/km2	Average density of population	For relevance of project. Help to differentiate little projects with huge impact and small ones
Km	Streets covered	km of streets with appropriate illumination
%	Streets covered	km of streets covered / total km of streets
Coverage (extension and improvement)		
%	High traffic streets	Repartition by type
	Medium traffic streets	
	Small Traffic streets	
	Sidewalks / Alleys	
	Parks	
	High traffic streets covered with average illumination >	Number of streets with better illumination / total number of streets (by type) Establish a survey to asses qualitatively the improve in lighting by type of street
	Medium traffic streets covered with average illumination >	
	Small traffic streets covered with average illumination >	
	Sidewalks / Alleys covered with average illumination >	
	Parks covered with average illumination >	
Efficiency (mostly improvement but extension as well)		
H	Hours of lighting	Number of hours of lighting during a day
kW	Energy efficiency of lamps	Annual electricity used / number of lamps/ annual hours of lighting
L / kWh	Luminous efficiency of lamps	Average illumination / average annual electricity used by lamp
Maintenance (mostly improvement but extension as well)		
%	Annual bulb replacement rate	For durability of bulbs
%	Annual lamps/poles replacement rate	For solidity of new material / resistant to degradation
US$/pole	Annual cost of maintenance	Annual cost of maintenance by pole
Social (extension and improvement)		
%	Night crime rate	
%	Night traffic accidents rate	
US$ / m2	Real estate value	Average Real estate value / m2
%	Satisfaction of night businesses	% of businesses which think have increased their earnings thanks to the better lighting
%	Complaint	

Transportation

Unit	Description	Notes
Coverage (extension)		
%	Population covered	at less than 500m of a station for a subway, 250m for a bus.
inh/km2	Average density of population	For relevance of project. Help to differentiate little projects with huge impact and small ones
St / inh	Stations coverage	
St / km2	Stations coverage	
St / lkm	Stations repartition	To understand the network / by type ?
%	PTA users rate	nb of tickets used + nb of season ticket's holders / population
Efficiency (improvement and extension)		
US$ / user / day	PTA Operating cost	cost by day for PTA / PTA users
US$ / km / day	PTA Operating cost	cost by day for PTA / number of km
%	Staff coverage	Staff / population
%	Staff efficiency	Staff / PTA users
%	'Clean' transportation	Comparison by type of transportation: number of 'clean' PTU / number of PTU
CO2/ user / day	Carbon emissions	Green service AND efficiency
%	Complaints of population	Annual number of complaints / pop // Satisfaction of service
%	Complaints of staff	Annual number of complaints / staff // Work conditions
s	Average wait for passenger at station	(by type of transportation: bus, subway, tramway, trolley…)
s	Average frequency of PTU passage during day	
s	Average frequency of PTU passage during nights/evening	
km/h	Average speed of service	(by type of transportation: bus, subway, tramway, trolley…)
Social		
%	Roofed stations	Number of roofed stations / number of stations
%	Accident rate	number of accidents by PTA user (outside transportation) and by km
%	Accident rate	number of accidents by km
s/day/inh	Average time to find a parking space	Average time to find a parking space/day/pop
s/day/inh	Average time spent in traffic jam	Average time spent in traffic jam/day/pop
	Air pollution	See regulations and indicators on air pollution
%	Access in PT for persons with reduced mobility (PRM)	by type?
%	Access in stations for PRM	by type?
%	Motorization rate	% of the population owning one car or more

Maintenance (mostly improvement but extension as well)		
US$/ pass	Cost of maintenance by PTA user	
US$/ km	Cost of maintenance by km	
%	Replacement rate of PTU	Might be needed to differentiate by type
%	Replacement rate for stations	
%	Breakdowns	Number of breakdowns / km

ANNEX 7.3. APPRAISAL PROCEDURE FOR CONSTRUCTION OF NEW KINDERGARTEN

BACKGROUND INFORMATION

Current network

Kindergarten services are provided by the municipalities, but the costs are covered from the state budget with block grants mainly based on the number of pre-school age children receiving the services in jurisdiction. Responsibility to manage kindergartens was transferred to those municipalities that entered 2nd phase of decentralization[12]. Financing with block grants means that those local governments where pre-school services were provided before the transfer of responsibilities are in a better starting position as they by rule receive transfers for kindergartens located at their territory. Last available data of 2014 indicate that kindergarten services were provided in 46 municipalities (out of 80 existing) in 57 facilities located in about 183 objects. Besides in 24 villages and 5 municipalities are organized groups on children care.

New facilities are financed from the state budget and decision on increasing the network is done on annual basis in the state programs on children protection. There is not national strategy on pre-school institutions development and needs. Evaluation of needs is done on case by case basis in reference to demographic and institutional data.

The number of kindergartens is gradually growing. In 2012 construction of new objects was completed in Aerodrom, Rosoman, Lipkovo, Saraj, Gjorce Petrov (Novoselski pat), Dojran, and capacity of existing kindergarten “Astibo” in Stip was extended. In 2013 the Ministry of Labor and Social Policy (MLSP) plans extension of capacities by transfer and adaption of existing spaces into kindergartens in rural settlements in v.Topolcani (Prilep), v.Dobroste (Tearce), v.Jankovec (Resen), v.Kalugernica (Radovis), v.Krivolak (Negotino), v.Beli (Kocani), v.Rankovce (Rankovce), v.Trsino (Vinica), v.Cesinovo (Cesinovo-Oblesevo), v.Tremnik (Negotino), v.Pepeliste (Negotino), v.Bogovinije (Bogovinije), Dojran and Gradsko.

The existing capacities are fully used in 25 municipalities only. In this group many municipalities do not only accept more children than capacity of the pre-school institution, but have also waiting list of those who may not be accepted. On the other hand, 21 municipalities that possess kindergartens on its territory do not fully use available capacities (see table below). The efficiency measured by the number of children per employee indicates wide spread: from 3.5 to 10.3.

Analysis on network of kindergartens conducted by the MLSP presented in the annual program on children protection indicates that in 2013 the service is provided to 18% of children in age up to 6 years, or 27,730 children, which indicates growth by 2% in comparison with the previous year. Average use of existing capacities is 116.7%. Those indicators imply the need of extension of kindergartens network, which will be partially satisfied with adapting by the Ministry 14 rural locations and transferring them into kindergartens as well with formation of new groups in existing institutions.

[12] First group of municipalities (42) entered 2nd phase of decentralization on September 1, 2007

Table 1: Basic data on kindergartens in Macedonia (2013)

		No of kinder gartens (public)	Total capacity (no of beds)	Used capacity (no of beds)	Used/ Total capacity	No of not accepted children	No of employees	Children/ employee
1	Berovo	1	240	303	126.3	0	53	5.7
2	Bitola	2	1095	1263	115.3	0	179	7.1
3	Bogdanci	1	200	195	97.5	0	27	7.2
4	Valandovo	1	250	190	76.0	0	34	5.6
5	Vevchani	1	75	41	54.7	0	4	10.3
6	Veles	1	910	974	107.0	0	133	7.3
7	Vinica	1	320	280	87.5	0	44	6.4
8	Gevgelija	1	630	646	102.5	0	91	7.1
9	Gostivar	1	330	454	137.6	0	64	7.1
10	Debar	1	270	209	77.4	0	32	6.5
11	Delchevo	1	212	259	122.2	120	32	8.1
12	Demir Kapija	1	60	55	91.7	0	10	5.5
13	Demir Hisar	1	105	71	67.6	0	14	5.1
14	Ilinden	1	196	218	111.2	86	30	7.3
15	Kavadarci	1	510	779	152.7	101	107	7.3
16	Kichevo	1	240	179	74.6	0	30	6.0
17	Kochani	1	580	707	121.9	0	84	8.4
18	Kratovo	1	160	116	72.5	0	25	4.6
19	Kriva Palanka	1	315	308	97.8	0	43	7.2
20	Krushevo	1	90	66	73.3	0	19	3.5
21	Kumanovo	1	859	1338	155.8	0	161	8.3
22	Makedonska Kamenica	1	160	129	80.6	0	24	5.4
23	Makedonski Brod	1	124	90	72.6	0	23	3.9
24	Negotino	1	435	388	89.2	0	57	6.8
25	Ohrid	1	765	733	95.8	0	89	8.2
26	Cheshinovo-Obleshevo	1	50	22	44.0	n.a.	n.a.	n.a.
27	Pehchevo	1	93	144	154.8	0	26	5.5
28	Prilep	1	672	753	112.1	0	115	6.5
29	Probishtip	1	350	336	96.0	0	40	8.4
30	Radovish	1	455	436	95.8	0	59	7.4
31	Resen	1	124	115	92.7	0	19	6.1
32	Rosoman	1	55	80	145.5	n.a.	n.a.	n.a.
33	Sveti Nikole	1	365	343	94.0	0	63	5.4
34	Struga	1	410	416	101.5	74	55	7.6
35	Strumica	1	670	1006	150.1	0	131	7.7
36	Tetovo	1	610	696	114.1	0	130	5.4
37	Stip	2	1090	1253	115.0	60	217	5.8
38	Aerodrom	2	1710	2571	150.4	64	308	8.3
39	Butel	1	800	841	105.1	0	112	7.5
40	Gazi Baba	2	1640	1655	100.9	248	212	7.8
41	Gjorce Petrov	1	655	991	151.3	442	118	8.4
42	Karpos	4	1749	2191	125.3	0	276	7.9
43	Kisela Voda	2	1550	1839	118.6	240	244	7.5
44	Centar	3	1635	2071	126.7	32	284	7.3
45	Cair	2	1130	1124	99.5	0	211	5.3
46	Shuto Orizari	1	130	139	106.9	0	23	6.0
		57	25074	29013	115.7	1467	4052	7.2

Source: SSO, Institutions for care and education of children - kindergartens 2013, 2.4.14.01 770

Note: Rosoman and Cheshinovo-Obleshevo were not included in this publications and are added based on Ministry of Labor and Social Policy data

The UNICEF support allows functioning centers on children development in the mostly endangered rural settlements. In the framework of Roma Decade, in 20 Macedonian municipalities the project is implemented on "Inclusion of Roma children in public pre-school facilities". The project is financed with funds of the MLSP, Roma Educative Fund and municipalities.

From 2013 the revisions of Law on children protection allows municipalities within City of Skopje to be founders of kindergarten (besides the government, municipalities and the City of Skopje).

LEGAL FRAMEWORK

Legal framework for kindergarten services is defined in "Law on children protection" (Official gazette 12/14 and 44/14), "Rulebook on standards and norms on kindergarten services" (Official gazette 28/14 and 40/14), annual "Decision on methodology and criteria on distribution of block grants on kindergartens", annual "Program on development of child protection" and Convection on children rights, Millennium development goals in section on 1st development goal (decrease in poverty), and other documents which reflect on-going convergence with EU regulations.

PROCEDURES FOR ESTABLISHING AND PERFORMING ACTIVITY OF PUBLIC KINDERGARTEN

Obtaining a legal entity status

- Kindergarten is established by the municipality and the Municipality of the City of Skopje.
- Municipal Council adopts decision for establishing public kindergarten, upon prior opinion obtained by the MLSP.
- MLSP, on the basis of analysis submitted by the municipality on the need for construction of public institution for children, as well as the data on the number of children up to 6 years obtained from the State Statistical Office, considers the justification for construction of new kindergarten. If the construction of public facility is justified and following the allocation of funds from the Budget of the Republic of Macedonia/Municipality Budget, the facility construction is envisaged in the Program on Development of Child Protection for the appropriate fiscal year. Mentioned Program is adopted by the Government of the Republic of Macedonia, being published in the Official Gazette.
- Following the completed construction and obtained usable license, the municipality submits request for approval for establishing kindergarten to the Ministry.
- Pursuant to Article 71 of the Law on Child Protection, institution for children may be established and start its operations if the conditions envisaged therein are fulfilled.
- Founder of the kindergarten is obliged, when establishing public institution for children, to establish Commission, which will carry out all preparations for starting its operations, pursuant to the Law on Child Protection.
- Minister of Labor and Social Policy establishes Commission, composed of three members for performing direct insight, so as to determine whether the conditions determined by this Law, as well as the other regulations are fulfilled, on basis of which, opinion is prepared (being necessary to the founder when reaching decision for establishing kindergarten).

- Institution for children may start its operations after the Minister determines whether the conditions determined by this Law and the other regulations are fulfilled and it will adopt Decision on performing the activity.
- Decision on performing activity should be adopted on the basis of opinion by the Commission.
- Following the adoption of the decision by the Minister, the institution for children is registered in the Central Registry of the Republic of Macedonia.
- Institution for children is registered in central registry of institutions, being kept by the MLSP. Municipality, as for its area, also keeps registry for public institutions for children.
- Enlargement of the programs for performing activity of the kindergarten (construction of new facility, within the existing public institution – kindergarten, provisions referred to in Articles 100 and 102 of the Law on Child Protection, are applied).

Staffing

- Activity - taking care and educating pre-school children is performed by employees in the following employment profiles: carers, educators, expert associates (senior nurses, social workers, music pedagogues, artistic pedagogues, physical education pedagogues), expert workers (pedagogue, psychologist, social worker, logopede, doctor, pediatrician, lawyer, economist, defectologue) and other profiles of employees (cookers, assistant cookers, etc.) and administrative staff. Number of groups in the kindergarten is basis for determining the standards for the necessary working hours for performing the activity, i.e. being basis for determining the necessary number of workers in line with the Rulebook on the Standards and Norms on Performing the Activity of a Kindergarten.
- Founder of public institution submits request for employing staff in the public institution - kindergarten, to the MLSP.
- Ministry of Labor and Social Policy, submits request for providing consent and funds for employing workers in the public institution, to the Ministry of Finance.
- When obtaining consent by the Ministry of Finance, MLSP submits it to the founder.
- In line with the existing legal regulations, founder starts the procedure by announcing public notice for employment of workers in the public institution.

Financing

- Financing of the function of the institutions for child protection (salaries and allowances for employees and costs for goods and services) is provided with funds from the Budget of the Republic of Macedonia through block grants. Total amount of block grants is determined in the Budget of the Republic of Macedonia. Manner of distribution of the amount of funds by municipalities is determined in the Decree on Methodology for Determining Criteria for Distribution of Block Grants for Public Institutions for Children - kindergartens by municipalities. Decree is adopted by the Government of the Republic of Macedonia for each fiscal year respectively, being published in the Official Gazette.

RULES ON BLOCK GRANTS

The formula of block grants is defined in governmental decree approved annually, but has not been changed for last few years. The block grants are transferred from the State Budget to the Municipality on a monthly base. Block grants are calculated as: Block grant = basic amount * coefficient

where: Basic amount = cost per child per pre-school care * number of children

Coefficient is defined based on the number of employees and level of used capacity

APPRAISAL CRITERIA UNDER MSIP2 FINANCING

The following minimum information will be required as a basis for appraisal of sub-projects on construction of new kindergartens:

(i) Assessment of local needs in pre-school treatment and existing infrastructure – indicators for the municipality vs. Macedonia (State Statistical Office data)

- Number of kindergartens (public and private)
- Number of children not accepted due to lack of capacity
- Capacity of kindergartens measured by the number of beds
- Used capacity measured by the number of beds
- Number of children in kindergartens (total and by age)
- Number of children per group (total and by language of performed activity)
- Number of employees per children (administrative and teachers)

(ii) Assessment of existing capacities (use of capacities (public and private), personnel gaps, financial requirements, equipment, etc.);

(iii) Population and demographic growth by area/ municipal district, including growth projections in the short-, medium- and long-term. Demographic analysis of the population flows should include economic developments, fertility, migration flows, etc.

(iv) Assessment of alternatives, including and not limited to: rehabilitation of existing buildings, transfer to other neighboring kindergartens, regional consolidation, adaptation of new spaces, interest of private investors;

(v) Assessment of other funding sources, in particular grants or interest free donor funds;

(vi) Coverage of municipal needs in state programs and in municipal strategic documents (studies, analyses, strategies);

(vii) Existing projects at the municipal level in the area of pre-school care;

(viii) Qualitative and quantitative goals of the project;

(ix) Detailed cost calculation, including operation, maintenance, and capital renewal cost of selected option and considered alternatives.

(x) Estimation of expected grant based on adopted formula vs. estimated incurring costs;

(xi) Financial viability of the project;

(xii) Evaluation of municipal capacity for co-financing the maintenance of the institution;

(xiii) Approvals from the relevant institutions. Submitting the sub-project on construction of kindergarten to the World Bank the municipality will have to provide the following documents:

- Municipal Council decision on new public kindergarten,
- Opinion and approval from the MLSP justifying the need of creation of new public kindergarten,
- Information to the government on creation of new public kindergarten financed with MSIP2 loan with announcement of future operation expenditures and sources of financing.

Once the institution is constructed and functional, it will automatically receive block grant funds for its operations according to the general formula adopted on annual basis for all pre-school institutions.

The analysis conducted according to the above mentioned structure should provide answers to the following questions that will be part of the submission form:

- Is the creation of new kindergarten justified by the demographic data?
- Is the creation of new kindergarten justified by the lack of existing infrastructure?
- Has the municipality applied to the MLSP for construction of public kindergarten?
- Was it evaluated by the MLSP as justified?
- Has the municipal Council adopted decision on new public kindergarten?
- Is construction of kindergarten included in local capital investment plan or other strategic municipal documents?
- Was the government informed about construction of new kindergarten institution/object?
- Is new public kindergarten financially or economically justified?