

SECOND REVIEW ON THE “RESTORATION OF THE LAKE PRESPA ECOSYSTEM” PROJECT

Final Draft

May 2016

1. Introduction

The project Restoration of the Lake Prespa Ecosystem has been implemented by the United Nations Development Project (UNDP) in partnership with the Municipality of Resen (MR) and with financial support by the Swiss Development Cooperation (SDC) since July 2012.

The project is nearing the completion of its stage 2 within phase 1 which is scheduled to end in June 2016. The 2nd stage of the project involved "transition toward greater responsibility of the Municipality of Resen in the project implementation." This means that "funds are still channeled through UNDP, but the project personnel from the UNDP PMU and the Natural Capacity Resource Center are being partly incorporated into the municipal administration, and continue working on the project."¹

The purpose of this report is to review the preconditions for entering into the 3rd stage of the project which involves full integration of the project management structure² " into the administration of the Municipality of Resen." This means that "the project and the NCRC personnel are employed by the Municipality of Resen, which then assumes full responsibility over the project implementation. In this phase the Municipality of Resen will no longer use the technical assistance of UNDP."³

As per the Terms of Reference (ToR) of the review, its main objective is "to assess whether the preconditions for entering stage 3 of the project implementation are in place as a result of the project activities and interventions so far: Is the Municipality of Resen ready to enter phase 3 of the project and able to take over the full responsibility for the project implementation?"⁴

In addition, the review should "evaluate the level of achievement of the project objective related to improved performance of authorities at national and local level"⁵ and "provide findings and recommendations for eventual modification of the planned stage 3 of the project implementation taking into account gained experiences and lessons learnt"⁶

The evaluation report presented herein is based on review of key project documents and qualitative, semi-structured interviews with key respondents (Annex 1 - List of Interviews).

The main conclusions of the 2nd review are the following:

First, the Municipality of Resen (MR) is prepared to enter the 3rd stage of the project.

¹ ToR, p. 2

² Henceforth underlined text style to imply importance and italic text style a possible recommendation.

³ ibid

⁴ ToR, p. 4

⁵ ToR, p. 5

⁶ ibid

Second, a *modification to the 3rd stage is proposed and continued technical assistance by UNDP is recommended*. UNDP should continue to be involved in the project in the 3rd stage which is to start in mid-2016. Importantly, *this involvement should be limited*, that is, at considerably smaller scale compared to its level of involvement in the 2nd stage. In the 3rd stage UNDP should continue to provide technical assistance to the MR in the areas which are identified as priority. To the extent possible, UNDP could retain some sort of supervisory/backstopping role. A gradual phase-out of UNDP's involvement shall be considered.

2. Level of Achievement: Results and Ability to Sustain Them

2.1 Introduction

The general conclusion that emerges from the interviews with the key respondents is that the processes have been established and they are working. Many of the processes established by the project, such as the processing of organic waste, the patrolling of Ezerani park, the eco-farming practices of apple growers, the demonstration work by the school orchard, and so forth, do not need day-to-day management or supervision by UNDP. This point has been underscored by UNDP staff themselves.

Along the same line, many of the project deliverables to date have strong sustainability. They either, do not need maintenance cost (sensors in the apple orchards), or the maintenance cost is low, and/or the maintenance cost has been taken over by beneficiaries (apple growers, school orchard, the MR, the Public Enterprise Proleter (PEP)). For many of the project deliverables to date, the maintenance cost is partially or fully covered by the revenue generated by specific project results (compost plant, school orchard, farmers, etc.).

The project is generally praised as uniquely effective. Each and every stakeholder has expressed satisfaction with the project and its results.

2.2 The Environment Sector

As part of its responsibilities under the project, the MR had to establish a sector on environment. The Environment Sector (ES) of the MR was officially established in 10 November 2014. It has two departments, on water, and soil. The establishment of the ES is considered a pioneer effort for a small municipality such as Resen.

At present the ES has a sector head (Mr. Ajman al Malla) but it does not yet have department (water and soil) heads. The understanding between the project partners is that one of the key staff of the UNDP Resen Office, Mr. Nikola Zdravevski, will be appointed as one of the department heads.

Part of the project effort in the previous period was allocated to the strengthening of the capacity of the ES. Further strengthening of the ES would continue to contribute to the effectiveness of the project in the next stage, after the take-over by the MR. Additional training has already been suggested by the previous assessment (early 2015), and it is being delivered. Further measures could be considered to the extent possible.

Some respondents have rightly indicated that the ES should be strengthened by assigning greater responsibility over project activities from UNDP to the current ES staff, or ensuring more substantive involvement of ES staff in project work.

At present, the impression is that there is one key ES staff, Naume Tashovski (whose desk is in the mayor's cabinet), who is directly involved with the project. Other ES staff, including the sector head,

appear to have very little knowledge of the project. In addition, the project is only part of the responsibilities handled by Mr. Tashovski. The lack of more specific knowledge of the project by the ES staff should not necessarily be considered a weakness. The ES has numerous other responsibilities besides the project, especially given the MR's unique role of being in charge of not one but two protected natural areas, the Prespa Lake, and Ezerani Park.

Nonetheless, concentrating the responsibility for a significant project to one staff who is, in addition, not exclusively assigned to this project, raises the issue of continuity, should he be reassigned, or left the organization.

Related to this is the issue of staff systematization, with the rangers and the boatman not formally being part of the ES. They are in full-time employment with the MR on permanent contracts. However, they are part of the sector for general and legal matters, not the ES. Some of the key respondents feel that it would benefit the project if these 4 staff were formally allocated to the ES. This is a fair argument.

In addition, two other ES staff, Ms. Maja Kotevska, and Ms. Monika Radevska are at present still engaged via a temporary employment agency. According to the hand-over schedule, they should be fully integrated with the ES. The MR reports this is due to a formality, in particular a delay with the adoption of a certain piece of regulation (methodology) by the central government, and that it is being addressed at present.

Respondents are confident, and so is the reviewer, that the required capacity is in place. The issue is the effective utilization of the capacity. The concentration of the knowledge and responsibility for the project in just a few staff, combined with the possibility of their reassignment (in a case of change of administration), or them simply leaving the project, creates risks. This is by no means typical of this project, but a common staff-retention risk, of concern to many organizations. Nonetheless it *should be taken into account*. First, it should be considered vis-a-vis the specific arrangements of the MR-UNDP coordination in the next stage. Second, it should be considered from the perspective of extent of staff involvement and responsibility in the project.

2.3 The Compost Plant

As reported, the compost plant is working well. Organic waste is regularly collected (from 5 collection points). The amount of collected organic waste in the first period exceeded expectations, according to the Public Enterprise Proleter (PEP); 3.000 m3 were collected instead of the 2.000 m3 which were originally planned over a 1-year period.

As reported by UNDP staff, the control over some of the larger producers of organic waste in the region, such as the large agro-food businesses, has been strengthened by the MR, in order to have them dispose of organic waste in accordance with regulation. Reportedly, the MR's ES which issues the B-type integrated environmental permits, and the MR inspectorate have had a relevant role in this part of the process.

The raw material is regularly processed. The PEP has already started with sales of the product (compost) of the compost plant. Reportedly, PEP is satisfied both with the collection of organic waste and the sales of compost. To date est. 300m3 have been sold (est. 10% of the total amount collected), and PEP has used some 100m3 for its own operations.⁷

⁷ The PEP reported that they have reduced the price of the bulk compost from originally 2.000 mkd per m3, to 1.200 mkd, and then to 900 mkd/m3, whereas the price of the packaged compost has not been changed: 50 mkd for a 10 liter packaging, and 80 mkd for a 20 liter packaging.

The PEP indicates that most of the raw material was collected in autumn, and that it had to "mature" over the winter, so it expects sales to increase over the coming period. According to a separate view, stronger sales will be needed to ensure the full self-sustainability of the compost plant. This is a candid feedback and as such it is duly noted. Nonetheless, the PEP indicates, and it needs to be underscored, that the primary intended effect of the compost plant is the environmental one.

The PEP has enthusiastically reported on its plans to broaden the type of products (compost pellets and bricks), as well as to expand the collection of organic waste both in terms of quantity and type. Specifically, the cane which will be used in the Ezerani wetland system to be soon constructed, will have to be regularly harvested - it cannot be left to rot - and processed.

In addition, the MR is expected to take over the maintenance of the Prespa Lake by the end of the 2016, which means it would also have to maintain the cane along the coastline. As reported, it was recently assigned this responsibility by the Ministry of Environment and Physical Planning (MoEPP).

A possible recommendation which emerges *is to pay specific attention to the marketing ability of PEP, and/or consider alternatives for marketing of the product*. It would not be effective if PEP was stuck with loads of produce it cannot sell (reportedly, product expiry is 2-3 years). Business marketing and sales is a trait in its own right and it cannot be expected that either PEP or MR develop it. This is not their mandate. Placing high expectations on PEP to market the compost could further overstretch its energies.

The PEP reports having made a productive contract with Pakomak (a company specialized in waste processing), for the sales of the plastic and PET waste which it also collects. Perhaps a similar modality could be considered for the sales of compost.

A general impression, consistent with the previous review, is that the PEP enthusiastic and environmentally committed leadership is a strong asset for the project and for the overall effort to protect the Prespa Lake eco-system.

2.4 The Rangers

The team of rangers report that work is going well. They report being constantly in the field. They regularly patrol in Ezerani and in the area of the Prespa park. The boatman is also involved in the patrolling with the rangers, when he is not busy with the boat. They coordinate shifts with staff from the ES and UNDP (Naume Tashkovski and Nikola Zdravevski), which is an indication of how closely the two office cooperate. They do night shifts when needed, such as during the fish spawning season.

In their view, the results from their work are already evident, and they would become ever more evident in the mid-term. Reportedly, sand theft has almost completely stopped (they report up to 99% reduction). Their current focus is primarily on fish poaching.

Over the course of the last year they have reported some 30 cases, 2/3 of which were about sand theft and the rest about fish poaching. The reporting procedure is well-established. They produce a field report of the case and submit it to the proper authority (within the MR or a state inspectorate) for further processing.

Cane fires, which usually happen in winter, are a problem which needs additional attention. Reportedly, the cane is set on fire by fish poachers (or by farmers who want to create new land).

The rangers generally feel well-equipped. They report they could use a small boat to help them patrol the water area (noted also in the previous assessment). They also report that the water tank (used for extinguishing fire) needs to be fixed as at present the tank is exhausted too fast.

They suggest that the Ezerani park area which is under water should be marked, which would further prevent fish poaching. They also suggest that measures to promote tourism could be considered. Reportedly, some efforts have already been done in this direction.

2.5 The Boatman

The boatman reports that work is going well. Around 3 boat trips are done per month on average. Boat trips are regularly reduced during winter, but a few were undertaken since the past winter was mild. Some of the trips are done together with the staff from the Hydrobiological Institute (HI) for the purpose of collecting samples. Additional boat trips are done for the purpose of patrolling and prevention of fish poaching. The regular maintenance of the boat has just been completed (it is done once on every 150 sales hours). The boatman reports he is fully equipped to do his work. Small needs relate to small equipment items (flashlights, etc.) which are regularly supplied.

2.6 The Stenje Monitoring Station

The Stenje monitoring station is in operation. It has started doing analyses, even though more of it is still being done by the HI from Ohrid. The chemist (Ms. Radevska) is nonetheless involved in the collection of samples and communicates closely with the HI. She goes on monitoring trips together with HI staff and is involved in the collection of the samples.⁸ Some of the analysis is done directly on the boat, most of it is done at the HI, and some of it has been done at the Stenje lab.

Reportedly, the Stenje lab needs some chemical supplies (reagents). The estimated cost of an annual supply of reagents is around 3.000 Euros. UNDP staff have reported that the issue is been looked into.

In the next stage of the project it would *need to be made clear* that the responsibility for timely procurement of supplies required for the project, such as reagents, supplies or spare parts (boat, lab, ranger van water tank, etc. etc.) *is an exclusive responsibility of the MR*. Project tasks and schedules should not suffer due to delays in small-scale procurement. The readily availability of supplies, spare parts, etc. is a relevant indicator of management effectiveness.

Ms. Radevska is also involved in systematization of data, including older data on water quality. Partial (only on some months, years, and parameters) data is available starting from 2000, and she reports that it is important that full data is available starting with 2014, for each month and all parameters. She reports that, albeit small, there is already noticeable improvement in the quality of the water.

The UNDP contract with the HI ends in June 2016, at which point Stenje will take over. The HI will suggest the types of simpler analyses to be regularly conducted at the Stenje lab.

Mr. Nikola Zdravevski (biologist) will join Ms. Radevska in the water analysis work. Both have had previous experience. Should the need arise at some point in the future, the HI can be asked to help.

In conclusion, the Stenje monitoring station is functional. Nonetheless, delays in the provisions of supplies (reagents) should be prevented.

2.7 Demonstration Orchard

⁸ For the purpose of providing additional detail, but also as indication that the chemist (Ms. Monika Radevska) is fully involved in the process, 18 samples are collected during each monitoring (boat trip). There are 9 points for sample collection; 4 "profiles" are collected from 3 of those points (surface, 10, 20, and 30m); profiles are also collected from near the island; only surface samples are collected from the other 6 points.

The school demonstration orchard reports work is going well. This is a completed deliverable which does not need ongoing assistance nor management support from the project. The school (agricultural high school SOU Car Samoil) reports that last year's yield was est. 15 tons, which produced revenue of est. 2.500 Euros. Estimated 25-30 tons are expected this season. The school also receives farming subsidies from the government for the orchard. The orchard hence is financially sustainable.

The demonstration and the knowledge dissemination effect has been relevant according to the school. Farmers were introduced to technique of intensive apple plantation (3-4 thousand apple trees per hectare as opposed to the traditional 1.000 apple trees); they have started using hail-prevention nets (installed on around 15 hectares around Prespa already); they have been introduced to fertiligators (also provided to the 1st two rounds of farmer grantees), equipment used for simultaneous irrigation and fertilization, and to the use of pheromones (insect traps) both conventional and i.e. disorienting.

The school reports good cooperation with corporate donors (the pharmaceutical Alkaloid) and active effort for securing other grants (they were recently informed of potential World Bank funding for agricultural schools).

Importantly, it reports that the dissemination effect is sustained over time; they receive requests from farmers who want to learn about the techniques applied in the orchard; they report good cooperation with the association of farmers who will soon organize a training in the orchard, etc.

Some respondents suggested that additional demonstration orchards could be developed in the Prespa region in order to have broader dissemination. This is indicative of relevance and need but the measure itself would be duplicative. Instead, *a systematic (small-scale and cost-effective) effort should be invested to disseminate the results over time*. As reported by the school, a lot is already being done in this direction.

2.8 Work with Farmers

The association of farmers (apple growers) reports that the results from the project are in place and sustained. They do not receive any ongoing assistance from the project. One important result from the project were the meteo stations. The association manages 7 of these stations, 6 of which were supplied with the support of the project. They measure up to 40 parameters (humidity, wind, etc.) and provide information on the type of chemical treatment needed and its specific timing. This has a relevant environmental effect and also enhances farmer productivity. The information is, as reported, disseminated via text messages to est. 150-200 farmers, and via the Facebook group which has over 1.300 members. An additional number of farmers are informed through word-of-mouth.

The association feels that the system works perfectly. An additional result from the project are the irrigation sensors, which have been donated through the grant program for farmers. Reportedly, the sensors also work perfectly, and result with significant savings of water. Farmers know exactly when to irrigate and for how long. The sensors have been in place for around 2 years and to date there has been no report of defect. There is no maintenance cost involved.

Both the meteo stations and the irrigation sensors have been sustained and they produce a continued and relevant environmental effect. The association reports that the last activity under the project were the 10 grants to the rural communities which expanded irrigation in the area of Krani, Arvati, and parts of Shtrbovo and Slivnica.

The conclusion is that both the association and the individual grantees have both the capacity and the motivation to use and maintain the project results. They do not require additional assistance or supervision.

Some of the UNDP technical staff feel that the grants to the farmers have had a strong environmental impact, primarily in terms of savings of water, thus making this component strongly effective. Hence it has been suggested that this component is continued (new round of grants) in the next stage.

2.9 Tree Nursery

Another activity which has been completed in the previous period is the tree nursery which was developed for the regional branch of the public enterprise (PE) Macedonian Forests (Prespa Forest). The purpose of the activity, as reported, was to save on the cost for forestation in the Prespa ecosystem.

Prespa Drvo was supplied with equipment which it needs to produce its own seedlings and thus be more cost-efficient.

The forestation done by Prespa Drvo prevents the erosion which loads organic material into the watershed. UNDP reports that the activity has been completed. Institutional sustainability is obviously ensured, given that forestation is the core mandate of the beneficiary.

2.10 Big River (Golema reka) Wetland System

A major deliverable from the 2nd phase of the project is the wetland system on the Big River, which is still a key factor of pollution of the water in the Prespa Lake.

As reported by the UNDP staff, the preparation work has been completed and the construction company should start the field work in the period ahead (likely in May 2016).

Once the wetland will have been built, it will need to be maintained. This will be a responsibility of PEP. Technical monitoring will also be required. Some respondents feel that it is better if UNDP remains responsible for this activity, as it will require specific technical expertise. Alternatively, the responsibility should belong with the ES and the UNDP should have a strong role in supporting the ES in conducting this task in the period 2016-2018. The latter option may be more consistent with the logic of gradual handover to the MR. After the final completion of the project (in 2018) the MR should take full responsibility over this process.

3. Readiness of the MR to Take Over

3.1 General Considerations

Each and every key respondent who was interviewed, felt that the MR is ready to take over the project. This was the feeling of both the MR and UNDP staff, as well as other relevant stakeholders. There is a general feeling that the project has significantly strengthened the capacity of the MR to manage environmental protection of the Prespa Lake ecosystem.

The preceding discussion on project results is a clear indication of this capacity. Systems have been built (Stenje, PEP, rangers, eco-farming, etc.) and practices have been established which by a shared understanding represent a pioneer effort in environmental management of lake eco-systems in this part of the world.

Even though the effort has been led by UNDP, the MR has been fully involved in the establishment of these systems and processes. In addition, it is responsible (to a large extent though PEP) for the maintenance and hence the sustainability of these systems and processes.

A factor of MR readiness which has been noted in the first review, also deserves to be underscored in this 2nd review. This is the committed leadership of the MR, combined with the competence and commitment of the staff in key positions, such as the PEP. This factor is fully recognized and appreciated by UNDP.

An integral component of managing a project of this size, is the capacity to manage its financial and administrative aspects, such as the financial and narrative reporting. Hence a particular focus was placed on this particular issue in the interviews with both MR and UNDP staff.

Most of the interviewed MR staff feel that the MR will have the capacity to independently do the reporting and the financial management of the project after take-over. The MR supports this with the argument that they are already involved in several cross-border cooperation (CBC) projects for which they do the financial management and reporting, which, they say, are in general more complex than the reporting to SDC⁹.

The MR indicates that project reporting is a team responsibility which involves staff from the ES and the department for local economic development (LED), also with involvement of staff from the finance sector. The MR feels that reporting in English would not constitute a problem whatsoever, supported with the previous argument on the capacity to report on CBC programs.

Each and every key respondent from the MR (mayor, secretary, key staff involved in the project) shared the same undivided view. Hence, the conclusion is that the MR is fully convinced of its capacity to handle the reporting. This confidence was in general shared by UNDP, even though with some minor reservations.

It is relevant to note that the MR underscores the fact that they have received a positive assessment by the State Auditor. This fact can be interpreted as a relevant indication of the soundness of procedures and regulatory compliance in the municipality. As such, it can also be interpreted as a guarantee of the readiness of the MR to independently do the financial and narrative reporting for the project.

Besides the fact that the MR is in general ready to take over, there are nonetheless measures to be taken which can further strengthen this readiness.

- First, by investing in further strengthening of the ES, and in particular by *involving more ES staff and giving them stronger responsibility in the project*. In addition, the 1 NCRC staff (Maja Kotevska) and the Stenje chemist (Monika Radevska) should be fully integrated with the ES as civil servants.
- Second, by formally allocating the 3 rangers and the boatman to the ES. The three rangers and the boatman are in full-time employment with the MR on permanent contracts. However, they are part of the sector for general and legal matters, not the ES. Some of the key respondents feel that it would benefit the project if these 4 staff are formally allocated to the ES. This is a fair argument. It is hence recommended that *this issue be considered*. This is brought in connection with the commitment of future municipal administrations to the project. According to one respondent, a future mayor with less commitment to the project "could reassign the rangers into drivers or curriers".
- Third, by ensuring a smooth transition of the key UNDP staff, Mr. Zdravevski into the ES. It is obvious that Mr. Zdravevski is one of the key staff in the project, and that he possesses the technical knowledge which is of key relevance to the project. His transition into the ES as well as the timing of the transition should be carefully planned, taking also in account his motivation. In

⁹ It is common knowledge that reporting on EU projects can be cumbersome and can require experience. In the personal experience of the reviewer, complexity varies across EU programs and contracting authorities. Some of the CBC programs can indeed be a challenge in terms of administrative compliance.

addition, as ES staff he should, ideally, be given the opportunity or autonomy to fully dedicate to the project.

3.2 The Readiness of the PEP to Take Over

The question "is the MR ready to take over the project", inevitably begs the question "is the PEP ready to take over the project"? It is evident that the PEP is critical to the effective implementation of the 3rd stage of the project and to the sustainability of the project results over the mid-term, specifically because it is its mandate to maintain them, such as the waste management (in particular the organic waste collection and the compost plant), the wetland system which is soon to be reconstructed, the secondary water supply network (if it is agreed to be supported with the project), the other small waste water filter stations, and so forth.

As put succinctly by one key respondent, "we build these with the support from the project and then hand them over to the PEP to maintain them".

The finding of this review is that the PEP is indeed ready to take over, the same way it has taken over in the 2nd stage. It is however true that its responsibilities have been growing and that in order to effectively conduct its role, *it should be supported*.

This point has been repeatedly emphasized by the MR in support of the argument that the PEP should be further strengthened with additional equipment in the next stage of the project, that is, that the procurement of equipment for the PEP is a priority for the MR.

Specifically, the PEP reported the need of a certain type of harvester to be used for handling the cane, a rotopress garbage truck, and a small trench digger (PEP reports it has a large trench digger but it also needs a small one). The harvester will be needed for maintaining the cane to be planted in the wetland system (which will need to be regularly harvested), and the cane along Prespa Lake coastline. The trench digger is reportedly needed for the maintenance of the water supply system,

The MR's argument is fair. It is obvious that the scope of the PEP's work has significantly increased over the past period, and that it is yet to grow over the next 2 years and beyond. (The PEP reports increasing its personnel by 15 workers hired on a service contract in the past year).

From this perspective the PEP's requests seem completely fair. Beyond the requests for equipment, additional attention should be focused on the PEP and on how to best support it to take effective part in the 3rd stage of the project.

In addition, it is more than obvious that the PEP is essential for maintaining the results of the project, or in other words for the sustainability of the project. *Thus it needs to be ensured that it can cover the operational and maintenance costs and that it has the overall capacity for proper maintenance.*

4. Arguments for UNDP Involvement in the Next Stage

4.1 Introduction

One of the central interests of the assessment is the UNDP involvement in the next 2016-2018 stage of the project. As per the original plan UNDP was to make a full handover to the MR in this stage of the project which ends by mid-2016 and to no longer be involved. The MR was to be fully and exclusively responsible for the last stage of implementation.

This review proposes a modification to this initial planning. As stated earlier, *continued technical assistance by UNDP is recommended*. UNDP should continue to be involved in the project in the 3rd stage which is to start in mid-2016.

This involvement should be limited, that is, at considerably smaller scale compared to UNDP's level of involvement in the 2nd stage.

In the 3rd stage UNDP should continue to provide technical assistance to the MR in the areas where its technical expertise can add the strongest value. To the extent possible, UNDP could retain some sort of /backstopping role. A gradual phase-out of UNDP's involvement could be considered.

This recommendation is based on several sets of reasons. First, it takes into account the interest of the project partners, MR and UNDP. Second, it considers the added value of UNDP's continued involvement. Third, it assesses the general constraints for the operation of the MR, and in particular the political risks.

4.2 The Quality of UNDP- MR Partnership

The MR and UNDP obviously have a very good cooperation. They understand each other well and they are well-coordinated. This emerges from the statements and the positions of the two organization on various issues, and in particular on issues related to the transition into the next stage of the project. It is also evident from the coordination of day-to-day work and from the reporting chains and hierarchies, whereby MR staff receives instructions and reports to both the UNDP office in Resen and the ES. In the words of one respondent, "our offices have somehow organically merged".

As of the time of writing this assessment report (April 2016) there appears to be a clear consensus between the project partners that UNDP should continue to be involved in the next stage of the project.

This agreement does not in any way reverse or deny the feeling of readiness of the MR to take over the project. Each and every key respondent from the MR feels that the municipality is ready to take over.

UNDP staff also feel that the MR is ready to take over. The feeling is expressed with some variances and reservations, but they do not change the overall conclusion that both project partners feel that the MR is ready to take over.

The reservations expressed by MR staff are that even though the municipality can competently implement the project, some of its aspects would be more easily handled by or with UNDP. Consistently, UNDP staff feel that even though the MR is ready to take over, UNDP is better positioned or can more effectively implement certain activities. The cases in point would be activities which require special expertise or technology, such as specific equipment or software, or expertise for technical monitoring of the functioning of the wetland system in Ezerani.

Subsequently, the view has, and fairly so, been expressed by some respondents that the specific need for/extent of UNDP involvement would depend on the activities to be implemented in the next stage of the project. By this logic, the decision on UNDP involvement, or more precisely, the extent of UNDP involvement, should follow the decision on the specific activities to be implemented in the final stage.

The project has, as reported, had a flexible structure, and the specific interventions have been periodically agreed by the project partners and the board. Evidently the model has worked effectively and the project partners seem to be able to agree very well. The key point however is that both project partners obviously want UNDP's continued involvement over the next stage, regardless of the specific interventions to be agreed. Thus, it is evident that the specific measures for the 3rd stage and the extent of UNDP involvement would be discussed together.

The partners also appear not to have a problem with the sharing of the budget for the next 2-year period. All key respondents from both the MR and UNDP expressed confidence that deciding on how to share the budget would not be a problem. Respondents from the MR were specifically asked if they would agree to sharing a larger portion of the 3rd stage project budget with UNDP and they specifically said yes.

4.3 The Added Value of UNDP's Involvement

The following are the key arguments that have been expressed in favor of UNDP's continued involvement.

First, provision of expertise. It has been argued that UNDP has easier access to expertise, more experience, and greater innovation potential than the MR. Hence, it could implement activities which require stronger expertise.

Second, more effective procurement procedures. This was likely the most often cited and the strongest argument for UNDP involvement. It has been repeatedly noted that the MR is required to follow public procurement procedures which are cumbersome and result with significant delays. Both the MR and UNDP kept emphasizing that UNDP can conduct procurement swiftly and effectively. The 3rd stage of the project will involve a number of procurement procedures for either works or supplies (equipment), and the project partners emphasized that the effectiveness of this procedures is of critical importance for the success of the next stage of the project. Procurement was brought in connection with the political context in the country. It was noted that the MR cannot call tenders in pre-election periods, which would cause further delays. It was also noted that in cases of large tenders, the MR could come under political pressure from various interests.

The effectiveness of UNDP procurement procedures was also related to the relative urgency of the project which is obviously high on the MR's list of priorities, the secondary water supply system in Resen.

The MR is at present replacing the ancient (built in the 60s of the past century) water supply system in town. It has been reported that the old system produces severe water losses, is built of asbestos, and has frequent defects resulting with high maintenance costs (carried by the PEP).

The replacement of the primary water supply system, as reported by MR staff, is funded with international multilateral donor money, channeled through the Ministry of Transport and Communications.

Originally (as per the original plan for replacing the water supply system, which is quite dated), the secondary system (from major pipelines to households) was to be either self-financed by the citizens or financed by the PEP.

As reported by the MR, neither option is feasible. Citizens would not agree to the charge. The PEP would simply be pushed into bankruptcy if it was to finance the effort.

UNDP reported that the idea to have the secondary water supply system financed with the 3rd stage of the project was suggested to SDC and that SDC was open to the suggestion. Provisionally, as reported by the MR, the cost of the secondary water supply system would be around 200.000 Euros. The MR strongly emphasized the urgency of the project, that is, the need to install the secondary system immediately after the primary, and related this also to the current renovation of the regional road which would also extend over some streets in town. As noted by the MR staff, the secondary system would need to be completed before the road, in order to prevent digging through the just completed new road.

In conclusion, one of the key arguments the MR has to justify the need for UNDP involvement, is their effective procurement procedures. They are seen as a guarantee for effective completion of the

secondary water supply system in Resen (should it be supported by SDC), as well as for other measures in the 3rd stage.

The argument on procurement and its significance for project effectiveness was repeatedly brought up by the MR staff, and discussed at length, hence its extensive treatment in this report. It is relevant to note that key MR staff were asked if they would still be inclined to trust the completion of the secondary water supply system to UNDP if hypothetically they could avoid the complicated public procurement procedures, and conduct procurement under more expedient procedure.¹⁰ The response was again affirmative. It could be productive to look into this issue in more detail.

Third, lower cost of contracts for works and equipment due to VAT exemption, if they are realized directly by UNDP. This argument was put forth several times by both MR and UNDP staff, in favor of having UNDP conduct the procurement. The issue should be looked at in more detail. If the argument is correct, the savings are obvious.

Fourth, UNDP can bring in additional projects. This is an argument that has been consistently brought up by the MR staff to praise the quality of the partnership with UNDP and their appreciation of UNDP support. The argument is of course fair. However, the MR has itself demonstrated that it can support local development and environmental protection through additional project support, by actually taking part in several IPA projects, which, as reported by MR staff, have a combined value which is close to the budget for the 3rd stage of the project.

Fifth and last but certainly not the least, UNDP's political autonomy. The argument is that UNDP can provide a critical dimension of political autonomy which is or can be of essential importance for various project aspects and activities. It was pointed out that when the specific interventions are selected by UNDP, they will not be susceptible to various political priorities (such as for example to build a sewage in a village not because of the environmental effect but for political reasons). It was also noted that some activities, such as grants for farmers, would be more effectively conducted by UNDP as it would be immune to local lobbying networks. As already mentioned, the political autonomy of UNDP was also brought in connection with the procurement and tendering procedures, which in the case of public procurement are tied to election timing, and the more general political circumstance.

4.4 Political Risks

The general political context in the country (which is in one of the worst political crisis since independence and the 2001 conflict), and the upcoming local elections in 2017 have been indicated as relevant risks for the next stage of the project implementation by several respondents.

The key issue is whether the MR would continue to be governed by the current administration after the next local elections, or in other words, would a different mayor and administration maintain the same level of commitment to the project.

This is a relevant issue and it deserves attention. There are several variables of interest to consider. First, the change of municipal administration will affect the time-line of implementation. The change of administration would almost certainly cause delays. This needs to be taken into consideration in the planning of the next 2016-2018 stage.

Second, and in the view of the reviewer, critically important, a change of the administration, would very likely result with reallocation of staff across sectors, and with significant changes in the scope of their responsibilities. This has not been indicated by respondents and it is indirectly inferred by the reviewer.

¹⁰ The issue was discussed at the initial briefing for the assessment held with SDC on 4 April 2016. The consultant also had some prior general (but only provisional knowledge) that in certain cases procurement under certain donor-funded projects can be run under donor rules instead of public procurement rules.

Spoken plainly, current key project staff, could be reassigned and given other responsibilities, and new staff with little knowledge of the project could be assigned to it. This could have serious impact on project continuity and effectiveness. It should especially be weighed against the fact that at present there are just a few key staff in Resen with management responsibility for the project, Mr. Zdravevski and Mr. Tashovski. Another key staff is the director of PEP, Mr. Ljupco Krstevski.

The political risk is a relevant argument in favor of UNDP involvement in the 3rd stage. Ideally, and to the extent that this is possible, provisions should be made to ensure that a future administration cannot take decisions which would disrupt effective implementation in the 3rd stage. Some sort of backstopping role for UNDP could mitigate such risks.

5. Extent of UNDP Involvement in the Next Stage

To bring this longer discussion to a conclusion, it is at the time of writing of this report clear that project partners specifically want UNDP to maintain some sort of involvement in the 3rd stage of the project. It also appears that they communicate well and should not have a problem agreeing the specifics of the partnership in the 3rd stage.

In view of the previous discussion and the review of the arguments proposed by both the MR and UNDP key staff, it is the *recommendation of this report that UNDP remains involved in the 3rd stage of the project*.

The question then becomes: what should be the extent of this involvement? Should UNDP maintain more substantive involvement? Or should its involvement be limited, thereby handing over more of the responsibility to the MR? In addition, should UNDP's involvement be constant, or should a phase-out dynamic be foreseen, consistent with the dynamics of transition between the previous stages of the project?

As already summarized earlier, the position of this review is that *UNDP should have a limited role, comparably smaller to its role in the 2nd stage*. It is also recommended that *UNDP gradually phases-out from the implementation in the 3rd stage*. This is consistent with the overall project design of gradual transfer of responsibility from UNDP to the MR and it should thus continue in this stage, albeit at a slower pace than originally foreseen.

The limitation should be defined specifically in terms of *smaller allocation of UNDP staff time to the project*. *UNDP can still keep a considerable share of the budget*, which the MR has indicated is also in its interest, *for the execution of works and procurement of supplies*. But the UNDP staff time on the project should be reduced, and to the extent possible, this could be done gradually.

A number of the major deliverables under the project have been completed; they are well-managed by the beneficiaries (PEP, apple growers, school orchard, association of apple growers, etc.). As indicated by UNDP itself, and as corroborated by other stakeholders, these processes proceed well and they do not need day-to-day management or supervision. This clearly reduces the need of staff time.

Reduced UNDP staff time on the project would be consistent with the logic of gradual handover which was a key aspect of the design of the project. In addition, it would produce a fair cost-effectiveness effect. Another important effect would be to encourage the MR and in particular the ES to assume greater responsibility for day-to-day management of the project.

Having UNDP retain a role similar to the one it had in the 2nd stage would defy the logic of the gradual handover. UNDP should nonetheless stay and it should help where its help is most needed, but the MR should be given the steering wheel.

Importantly, to the extent possible, UNDP should retain some sort of backstopping role, in the sense that it can intervene should significant risks occur. The specific modality for such a backstopping role should be considered.

To conclude, *the report proposes a modification to the originally foreseen complete UNDP withdrawal from the 3rd stage of the project.*

UNDP should stay in the 3rd stage but with significantly smaller involvement, defined specifically in terms of staff time allocation.

The MR should be take the lead as much as possible.

Gradual phase-out for UNDP should be considered. UNDP should continue to provide assistance in the areas and with issues where it can add the greatest value. In addition, it should retain some sort of backstopping role which could be activated if significant risks for the project arise in the 3rd stage.

Annex 1 - List of Interviews

1	Dimitar Sekovski, UNDP Skopje Office	07.04.2016
2	Gjoko Strezovski, Mayor	13.04.2016
3	Goce Sokolevski, Secretary	13.04.2016
4	Toni Jovanovski, Head of Urbanism Sector	13.04.2016
5	Ajman al Malla, Head of Environment Sector	13.04.2016
6	Naume Tashovski, Environment Sector	13.04.2016
7	Nikola Shushevski, Environment Sector	13.04.2016
8	Maja Kotevska, NCRC	13.04.2016
9	Monika Radevska, Stenje Monitoring Station	13.04.2016
10	Naume Toskovski, High School Car Samoil	13.04.2016
11	Nikola Zdravevski, UNDP Office Resen	13.04.2016
12	Aleksandar Blazevski, UNDP Office Resen	13.04.2016
13	Goran Stojanovski, Ranger	14.04.2016
14	Boro Lazarovski, Ranger	14.04.2016
15	Toni Dzepovski, Ranger	14.04.2016
16	Ljube Pampulevski, Association of Apple Growers	14.04.2016

17	Ljupco Krstevski, PEP Director	14.04.2016
----	--------------------------------	------------