



THE REPUBLIC OF MACEDONIA
Ministry of Local Self-Government



PROGRAMME FOR
**IMPLEMENTATION OF THE
DECENTRALISATION PROCESS AND LOCAL
SELF-GOVERNMENT DEVELOPMENT IN THE
REPUBLIC OF MACEDONIA**

2011-2014





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Programme for Implementation of the Decentralisation Process and Local Self-Government Development in the Republic of Macedonia **2011-2014**



DECENTRALIZATION
DECIDING FOR OURSELVES

November, 2011

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The views expressed herein are those of the document drafting group and do not necessarily reflect the official position of the United Nations Development Programme (UNDP) and United States Agency for International Development (USAID)



Respected Readers,

Herein is the fourth Programme for Decentralisation Process Implementation. The enactment of the Programme coincides with the observance of the 10th anniversary of the Ohrid Framework Agreement signing, wherein government decentralisation is one of the pivotal elements and a prerequisite for its successful implementation.

The new Programme refers to the period until year 2014, during which the Government of the Republic of Macedonia will continue to implement the defined priorities. All of these priorities aim at accomplishment of the mid-term objectives, which are always focused on the citizens. The Programme's core is to incite more dynamic local economic growth via conducting a range of designed measures, thereby having an impact on the quality of living in the local community. The fulfilment of the said goal is correlated to ensuring greater financial stability of municipalities, diminishment of disparities between planning regions and municipalities, encouragement of citizens' participation in the decision-making process pertaining to local authority issues, coupled by establishment of partnerships between local self-government units and the civil sector and other relevant organisations and entities.

With government decentralisation, municipalities in the Republic of Macedonia are responsible for implementation of a plethora of policies that have incorporated the European standards. In addition, municipalities are involved in programmes through which they can become direct beneficiaries of assets from the European Union funds, such as the Transboundary Cooperation Programme. Municipalities are one of the key entities in the process of integration of the Republic of Macedonia into the European Union. Strengthening of local self-government administrative capacities along with encouragement of cooperation at all levels will remain a priority in the future: collaboration between the central and local government, collaboration between municipalities as a condition for provision of services to citizens that are of improved quality and more economical, plus cooperation in preparation of joint projects, which will be competitive in obtaining assets from the European Union funds and from other international and bilateral programmes.

Respected Readers,

It is only through joint efforts, great commitment and understanding that results can be achieved, particularly in the implementation of a complex and long-lasting process such as decentralisation, involving a large number of entities, citizens inclusively. Their evaluations concerning the effects of the current Programme document will significantly influence the generation and implementation of the Ministry of Local Self-Government future policies since it is the citizens that we are here for.

Nevzat Bejta,
Minister of Local Self-Government



1. Introduction

The Programme for Implementation of the Decentralisation Process and Local Self Government Development in the Republic of Macedonia 2011-2014 has been prepared based on the conducted analysis, covering the past five-year period of crucial implementation of the decentralised powers by the local self-government units, and the engagement of the competent ministries involved in the reform enterprises in the domain of local self-governance in the past decade, following the amendments to the Constitution of the Republic of Macedonia in 2001 and the enactment of the Local Self-Governance Law in January 2002.

With the implementation of the Laws on Local Self-Government, Local Self-Government Units Funding, Local Self-Governance Territorial Organization, the Law on the City of Skopje and approximately forty other laws related to the area of local self-governance, the power was devolved along with a large number of administrative functions, resources and the delivery of a substantial range of services. As a result of the decentralisation process, the local self-government units (LSGUs) gained serious administrative, financial and human resources for implementation of the competencies.

The analysis performed into the decentralisation process in the Republic of Macedonia has demonstrated that notwithstanding the fact that the initial challenges have not been fully overcome, the local self-government units have made a significant step forward in their capacity building for proper governance at the local level. In the long run, the Mid-Term Review of the Decentralisation Process, generated based on the analysis, has reaffirmed the importance of the decentralization process continuation aimed at improvement of the quality of living of all citizens. The

Review has also corroborated the fact that despite the complexity of the decentralization process, the country has succeeded in creating a comprehensive local self-government framework and system within a relatively brief period of time. While the decentralisation process already shows tangible outcomes, it still holds potential for investment of new energy and exploration of new perspectives to be pursued in the near future.

The implementation of the local self-government reform in the Republic of Macedonia and the decentralisation process as its pivotal segment is aimed at further society democratisation coupled by enhancement of public services for citizens. Taking into account the outputs but also the drawbacks in the current decentralisation process implementation, it can be asserted that in the forthcoming three years, key challenges will be as follows: democratic governance at a local level, and integrated and sustainable development of local self-government units. These elements are imperative for creation of an atmosphere for attracting investments, economic growth, and achievement of development that will equally concern the economic, social and environmental aspects at the level of LSGUs.

European standards and experiences but also the good practices already applied by certain municipalities can generate further momentum to move the process forward and assist in bringing the government closer to the citizens. In a process of mapping, equitable comprehension and broad dissemination of the results, the lessons learned can offer guidelines and inspiration for policymakers at the central level, the local authorities and administration as well as civil society organizations and citizens, and help strengthen the process in the forthcoming period



2. Strategic Programme Parameters

The Programme for Implementation of the Decentralisation Process and Local Self Government Development in the Republic of Macedonia 2011-2014 is based on the benefits and drawbacks identified in the process implementation to date in the following areas:

- 1) legal framework for transfer of competencies and resources;
- 2) fiscal decentralization;
- 3) service delivery and institutional capacity of LSGUs;
- 4) local democratic practice and citizen participation, and
- 5) communication, coordination, monitoring and evaluation of policies, both on horizontal and vertical levels.

LEGAL FRAMEWORK FOR TRANSFER OF COMPETENCIES AND RESOURCES

| Progress | Key Challenges |
|--|---|
| The current legal framework provides the required foundation for consolidation and advancement in the transfer of competencies to the LSGUs. | The legal framework and its amendments and supplementation are sometimes too extensive in terms of LSGUs capacities and their capability to digest, follow and implement the actions derived thereof. |
| The transfer of competencies to LSGUs is moving forward. | The progress varies in terms of pace and depth, and there are challenges in the implementation of each of the devolved competencies in view of the fact that the eighty-five LSGUs are heterogeneous. |
| The primary focus of the central government and local authorities has been ensuring the transfer of resources in compliance with the legal framework. | Insufficiency of benchmarks for measurement of results with respect to the quality of services delivered by LSGUs. |
| The current institutional system for communication and coordination of the decentralization process has a growing number of stakeholders and institutions involved in the process. | The system is fragmented; it is yet to be entirely transparent, and needs coordination, coherence and leadership. The Ministry of Local Self-Government, the line ministries (including the newly structured Ministry of Information Society and Administration -MISA), the Secretariat for Framework Agreement Implementation, and the LSGUs ought to reinvent their missions, visions, organization charts, budgets and human resources, to be aligned with the new and complex emerging necessities. |
| Citizens are beginning to identify the decentralized areas that have "tangible impact on their everyday lives and the life of their families." | Perception of considerable influence by the central authorities upon the LSGUs persists, along with acknowledgement that the full benefits from the decentralisation process are still not sufficiently evident to the average citizen. |
| The central government and LSGUs work together on many fronts of the decentralization process. | There is a need for novel modes of articulation and reinforcement of the vertical (central-LSGUs) and horizontal (among LSGUs) communication and coordination. |
| The employment of the top-down policy approach is still indispensable in certain areas of policymaking and for specific activities. | The top-down policy approach in policymaking should gradually be substituted by a more strategic and more articulated approach, wherein LSGUs would assume increased responsibilities for sustainable human and economic development. |

| FISCAL DECENTRALISATION | |
|--|--|
| Progress | Key Challenges |
| Over the past five years fiscal decentralization has made progress, in terms of building of LSGUs capacity for collection and management of local taxes and levies, grants awarded by the central government, accompanied by increase of the funding sources on the ground of concessions, sales of state-owned construction land etc. | Certain LSGUs are not capable of settling their debts yet, and the said state of affairs remains a key challenge for “graduating” into the alleged second fiscal decentralization phase, which, in the long run, severely lessens their financial stability. |
| LSGUs have been assigned management and administrative competencies in the domain of taxes and levies. In most of the municipalities (beyond 90%), the process of graduating into the second phase of fiscal decentralisation has been completed. Concurrently, LSGUs manage a larger amount of funds in a more flexible manner due to the augmented scope of transfers (subsidies) in the spheres of education, culture, social care (mainly kindergartens), and fire protection. | LSGUs differ in their fiscal capacities not only in terms of assuming new financial duties or using the new financial opportunities but moreover in terms of duty performance in a transparent and accountable fashion, with greater citizens’ involvement in the decision-making process, in particular in budget preparation and implementation. |
| Initiatives for re-examination of the current system of LSGUs funding via block and earmarked subsidies and its redesigning, with the purpose of reducing the existing discrepancies, especially evident between urban and rural municipalities. Establishment of an equalisation system, based on the municipalities’ fiscal capacity. | There are huge disparities among LSGUs as a result of the current funding system via block and earmarked subsidies for financing of the devolved institutions only, which are mainly located in the larger, urban municipalities. |
| The fiscal decentralization process has predominantly been viewed from financial and economic aspects. Emphasis has been laid on LSGUs as financial units. | Promotion of a more comprehensive and integrated stance towards fiscal decentralization as a vehicle rather than an end, in addition to articulation of the process by inclusion of other dimensions such as political, institutional, programmatic, along with issues connected to transparency and accountability. Emphasis on the LSGU as a local democratic governance unit. |
| Determination of minimum standards for provision of services represents a strategic goal. | The minimum standards for provision of services have not been made fully operational and applicable to each and every LSGU. |
| The establishment of inter-municipal cooperation has assisted many municipalities in strengthening their capacities for implementation of specific competencies and service delivery in a more streamlined mode. | Continued encouragement of inter-municipal cooperation as a means of making the services equitable at a local level, notwithstanding the different fiscal capacities of the LSGUs. |
| The capacity for property tax administration has improved significantly, resulting in an overall national increase in property tax collection. | Reinforced support to LSGUs in collection and administration of taxes, accompanied by more effective application of the market assessment methodology. |
| Citizens recognize the importance of fiscal decentralisation. | Citizens deem that fiscal decentralisation is yet to be fully implemented; therefore they do not see the real impact and results yet. |

SERVICE DELIVERY AND INSTITUTIONAL CAPACITY OF LSGUS

| Progress | Key Challenges |
|---|--|
| <p>The addressing of the issues of service delivery and institutional capacity of local government has commenced, albeit still insufficiently compared to what has been envisaged with the legal framework and the anticipated fiscal decentralization effects.</p> | <p>Due to the process intensity and the extreme emphasis on transfer of competencies, resources and fiscal responsibilities, LSGUs find it difficult to tackle all challenges related to service delivery.</p> |
| <p>Citizens are rather satisfied with the service delivery by the LSGUs with the launch of the decentralization process.</p> | <p>Citizens are not wholly content with the services provided by municipalities given that they have not observed a major difference in terms of public services delivery, which would be attributed to the decentralisation process.</p> |
| <p>The agenda to strengthen LSGUs capacities and resources has achieved progress.</p> | <p>As it is the case in many other countries, the supreme challenge for local self-government in the Republic of Macedonia is the limited capacity of the majority of local authorities to make the most of their new competencies, respond to the amended regulations, and provide quality services to citizens and entrepreneurs.</p> |
| <p>The current platform of LSGUs capacity building in terms of service delivery is commonly driven by the parameters of offer, not of demand. The administration entities of central government (Ministry of Local Self-Government, the line ministries, including the restructured Ministry of Information Society and Administration-MISA) have provided the much needed capacities, focusing on training and human resources building.</p> | <p>There is a necessity of establishing an integrated institutional framework whose capacity building process will be driven by demand. Participation of the central and local government 1) at the level of an individual (the line ministries' staff engaged in the process, local government employees and elected representatives); 2) at the organizational level (the ministries, local government units, non-governmental organizations) and 3) at the systemic level (systems of integrated management, information and service delivery). In this phase, a stress on the organizational and systemic capacity issues of LSGUs related to service delivery is critical; for instance, public-private partnerships and more specialised training for implementation of administrative competencies and service delivery. The mere scope of the deficit coupled by the lack of a system of information exchange indicates that neither the central government nor ZELS are able to accomplish that on their own or in isolation.</p> |
| <p>The government and the donors have promoted and endorsed a plethora of capacity-building activities and initiatives for service delivery.</p> | <p>Despite the commitment, there is very scarce information on the performance and service delivery capacity at the level of LSGUs. Thus far, there has not been any measurable result of the specific service delivery at the LSGUs level, following the transfer of competencies. There is not a comprehensive system in place to measure and monitor the progress or challenges in both capacities and public service delivery.</p> |
| <p>There is a perception that LSGUs must possess capacities to translate the central processes into local dynamics and enhanced public service delivery.</p> | <p>Local capacities ought to be upgraded by offering incentives to LSGUs employees, and experimenting with management approaches that require better performance and achievement of measurable results in services, both social and entrepreneurial.</p> |

LOCAL DEMOCRATIC PRACTICE AND CITIZEN PARTICIPATION

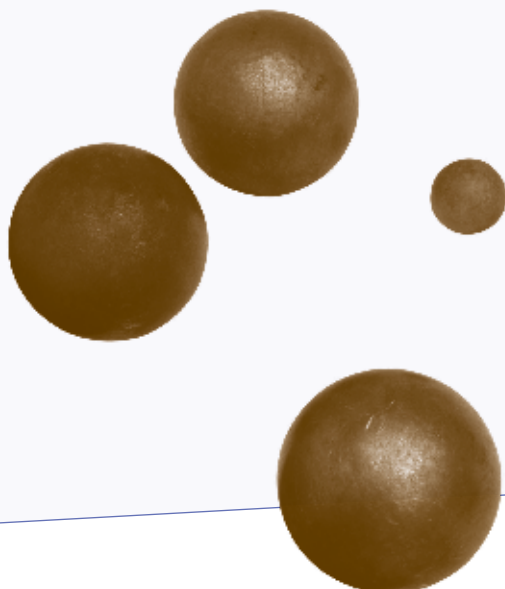
| Progress | Key Challenges |
|---|--|
| The local democratic practice in the Republic of Macedonia has evolved even though it is a complex, multi-pronged process, buttressed by formal rules and practices, primarily set by the central government. | Generating institutional mechanisms within the LSGUs for encouragement of citizen participation in the decision - making processes at the local level, along with strengthening of the capacities of the local self-government units for collaboration with the civic sector, joint project implementation, and consultation of specific target groups in local policymaking. |
| Transparency and accountability have been acknowledged to be vital elements. | Development of new skills tools and practices within the LSGUs and in the civic sector for extensive and permanent informing of citizens, together with increased transparency and accountability of operation. The demands from the civic society organizations and ordinary citizens for greater transparency and accountability as well as the efforts of local dignitaries to respond to such demands are still a work in progress. |
| Citizens are aware that decentralisation is a process, and that there will be obstacles and challenges, and they have high expectations and hopes that as the process proceeds, the results will be greater. | The local elected dignitaries and citizens are still in the process of learning the skills of practising local democracy. |

COORDINATION, COMMUNICATION AND MONITORING

| Progress | Key Challenges |
|--|---|
| Decentralization has brought about fundamental changes in the organisation and structure of governance both at the central and local level. | Further development of institutional mechanisms for both vertical and horizontal communication and coordination. |
| Established grounds for communication and coordination between stakeholders. | Greater involvement of stakeholders in the communication and coordination processes, and more clarifying definition of their roles in the further process implementation. The decentralisation process has evolved during the last couple of years, both in terms of scope and necessities. This implies that not only are there more actors / stakeholders involved but also there have clearly emerged new issues, challenges and policymaking areas to cope with. |
| The current "system" for coordination, communication and monitoring has begun to do well in spite of the different levels and scopes of responsibility of the participating actors and institutions. | A need to maintain the leadership, guidance and support to the process in the next phase, too, through an informed and coordinated management process embracing all actors and levels under robust leadership with strong political will and technical capacity. |
| The leadership of the Ministry of Local Self Government has been recognised. | The need for building proper communication and coordination capacities of the Ministry of Local Self-Government and the Ministry of Finance in order to provide coordinated technical assistance and guidance to LSGUs. |
| Increased usage of data and indicators. | The lack of baseline indicators (qualitative and quantitative) and of a comprehensive monitoring and evaluation (M&E) system cause difficulties in obtaining a coherent picture of the LSGUs operation. |

COORDINATION, COMMUNICATION AND MONITORING

| Progress | Key Challenges |
|--|--|
| <p>The laws explicitly acknowledge the need for an integrated technical advisory group, such as the Decentralisation Working Group (DWG), the Committee for Monitoring and Evaluation of requirements' meeting for proceeding to the second phase of the fiscal decentralisation process, and the Committee for Monitoring the development of the municipalities' funding system, for monitoring of the progress in the fiscal decentralisation process.</p> | <p>The integrated technical advisory group (DWG) ought to grow into a strategic tool, as originally envisioned, with a pivotal role in promotion of policy dialogue, production of strategic documents, analyses and generating new ideas.</p> |
| <p>In the early stage, there were attempts to design and implement a communication strategy concerning the decentralisation process.</p> | <p>The 'top-down' communication approach should persevere in order to ensure communication of the decentralisation process via promotion of the normative framework, information of the wider public, and organisation of debates, whereat all stakeholders in the process will gain access to referential information that will ensure improved understanding of the process, the results and challenges, and will make it possible for them to participate in the policy dialogue. Organisation of campaigns for informing the wider public, aimed at facilitation of the information exchange concerning the decentralisation process and the difficulties thereof.</p> <p>Several challenges have arisen in terms of communication of the decentralisation process: a lack of detailed guidelines (standards) for central and local communication, and for the manner of more strategic exploitation of the communication tools. Communication should constitute an integral part of the coordination and monitoring system. Fully operational Municipal Service Centres are required, to serve as communication and information points.</p> |





3. Program Priorities

On the basis of the analysis conducted and the Mid-Term Review of the decentralisation process implementation, four programmatic areas have been identified to be the basis of the Programme for Implementation of the Decentralisation Process and Local Self Government Development in the Republic of Macedonia 2011-2014 as follows:

1. **Institutional reengineering at the central and local level compliant with the responsibilities;**
2. **Strengthening of the current and designing new concepts and instruments to support the process of decentralisation and sustainable development of local self-government;**
3. **Establishment of a sustainable system of capacity-building at the local level, with participation of all relevant institutions at the central and local level;**
4. **Development of indicators for measurement of LSGUs service quality (service delivery)**
5. **Redesigning of the system for monitoring and evaluation of the implementation of local self-government development policies..**

The goal is to maximise the impact of the decentralisation benefits, and propel the process forward, along with creation of proper prerequisites for investment, economic growth and sustainable development at the local level. The aforesaid four areas articulated together as part of an integrated programme platform will ensure the following:

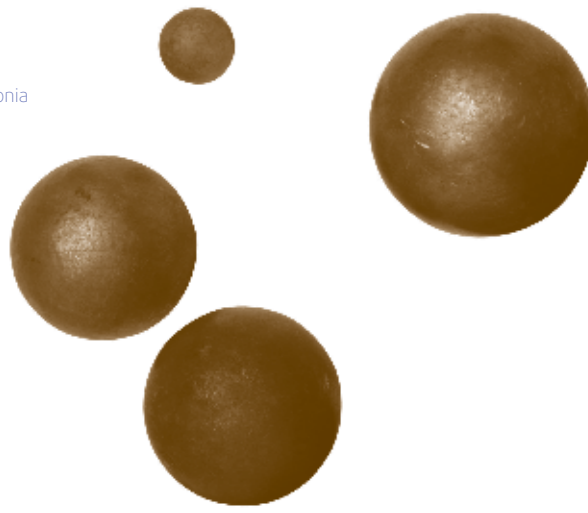
- **Strengthening of LSGU's fiscal capacities;**
- **Strengthening of the good-governance capacities (institutional, administrative and communication and coordination capacities);**
- **Delivery of equitable services of better quality;**

Based on the analysis into the decentralisation process and the Mid-Term Review, the above-stated four areas and the respective activities (see table below) are all equal priorities at the current process phase. The selection of activities depends on two factors. The first one is political i.e. it is concerned with the need that the central government and LSGUs demonstrate will to

proceed with their implementation. The second factor is financial, and it is dependent on the resources available for implementation of the anticipated activities.

In order to effectively continue with the decentralisation process in the Republic of Macedonia, enhancement in all four areas ought to be achieved in the next three years. A key priority is to reinforce the current institutional leadership and structure for implementation of decentralisation and the local self-governance reform in general. The Ministry of Local Self-Government (MLSG) along with the other line ministries, the LSGUs and ZELS have played a critical role in the last decade. It is vital that in the forthcoming period the role of the Ministry of Local Self-Government as a coordinator of the decentralisation process in the Republic of Macedonia be reaffirmed. In addition, it is necessary to review the roles of the other stakeholders, the new Ministry of Information Society and Administration and ZELS inclusively, and implement the required changes to support the next phase of decentralisation effectively. It is necessary to enhance administrative coordination both horizontally, across the other line ministries, and vertically, with LSGUs and ZELS, and embracing a more strategic institutional approach towards process implementation and development.

Another priority is strengthening and/or designing new tools to support the next phase of the decentralisation process. This entails generation of new guidelines and standards on strengthening the role of the Decentralisation Working Group (DWG) and the Committee for monitoring the progress of the municipalities' funding system; availability of new sources of consultation and technical assistance; as necessary, engagement of representatives of the relevant parliamentary committees, business and civil society associations, and academic and research institutions; devising a strategy for horizontal and vertical communication; new individual and institutional performance benchmarks and protocols; effective law enforcement and upgrading of the current legislation.



Capacity building of LSGUs to support the next phase of the decentralisation process is also a key priority. To a certain extent, the capacities must be improved by designing and implementation of an array of positive incentives for better performance. A priority for the forthcoming period is providing a system for training of the local administration, managed by central government and local self-government representatives, aimed at ensuring an integrated approach in the provision of training in accordance with the LSGUs needs, with optimal use of the available resources by the state administration. The LSGUs capacity improvement is to result in better service delivery, transparency, accountability and entrepreneurship development.

Critical areas where strengthening of LSGUs capacities is necessary are as follows: capacities for increase of own revenue generation sources by efficient collection of local taxes and duties, building public-private partnerships for service delivery, participatory governance capacities, strengthening of the capacities for financing capital projects of few-year duration via conclusion of loan contracts or emission of municipal bonds.

Besides, it is essential to strengthen the capacities of the line ministries for designing and implementation of the policies of financing devolved competencies, calculation of transfers inclusively, for data collection and analysis, communication and coordination of policies, and monitoring and evaluation of the decentralisation process.

A significant aspect of local governance and the decentralisation process is existence of results i.e. performance orientation. Such an orientation would contribute for performance improvement in the context of quality, quantity and targeting the goods and services that LSGUs are able to deliver and provide. On behalf of this objective, there is an urgent need for building and/or strengthening of the system for monitoring and evaluation of services, which not only can provide the baseline but also qualitative and quantitative indicators.

In the forthcoming period of time, it is vital to build a mechanism that will offer information not only pertaining to law enforcement from the aspect of scope of implementation of competencies, but also pertaining to the type of products created at the local level, which will contribute for more efficient, more effective, more transparent and more responsible accomplishment of duties and service delivery; a system that will ensure a higher degree of understanding and knowledge of how the process fulfils the envisaged objectives, how the results are compared, and how effectively they contribute to the more general aims for democratic governance and sustainable human development. Apart from possessing a strong integrated monitoring and information component, the said system is to possess a high level of utilisation of findings and indicators derived from the monitoring and evaluation process. The process entails involvement of both the central and local authorities, together with the civil society organisations, which can play a key role.

4. Program Objectives, Components and Approach

The main goal of the Programme for Implementation of the Decentralisation Process and Local Self Government Development in the Republic of Macedonia 2011-2014 is to support the decentralisation process, which enters a phase of scaling-up the effects, resulting from the invested efforts for building a decentralised, sustainable and functional system of local self-governance, and tangibility of benefits.

Through effective design, implementation and monitoring of policies, the Programme objectives are concerned with the following:

- **Diminishing of fiscal disparities and encouragement of local economic growth by means of advancement of the LSGUs funding system;**
- **Participatory governance at the local level;**
- **LSGUs administrative capacities corresponding to their responsibilities.**

Achievement of the following outputs is expected via fulfilment of the said objectives:

- **Upgraded system of local self-governance;**
- **Equitable access to services of improved quality;**
- **Increased mutual trust between local authorities and citizens.**
- **Coordinated and continuous delivery of quality training, dependent on the LSGUs necessities, via optimisation of the resources available to both the state and public administration.**

Each and every programme activity, regardless of whether it is executed at the central or LSGUs level, aims at raising the institutional level of implementation of the decentralisation process and the participation of the key stakeholders, including the civic society and the business sector. The Programme aims at building leaderships, capacity for decentralised governance and administration, and public sector effectiveness. It is the citizens of the Republic of Macedonia that are the ultimate beneficiaries of the Programme impact,

by means of ensuring sustainable and integrated local development, efficient and effective service delivery, and development of participatory democracy.

The Programme aims at creating favourable environment at the local level for effective implementation of the decentralisation policies; enhancing citizen participation in planning, decision-making and transparency and accountability processes; strengthening and harmonisation of the current national systems and institutional frameworks for better implementation, management and coordination of the decentralisation process at the central and LSGU level; and building a sustainable monitoring and evaluation system, which will contain information on the baselines along with measurable indicators in order to be able to follow the progress.

The implementation of the Programme for Implementation of the Decentralisation Process and Local Self Government Development in the Republic of Macedonia 2011-2014 is to be coordinated by the Ministry of Local Self-Government, and this demands reinforcement of the system of horizontal and vertical communication and coordination by means of dedicated participation of many stakeholders in the decentralisation process, LSGUs and ZELS inclusively.

The Programme has a three-year framework beginning as of 2012, but it also comprises transitional activities envisaged for the last quarter of 2011. Via execution of specific activities, the Programme will contribute for consolidation and expansion of the decentralisation process and prioritising of the short-term and midterm objectives. The Programme has a broad focus in order to scale-up the benefits, promote more rational and more efficient appropriation of resources, and exploit synergies in aid of closing gaps so as to enhance the overall outputs and impact.

5. Drivers and Constraints for Programme Implementation

Drivers

- Full mandate of the Government for Programme implementation;
- Broad understanding of the need for support of the next phase of the decentralisation process;
- A widely shared national commitment to the European Union accession that guides national policies and strategies;
- Donor financial and technical support; and
- The analysis and the Mid-Term Review of the decentralization process done in year 2011, providing a basis for the opportunities, challenges, constraints and needs for further implementation of the process.

Constraints

- Translating the Programme into action, as it will likely encounter challenges, ranging from a lack of understanding as regards the decentralisation process on the part of the key stakeholders, to unsatisfactory commitment on the part of the line ministries and the LSGUs;
- Insufficient and inadequate financial and administrative capacities within the Ministry of Local Self-Government and the Ministry of Finance;
- Insufficient and inadequate financial and administrative capacities of the LSGUs;
- The designated focal points in the line ministries and members of the Decentralisation Working Group and the Committee for monitoring the progress of the decentralisation process will not have sufficient support and/or knowledge/expertise to be able to play the anticipated leading role.
- Potential disharmony between the Government's declared high priority of the decentralisation process and the perceptions within the line ministries that this is "business as usual";
- Potential difficulties in the practical implementation of donors' support in the next few years, including possible funding rigidities.



6. Programme Beneficiaries

In view of the broad scope of the results expected from the programme and the large number of participants to be involved in its implementation, the programme beneficiaries are as follows:

- Ministry of Local Self-Government
- Ministry of Finance
- Ministry of Information Society and Administration (MISA)
- Other relevant ministries and institutions:
 - Ministry of Education and Science;
 - Ministry of Labour and Social Policy;
 - Ministry of Culture;
 - Ministry of Environment and Physical Planning;
 - Ministry of Health;
 - Ministry of Economy;
 - Ministry of Agriculture, Forestry and Water Economy;
 - Ministry of Justice;
 - Secretariat for European Affairs;
 - Secretariat for Framework Agreement Implementation;
 - Agency for Youth and Sport;
 - Civil Servants Agency;
 - Regional Development Agency;
- Decentralisation Working Group (DWG)
- Local Self-Government Units (LSGUs)
- ZELS (Association of Local Self-Government Units)
- Regional development centres;
- Non-governmental and non-profit organizations, associations and foundations, educational and academic institutions.





7. Table Review of Objectives, Outputs and Activities

| Main goal | Activities | Outputs |
|--|---|---|
| All-inclusive and sustainable local development. | 1. Coordinated implementation of local and regional development policies with the ones at the national level. | LSGUs that are strengthened from an economic aspect and which are development-oriented. |
| Objectives | Activities | Outputs |
| 1. Effective designing, implementation and monitoring of policies for development of local self-governance. | <ol style="list-style-type: none"> 1. Redesigning the system of horizontal and vertical communication and coordination via introduction of information and communication technologies and systems of planning, implementation, monitoring and evaluation of policies for local self-governance development. 2. Reengineering of the competent administrative structure within the MLSG. | Upgraded system of local self-governance. |
| 2. Diminishing of fiscal disparities and encouragement of local economic growth by means of advancement of the LSGUs funding system. | <ol style="list-style-type: none"> 1. Completion of the second fiscal decentralisation phase and access of all municipalities to block subsidies. 2. Establishment of transparent criteria for allocation of transfers from the central government. 3. Preparation of analyses for selection of models related to roll-out of instruments for a certain extent of equalisation of revenue discrepancies. | Equitable access to services of improved quality. |

| Objectives | Activities | Outputs |
|---|---|--|
| 3. Participatory governance at the local level. | <ol style="list-style-type: none"> 1. Establishment of instruments for instigation of cooperation between the LSGUs and the civic sector. 2. Establishment of adequate administrative structures at the local level for conducting of the consultation processes. 3. Reinforcement of LSGUs capacities for stimulation of citizen participation in consultation processes. 4. Establishment of procedures for project funding in cooperation with the civic sector. | Increased mutual trust between local authorities and citizens. |
| 4. LSGUs administrative capacities corresponding to their responsibilities. | <ol style="list-style-type: none"> 1. Establishment of a sustainable system of capacity-building at the local level, with participation of all relevant institutions both at the central and local level. | Coordinated and permanent delivery of quality training, dependent on the LSGUs necessities, through optimisation of the resources available to both the state and public administration. |

