

External midterm review (SI- BRD 2017-2025) – Final report dated 20 September 2023

Internal note for the file on the broader context - in response to a comment received

One of the few, if not only comment received on the final version of the review report was from EDA HQs in Bern, indicating that “the broader context is missing in the evaluation report, more precisely political situation, polarization, political blockage, lack of capacities, frequent change of minister and deputy minister, weak capacity of the ministry vis-a-vis the decision makers in the government etc.” In this note we will address this comment.

The Terms of Reference for the review asked for a rather ‘strict’ and formal evaluation of the project itself, which was amplified during the briefing meeting, where we were advised ‘not to cast the net too wide’. The ToRs certainly did not ask for a political analysis of the project environment. Nevertheless, in order to make sensible assessment, taking into account the ‘bigger picture’, the independent reviewers, both economists, indeed took a broader view, thereby mainly focusing on the more economic and institutional aspects of regional development and the equitable allocation of public resources.

In the report, we made reference to the personal interest of the then deputy prime minister in the project. On page 24 the report states <<it should also be mentioned that the project was negatively affected by the many changes in senior management, including deputy prime ministers. Whereas, under phase I, the CPVMEA pushed for SiReRa, during Phase II and subsequent DPMs the interest was much less and the project was moved to MLS which put a serious dent into the ownership and hence effectiveness and efficiency of the project.>>

As it was agreed that the report should be written in such a way that it could be shared with government parties, and as it became clear early on in the assignment that recommendations were going in the direction of ‘early winding up’, we opted not to be overly critical on the senior management in the Ministry of Local Self Government, as such would not serve any purpose apart from (further) deteriorating the relationship.

Interviews conducted, field visits and analysis of reports and documents revealed several determinants other than ‘objective’ factors, that shaped the evolution of the Si- BRD project process and its outcomes. Also, the prevailing political landscape in North Macedonia, characterized by high polarization and frequent turnover of key officials, has had a significant impact on the project's development. Notably, the changes in leadership, including three different CPVMEA and numerous changes in the Minister/Deputy Minister for Local Self-Government (MLS) key for project management, have influenced the project's efficiency, effectiveness, and continuity. These shifts were often associated with variable political will, attempts to advance different political agendas, different ideas/priorities and variations in the commitment to project implementation.

In the end, all these factors may help explain why the project performed below expectation. But in the review report we largely turned this issue around, by arguing that (i) the project design was very weak; that the project was approved without any serious analysis of facts, including any political analysis; and (ii) that the PIU did not have the capacity to navigate, circumvent and overcome these hurdles. Building phase II of the project around the views of a very motivated CPVMEA has appeared a too narrow basis for a broad-based ownership of the project.

Certainly, external political factors negatively influenced the performance of the project, but also the design should have factored-in these considerations; including the aspect that putting the PIU under the control of the Minister of LSG would run a risk for it to lose its professional independence and hence capacities.



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Република Северна Македонија

Министерство за локална самоуправа

Republic of North Macedonia

Ministry of Local Self Government

SUSTAINABLE AND INCLUSIVE BALANCED REGIONAL DEVELOPMENT PROJECT (SI-BRD-P) 2017-2025

External Mid-Term Review

A tale about the cloths of the emperor

Final Report
20 September 2023

Preamble

Following a competitive tender, the Swiss Embassy in Skopje commissioned Dege Consult (ApS), from Denmark, to carry out the independent Mid-term Review (MTR) of the *Sustainable and Inclusive Balanced Regional Development Project (2017-2025)*, implemented under the auspices of the Ministry of Local Self Government with funding from the Swiss Government. The assignment was guided by the Terms of Reference as provided in Annex 1.

The review commenced in the first half of June 2023 with a desk review. For operational reasons (and with only one return ticket being invoiced to the client) the field work was split up in two missions of one week (see mission schedules in Annex 2), leading to a first debriefing at the Embassy, on Friday 14th of July 2023, at the end of the two weeks of field work, followed by a (digital) debriefing with the Minister of Local Self Government on Friday 21st of July 2023.

During the two missions, the team spoke with aforementioned Minister; the Deputy Minister Finance, The State Auditor and the Director of the Bureau for Regional Development. In addition, the team met with a number of development partners and/or their project representatives, including the European Union, UNDP, Swedish Sida (through the SALAR implemented solid waste management project) and USAID (the project for strengthening municipal resource mobilisation). The team also met the SiReRa team, a unit within the Ministry of Local Self Government supported by the project, that is collecting and curating BRD expenditure data; and it had several meetings with the Project Implementation Unit (PIU), equally situated as a unit under the Ministry.

The team also visited six of the eight planning regions (i.e. all except Eastern and South-Eastern regions) where they met with and interviewed Directors and staff of the Centres for Regional Development (CRDs), but also interviewed 4 Mayors. In addition, the team physically inspected twenty-one (21) SI-BRD-P funded projects from all three grant cycles (2019, 2020 and 2022).

During field work, the team found it sometimes difficult to see the “forest through the trees”, making it hard to identify and assess the main thrust of the project, just to realise a little later that this challenge reflected the major weakness of the project, as it has been operating with insufficient focus in a poorly defined context. In this report we seek to take the reader along the path how we came to this conclusion, by first describing the project; then providing the broader context in which the project operated, before making an assessment against the OECD/DAC evaluation criteria.

Chapter 1 provides a brief overview of the project, its objectives, activities and expenditures (including commitments) to date. Chapter 2 describes the context in which the project operated, and the BRD policy the project was supposed to support. In Chapter 3 we bring both perspectives, as described in the first two chapters, together under the headings of the OECD/DAC evaluation criteria. In chapter 4, the main findings are summarised, leading to a straightforward recommendation already discussed in the debriefing with the Minister on 21st of July last.

On 28th of August 2023, a draft of this report was presented to the Swiss Embassy in Skopje, and in this final version, the few comments as received, have been carefully considered.

The MTR team wishes to thank Mr. Risto Penov, Minister of Local Self Government, Ms. Véronique Hulmann Marti, Ambassador for the Swiss Government in the Republic of North Macedonia, for their guidance and support during the assignment. We equally like to thank the staff of the Programme Implementation Unit (PIU) for their availability to share views and data on the project and all other people we met, in Skopje, in the Regional Development Centres, in the municipalities and in the field, for sharing their time and insights. We are grateful to Mirjana Makadonska, programme officer at the Swiss Embassy for organising the mission and serving as sounding board whilst we were organizing our thoughts and shaping our ideas.

Disclaimer: As the MTR team fully accepts its status as independent reviewers, only the MTR team is responsible for the factual content, thoughts and ideas as expressed in this report.



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Executive summary

Over the past few decades the concept of Balanced Regional Development (BRD), sometimes also referred to as Sustainable and Balanced Regional Development, has become a household name, not only in the Republic of North Macedonia (RNM) but in the entire Balkans. At the same time the term has remained a container concept, that represents visions ranging from economic growth based on regional potentials; larger regional infrastructural works; ensuring liveability of rural areas that are prone to outmigration through maintaining adequate levels of public service delivery; to some sort of an equalisation grant allowing all regions to offer similar levels of service delivery.

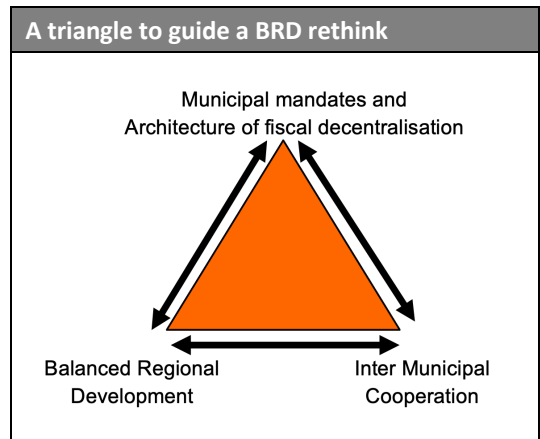
Over the past twenty years, in RNM, the BRD policy has evolved from specific attention and resources for underdeveloped regions (notably North-East and Vardar regions) to sharing a relatively small chunk of the public sector budget, labelled BRD resources, across all regions, whereby mentioned two regions receive a little above par, whilst Skopje region is allocated a little below average, but whereby the other five regions more or less receive an equal amount. On top of this, line ministries and agencies may set aside a small part of their respective budgets and declare this as BRD expenditure, whereby the idea is that funds would flow to the more under-developed regions; however, a report of the State auditor has shown that most of these funds stay in Skopje region. Evidence suggests that both in design and implementation the RNM/BRD policy has lost its focus on equalisation for the benefit of the regions in risk of being left behind.

Some 10 years ago, the Swiss Embassy got involved in supporting the BRD policy, initially through GIZ, but since 2017 directly under the Sustainable and Inclusive Balanced Regional Development project (SI-BRD-P), implemented by the Ministry of Local Self Government. Next to the aspect of an equitable distribution of resources, ensuring that the more marginal areas get extra attention, the project was to promote inclusiveness and social inclusion. The project was successful in introducing consultative forums, both at municipal and regional level, for citizens to discuss how they would like to see the available regional development funds to be used. Another success story of the project was that through the Call for Proposal in 2020 it was able to draw attention for public investments to also cater for the physically impaired. Finally, as a third positive outcome, through three call for proposals, with a total value of € 5.9 million, including a co-funding of € 2.6 million by the RNM whilst the other € 4.3 million was provided by the Swiss government, some 40 projects were either completed or in the process of being completed, many of which are appreciated by the people in the concerned municipality, the concerned regions and, in the case of a few specialised hospitals unique in the country that were rehabilitated, by people of the entire nation.

As much as most of the grant scheme projects (with the exception of a few clear misfits) vary from essential public expenditures supporting basic service delivery (e.g. hospital rehabilitation, regional school dormitories) to absolutely relevant public expenditures (e.g. playgrounds), the nature of the projects, that were selected through public consultation for use of regional development funds, reveals a problem with regards to the concept of regional development and/or the way it is operationalised. The selected projects include activities that are clearly municipal mandates (playgrounds, skate court); some represent truly regional mandates, of which the dormitories in regional headquarters are a nice example; whilst others represent national functions, that go beyond the regional level, as obviously, rehabilitation of a specialised hospital, of which there is only one in the country, is a responsibility of the national Ministry of Health.

The SI-BRD-Project would most likely have been more relevant if it had helped to address the broader BRD policy issues, for which it was restrained doing so by both the project design and the profile of the PIU staff. Although a little too late, with the explicit attention for inter municipal cooperation, as was most notably done during the last (2022) call for proposals, the project moved into the right direction, but for it to create lasting impact, this should probably have been the leading theme during the entire duration of the project.

There is need for a debate on the service delivery mandates and delivery obligations of each level of governance : the municipality, a group of municipalities, a region and the national level, and how such mandates are funded; Roles and functions of public utility companies may need to be part of such a discussion. At present, a substantial part of BRD funds end up being used by municipalities for municipal mandates, which could have been more effectively and efficiently addressed through a proper system of fiscal transfers to municipalities.



Given the complicated context and, lacking the professional capacity to help create order, the PIU engaged, notably during Phase I, into a variety of different, not necessarily coherent, activities, without making a real impact in terms of neither policy development nor capacity development (of the BfRD or the CRDs). In a way, and also because the project design was weak, the project became the victim of a BRD policy that never became very concrete in its real objectives.

With the benefit of hindsight the project should probably have been considered closed at the end of Phase I, as under Phase II it quickly ran out of steam whilst the PIU got caught up in the middle of high level discussions between ministry and embassy, which further paralysed activities.

As, apart from initiating the above proposed discussion which could still be a real opportunity, little more mileage can be expected from the project with regards to its stated objectives, whilst, once the grant sub projects are finalised later this year, some 70% of the available budget is utilised, it is proposed to consider shortening the lifespan of the project by 15 months and aim for an end-date of June 30th, 2024.

For the remaining period the following activities are proposed :

- Few quick-win investment or other projects, preferably in the 2 or 3 least developed regions and with a direct link to inter-municipal cooperation, to absorb any balance resources, whereby the procedure for project identification and project selection is to be mutually agreed upon between SDC and MLS;
- Preparation of a high level and high quality discussion-paper on the relations between regional development, municipal mandates, inter-municipal cooperation and intergovernmental fiscal transfers, whereby it is proposed that MLS and PIU will call upon the Embassy to help identify suitable consultants to carry out such a task;
- A study on the role, functions and funding of CRDs, as they suffer from the lack of a clear mandate and institutional position ;
- One or more high level round tables to start a dialogue on the relations between Municipal mandates, intergovernmental fiscal transfers, inter-municipal cooperation and regional development;
- PIU to complete ongoing and above priority activities before winding-up.

1. Introduction

1.1 The origins of the idea of Balanced Regional Development (BRD)

Some 15 to 20 years ago, when EU accession of North Macedonia was thought to be imminent, much attention was paid to accessing EU funding, and an idea, which later appeared misguided - but that took hold at the time, was that the country needed 'regions' to access EU regional funds. But also, already in 2001, the Ohrid agreement had raised the interest in the topics of fiscal decentralisation, regional development and regional disparities. Then, around 2006-2007, GIZ was supporting regional development in the relatively poorer Eastern and South-Eastern parts of the country, and was, with some success, pro-actively lobbying for application of the concept of regional development. Together, these different streams of interest led to the preparation of the *first Balanced Regional Development Policy and Law* in 2008, which, -with the benefit of hindsight, read like a project guideline to allocate funds instead of a public sector law. As such, the concept of Balanced Regional Development seems to have been, in a way, the result of, undoubtedly well-intentioned, 'project thinking', scaling up a project idea to national policy. Ever since, the concept has been popular amongst development partners, most likely because of the connotation with equity and support for the more backward regions, in the otherwise relatively small country.¹

1.2 History of Swiss support to BRD

Swiss support for BRD started around 2012, with a contribution (of CHF 2million) to GIZ's Regional *Economic Development* (RED) programme, and which came to an end in 2014, due to 'lack of funding by GIZ and issues in the relation between GIZ and the government'.²

Thereafter, the Swiss support for BRD took for a while the form of a SDC managed project³ implemented under the wings of both the Cabinet of the Vice Prime Minister for Economic Affairs (CVPMEA), who, at the time, was a staunch supporter of the BRD concept, and the Ministry of Local Self-Government (MLS).

Sometimes, the period 2015-16 is referred to as the entry phase into the current project, but in fact it seems to have been more of an interim period, during which the main institutional embedding changed from CPVMEA to MLS, whilst GIZ had to be dropped⁴. In the entry proposal (dated September 2015), it was foreseen that the first main credit would kick in by September 2016 followed by a larger second main credit to cover the period from March 2016 to the end of 2020, to be followed by an exit phase of 2 years (till end of 2022). But it took till August 2017, till the document for the two main credits (Phase I and Phase II) of the present project titled *Sustainable and Inclusive Balanced Regional Development (SI-BRD)* were signed, whereby the first phase ran from September 2017 to 2021, whilst the current, second phase, that started in October 2021, is to last till September 2025.

An important difference between the interim period (cum entry phase) and the actual approved SI-BRD-Project is that the Ministry of Local Self Government, gradually became the responsible party for implementation, including recruitment of project staff. As much as CPVMEA was still mentioned in the Phase I credit proposal (2017-2021), its role became less prominent over the years and its name vanished from the second credit proposal. At present, MLS is the sole implementing partner.

¹ It should be noted that in terms of area and population, the (8) regions in North Macedonia are of a similar size as many lowest level local governments in several other countries.

² Credit Proposal Phase I, dated August 2017

³ With the project manager and staff being employed directly by the Swiss embassy.

⁴ Amongst the materials provided to the evaluation team, there is a project proposal for 'an inception phase 2015-2016', under the seal of both SDC and GIZ with the intriguing tentative project title *Sustainable and Inclusive Regional Economic Development* (emphasis added). It is undated, but must have been prepared around 2015.

1.3 Overall goal and objectives of the SI-BRD project

Despite considerable changes in the implementation modalities over the years, from entry phase to the current 2nd phase, the goals and overall objectives (outcomes) of the project have, with minor textual changes, remained the same throughout (see Textbox 1).

Textbox 1 : SI-BRD Project (Phases I and II) : Overall Goal and Expected outcomes	
Goal:	Disparities in the development among and within the planning regions are decreased, and as a result, citizens, in particular those of the less developed regions in the country, have better living conditions
Outcome 1:	The Government allocates and implements funds for balanced regional development in a transparent, predictable and effective manner and according to the level of development of the planning regions.
Outcome 2:	Regional Councils are transparent, inclusive and accountable, and take citizen's needs and demands into account in their regional development planning.
Outcome 3:	Centres for Regional Development (CRDs) in all eight planning regions, in particular the less developed ones, are more effective and efficient.

So in brief, the project would aim to improve (i) the allocation of funds set aside for regional development for it to have an equalisation impact; (ii) the performance of regional councils, notably with regards to citizen participation and social inclusion, and (iii) the performance of the Centres for Regional Development.

Maybe the biggest shift in definition of goals and outcomes over time was with regards to outcome 3 where the entry document spoke about “capacities of CRDs to *design and implement projects with a focus on economic development*” a notion that later disappeared. But also, initially, the project goal explicitly referred to “*a gap between opportunities and living conditions that had to be closed*” a reference that later was omitted. It reads like that from the entry phase to the main phase(s), the project objectives got ‘flatter and less pronounced’; which is like a reflection of the shift from special attention to ‘under-developed areas’ (the GIZ project) to a ‘*Balanced Regional Development* policy for the entire country’ (as embedded in the BRD strategy and law), where now every region needed to get its share. From an evaluation perspective, by simply looking at the overall log frame as presented in Textbox 1, the following first initial conclusions can be drawn :

- The description of the goals and outcomes is both ambiguous and (too) ambitious. Reducing disparities *among and within regions* would mean that all parts of the country evolve to being *at par*, which is neither realistic nor desirable; In all countries there are spatial differences. Such differences are natural, but need to be kept within limits, whereby those limits (e.g. in terms of service delivery levels) need to be defined.
- Secondly, the way the outcomes are defined, it assumes there is a formal governance layer between the national government and the municipalities, that can receive funds, that have a well-established governance body (e.g. the regional council) and that have a implementing arm. These assumptions can be challenged as the project may be pushing for something to become more perfect, whilst in reality it hardly exists.
- Thirdly, from the Log-frame, it becomes clear that the project is totally tied to the government's BRD policy, and success of the project would be determined by success of said policy. However, over the years, and as far as the review team is aware, there has, from the donor side, never been a thorough analysis of the BRD concept and the

justification to support it, apart from statements that wealth is unevenly spread across the country (and that this ‘has been the case since the 1960’).⁵

Both for the first phase (in the Credit Proposal and programme proposal) and the second phase (only in the Programme proposal), the above outcomes were further detailed in outputs as presented in Text box 2 on the following page. Like for the outcomes, for phase II the outputs remained largely the same for Phase I, whereby it should be noted that for Phase I no mid-term or end of phase review took place, and, as a result, from Phase I into Phase II, the project continued more or less as *business as usual*.

Both the outcomes and outputs oscillate around three themes : (i) awareness raising on the importance of balanced regional development; (ii) building the legal framework and providing tools to make decision making around available budgets for regional development funds more inclusive, with a special role for the regional councils and (iii) capacity development for the Regional Development Centres as the implementing arm of the regional councils. As such, it reads as if the project had a mission to establish and entrench both the concept of balanced regional development and a new intermediate governance layer. The Credit proposal for the second phase notes, as one of the key arguments for a second phase, that << The Government of RNM shows commitment to BRD and specifically to SI-BRD-P, as **only donor funded** programme currently working on the BRD topic>> (emphasis as per the original), which sounds as a self-fulfilling circular reasoning, as the objective itself is not subjected to scrutiny.

1.4 SI-BRD-P activities, budget and expenditures to-date

Apart from looking at its history and its log-frame, another angle to get a handle on a project, is to look at the activities undertaken and even more so where it spent its resources.⁶

In Annex 3, an overview is presented (as prepared by the PIU under the guidance of the review team) of the activities undertaken by the project, by output, under Phase I and Phase II, respectively. Even when ignoring the details, a first-hand observation is the length of the list of activities for Phase-I as compared to the much shorter list for Phase-II, which seems to reflect the sort of limbo the project has gotten into during Phase II.

Apart from two grant cycles (with calls for proposals in 2019 and 2020), during phase-I activities focussed on the legal framework (including rules and procedures for use of regional development funds) and tools, notably the introduction of citizen forums, initially at municipal level but later (Phase-II) also at regional level.

During Phase-II, also because the target outputs remained the same and many activities were already undertaken during Phase-I, attention of the project team became increasingly focussed on the single grant cycle foreseen for Phase-II, and for which a call for proposals was issued in 2022. A list of all grant schemes is provided in Annex 4.

⁵ A few years ago, a substantive team was mobilised by the European Centre for Peace and Development (ECPD), to evaluate, with funding of the project, the *Regional Development Strategy 2009-2019*, but the voluminous report (of 336 pages, published in May 2020) is like a compendium of academic papers with lots of data and international comparisons, but it fails to critically analyse what BRD means in the case of North Macedonia. Also because several other former Yugoslav republics have regional development policies, it appears as few are willing to critically call out such policies, likely in part they have a ‘feel good’ character, whilst at the same time it may provide an instrument for political gains.

⁶ Although it is acknowledged that sometimes activities that costs little can be very meaningful or impactful.

Textbox 2 : SI-BRD-P- Main outcomes and outputs - Phase I and Phase II respectively		Sources: Credit proposal Phase I and Programme proposal Phased I and II	
Outcome	Output #	Outputs Phase I	Outputs Phase II
Outcome 1: The Government allocates and implements funds for balanced regional development in a transparent, predictable and effective manner and according to the level of development of the planning regions.	Output 1.1:	An IT-based system to monitor the implementation of the national funds for BRD is in place.	System for regional development (SiReRa) is digitalized and becomes efficient and effective tool which is used by the government for strategic decision making processes for balanced regional development.
	Output 1.2:	Updated policy and legal framework for regional development.	Legal framework is updated, and it is in line with the EU requirements.
	Output 1.3:	The capacities of the national institutions in charge of the implementation of regional development policies are strengthened.	Regional projects of considerable size and importance implemented through the annual Programme for Balanced Regional Development.
	Output 1.4:	New officials (National Government and Mayors) are increasingly aware about the regional development policies and the results achieved.	The Government through its ministries is increasingly aware of the regional development policies and the results achieved.
Outcome 2: Regional Councils are transparent, inclusive and accountable, and take citizen's needs and demands into account in their regional development planning.	Output 2.1:	Protocol for including civil society, private sector and academia in the sessions of the RCs are in place.	Strengthened capacities of RCs/CRDs for efficient implementation of the regional policy.
	Output 2.2:	Community forums are established as a mechanism for engaging citizens in planning at the regional level, considering the needs of the vulnerable groups.	RCs/CRDs strengthen their capacities to use regional forums and to include social inclusion aspects in each project / initiative which is supported through the Programme for Balanced Regional Development.
	Output 2.3	Tools for enabling RCs to provide feedback to the citizens about the follow-up of their demands are in place.	Tools for improved transparency enabling RCs to provide feedback to the citizens about the follow-up of their demands are regularly used and upgraded.
	Output 2.4		Citizens are increasingly aware of the regional development policies and the results achieved.
Outcome 3: Centres for Regional Development (CRDs) in all eight planning regions, in particular the less developed ones, are more effective and efficient.	Output 3.1:	Increased capacities of the CRDs for preparation of large-scale inclusive and innovative projects.	Increased capacities of the CRDs for implementation of regional projects of considerable size and importance accompanied with cost-benefit analysis and feasibility study.
	Output 3.2:	Improved service provision of the CRDs to the business sector.	Improved service provision of the Business centre (within CRDs) to the business sector.
	Output 3.3:		Smart specialization of 8 planning regions is defined and accepted by the RCs.

The call for proposals in 2020 had as theme *social inclusion*, whilst the theme for 2022 was *digitalisation*. Over the cycles, the minimum budget for projects was raised (to CHF 300,000 in the 2022 cycle), in order to ‘force’ regions to propose projects with a regional (i.e. at least intermunicipal) character.

The total budget for Phase I was CHF 3.81 million⁷, with CHF 2.76M to be contributed by SDC and the equivalent of CHF 1.05M by the government of RNM, nearly all of which was spent by the end of the phase (see Annex 5). The SDC budget for the current Phase II was CHF 4 million, to which CHF 350,000 was added for projects in Polog region, plus a government contribution to the grant scheme equivalent to CHF 2 million, bringing the total budget for Phase II to CHF 6.35 million.

Hence, for Phase II, slightly over two-third of the budget is provided by SDC, whilst the grant scheme takes nearly 60% of the budget (see Textbox 3). The government of RNM only contributes to the grant schemes and the Swiss contribution thus finances in full the PIU office costs and the costs of the three outputs, which absorbs 60% of its contribution, with the remaining forty percent of the Swiss contribution being earmarked for co-financing the grant schemes. After the additional contribution, the grant scheme projects are roughly financed 50/50 by SDC and RNM/MLS, respectively.

In the budget for the current Phase-II, some 17% is earmarked for salaries of project staff (including some staff deployed to the SireRa unit), which -being below 1/5- is quite reasonable. But it is a bit peculiar that the budget for each of the three outputs is set at SDC’s original budget (CHF 4M) minus the contribution to the grants (CHF 1.4M) minus office cost (CHF 1.09M) being a residual amount of CHF 1.51 M being equally divided by three, resulting in the same budget of CHF 503,333 for each of the three outputs.

Even more remarkable it is that in the PIU budget, the costs for each of the three outputs is described as <<expert support for the outcome>> further itemised as (i) honoraria for national/international experts; (ii) operational expenses (DSA, etc.) and (iii) other costs. In other words, for the outputs, the PIU does not budget for the costs of specific activities, but rather it budgets for <<outsourcing>>. Overall, the budgeting process seems to have been fairly weak in terms of quality and accuracy, as funds were allocated as arbitrary bloc amounts, without any activity based budgeting.

	Total Budget Phase II		Expenditures by end of June 2023		PIU Forecast expenditure JUL-DEC 23	Estimated Expenditure by end of 2023		
	in CHF	as % of total	in CHF	as % of budget		in CHF	as % of budget	as % of total
Personnel Salary	811,200	12.8%	320,683	39.5%	139,000	459,683	56.7%	9.6%
Travel and subsistence	65,000	1.0%	6,249	9.6%	3,000	9,249	14.2%	0.2%
Equipment	45,000	0.7%	15,856	35.2%	11,000	26,856	59.7%	0.6%
Consumables, office rent etc.	168,800	2.7%	59,414	35.2%	17,000	76,414	45.3%	1.6%
Sub-Total PIU	1,090,000	17.2%	402,202	36.9%	170,000	572,202	52.5%	11.9%
Outcome 1	503,333	7.9%	70,943	14.1%	91,000	161,943	32.2%	3.4%
Outcome 2	503,333	7.9%	103,855	20.6%	260,000	363,855	72.3%	7.6%
Outcome 3	503,333	7.9%	135,143	26.8%	58,000	193,143	38.4%	4.0%
Sub-Total Outcomes 1-3	1,510,000	23.8%	309,942	20.5%	409,000	718,942	47.6%	15.0%
Grant scheme - contribution SDC	1,750,000	27.6%	-	0.0%	1,635,000	1,635,000	93.4%	34.1%
Grant scheme - contribution MLS	2,000,000	31.5%	-	0.0%	1,870,000	1,870,000	93.5%	39.0%
Grant scheme	3,750,000	59.1%	-	0.0%	3,505,000	3,505,000	93.5%	73.1%
GRAND TOTAL	6,350,000	100.0%	712,144	11.2%	4,084,000	4,796,144	75.5%	100.0%
as % of budget	100%		11%		64%	76%		
<i>Share SDC in Grand Total</i>	4,350,000	68.5%	712,144	16.4%	2,214,000	2,926,144	67.3%	61.0%
<i>Share MLS in Grand Total</i>	2,000,000	31.5%	-	0.0%	1,870,000	1,870,000	93.5%	39.0%

⁷ Excluding an opening credit of CHF 580,000 for the interim period 2015-2016

As far as expenditures for Phase II is concerned, by end of June 2023 (21 months or 44% into the total lifespans of Phase II, being 48 months), overall expenditure was standing at 11% (see Textbox 3 above and Annex 5). A boost in the expenditure figures is expected during the second half of this year (2023), when costs of the ongoing grant projects can be recognised as expenditures. The PIU, however, may be a little too optimistic with regards to expenditures figures for the three outputs (notably output 2), but for sure by end of the year 2023, expenditure figures should be (well) above 65% of the total Phase II budget.

Whereas, by end of June 2023, expenditures for the more or less fixed office costs stand at nearly 37% of budget, the relatively low expenditure-as-compared-to-the-budget figure for the three outcome areas by the same date (only 20.5%), illustrates once more the above aired observation that project activities are (and have been) at a relatively low level of intensity.

1.5 Approach taken to the MTR and structure of the report

The above provides a bird's eye overview of the project, together with some initial elements of an assessment. Based on the Terms of Reference, which includes a long list of more and less detailed questions (See Annex 1), the review team distilled some main evaluation questions as presented in Textbox 4 below :

Textbox 4 : Main evaluation questions	
Relevance	<ul style="list-style-type: none"> Are the overall SI-BRD-Project Goal and Objectives relevant given the situation in the country and the prevailing legal and institutional framework, as well as policies of the respective RNM government, including the BRD policy
Coherence	<ul style="list-style-type: none"> To which extend is the BRD policy and, by inferred relationship, to which extend is the project aligned with other policies, actions and interventions of both government and other actors
Effectiveness	<ul style="list-style-type: none"> To what extent have the planned outcomes been achieved and what were the factors for any discrepancy ? Have institutional capacities of Regional Councils and Regional Development Centres to identify projects with an impact on the development of the regions been enhanced)
Efficiency	<ul style="list-style-type: none"> To what extent was the intervention cost-effective and timely
Impact	<ul style="list-style-type: none"> Have policy and legal frameworks been reviewed and revised ? Did it make a difference? Did the sub-projects from the various grant schemes (2019, 2020 and 2022) contribute to the overall goal of the project?
Sustainability	<ul style="list-style-type: none"> Have the partner institutions (MLS, BRD, RCs and CRDs) taken ownership of the aims and activities promoted by the SI-BRD-project ? What are the main reasons and risks for the project not to be successful?

As may be clear from the foregoing, because the SI-BRD-P is so closely linked to the BRD strategy and its implementation, this mid-term review could not escape to also look at the bigger context in which the project operated. Chapter 2 therefore presents an overview of the way the BRD policy was conceived and how it has been operationalised. Against this background, in Chapter 3, the project is assessed through the prism of the six OECD/DAC evaluation criteria (that are listed in the left column of Textbox 4 above). This leads, in Chapter 4, and without too much verbiage, to some straightforward conclusions and recommendations with regards the future of the project, as well as the suggestion to fundamentally rethink the BRD policy.

2. The broader context of the SI-BRD-Project

2.1 Introduction

Over the past 20-30 years, the reduction of socio-economic disparities between regions in the Republic of North Macedonia and the pursuit of policies aimed at encouraging balanced regional development have been an important topic in the minds of political decisionmakers. Yet, there has not been a significant reduction of the socio-economic disparities between the so-called⁸ *planning regions*; On the contrary, certain indicators suggest a widening of the disparities among the regions, notably between Skopje and the other regions. In fact, an although often hidden or camouflaged in the discourse, the real significance and relevance of balanced regional development arises from this growing divergence in socio-economic disparities between the Skopje region and the other planning regions within the country, and, within the latter, notably the position of the two least developed regions being North-Eastern and Vardar regions.

As argued in the previous chapter, because the SDC/SI-BRD Project is directly linked to the BRD policy in North Macedonia, whilst a substantial portion of the project activities align with the evolution of the RNM/BRD policy (support to improve legislation, enhance stakeholder capacities, financial assistance, and support for enhancing transparency, accountability, and participation in BRD policy implementation), from the outset of the review, it was therefore clear that we would have to look at the RNM/BRD policy as well to be able to evaluate the extent to which the project has contributed to the policy's successful execution; as well as to identify the challenges and determine potential areas for further improvement, as such would allow to envision any future trajectory of the SDC/SI-BRD project – whether it should continue, in what manner, and to what degree. This chapter therefore provides, from the outside of the box, a snapshot of the BRD policy, its legal and institutional arrangements and finally a description of the actual fund flows, as a big-brush-description of the context in which SI-BRD-P operated.

2.2 BRD policies, legislation and institutional framework

In terms of legislation related to balanced regional development, the basic reference is the Law on Balanced Regional Development (LBRD). The current law was adopted at the beginning of 2021⁹, replacing the old Law on Balanced Regional Development, which was adopted back in 2007 and which was amended and supplemented several times. The task of the new law from 2021 is to remove the shortcomings of the predecessor (such as ensuring greater self-sustainability in financing the work of Centres for the Development of Planning Regions, redefining the competencies of policy makers/stakeholders and increasing efficiency in the implementation of the procedures regulated by this law, etc.) and at the same time to implement the obligations arising from the European legislation and which are expected to enter into force after the country's accession to the European Union (performs harmonization with the regulation (EU) No. 1301/2013 of the European Parliament and of the Council of December 17, 2013 on the European Fund for regional development and on special provisions for the purpose of the Investments for growth and job positions, as well as for superseding the Provision (EC) No. 1080/ 2006 CELEX 3201R1301).

This Law regulates the goals, principles and stakeholders of the policy for stimulation of balanced regional development; regional development planning; financing and allocation of

⁸ Regions are not established as a formal governance structure, and do not constitute 'legal entities'; They are not a body corporate as subnational governments used to be. Hence, they serve for *planning purposes* only.

⁹ Law for Balanced regional development – see for more details: <https://mls.gov.mk/images/files/Zakon%20za%20ramnomenen%20regionalen%20razvoj-mk.pdf>

funds for stimulation of balanced regional development; monitoring and evaluation of the implementation of planning documents and projects and other issues related to regional development¹⁰.

Goals of the policy for stimulation of balanced regional development defined in the Law on Balanced Regional Development¹¹ are: Balanced and sustainable development of the whole territory of the Republic of North Macedonia based on the model of polycentric development; Lowered disparities between and within the planning regions and improved quality of life of all citizens; Increased competitiveness of the planning regions through the strengthening of their innovation capacity, optimal utilization and valorisation of natural resources, human resources and economic specifics of the different regions; Preservation and development of the specific identity of the individual planning regions, as well as their affirmation and development; Development of the urban areas, areas with specific development needs and villages; Support of the inter-municipal and cross-border cooperation of the municipalities for the purpose of stimulating balanced regional development.

Further to the Law, there are various short, medium, and long-term strategy documents for implementation of regional development policies. These documents determine goals, priorities, and measures that can be undertaken by competent institutions and include:

- (i) *Strategy for Regional Development of the Republic of North Macedonia (2021-2031)*¹² - The Strategy for Regional Development of the Republic of North Macedonia is adopted for a period of 10 years. It was developed by the Ministry of Local Self-Government and adopted by the Assembly of the RNM at the proposal of the Government. After the adoption of the new LBRD, the Assembly adopted the Strategy for Regional Development for the period 2021-2031 in April 2021.
- (ii) *Programs for the Implementation of the Strategy for Regional Development of the Republic of North Macedonia (2021-2024)*¹³. For the operationalization of the strategy, in 2022, the RNM Government adopted the Program for the Implementation of the Strategy for Regional Development for the period 2021-2024, which foresees the strategic goals and measures to be achieved in certain stages and the estimated budget for their implementation for a period of 4 years.
- (iii) *Programs for the Development of Planning Regions* – which are developed by the Regional Development Centres and carried out by the Regional Development Councils after prior consent of the National Council for Balanced Regional Development. The programs are prepared for 5-year periods, that are implemented through Regional Council approved annual action plans.¹⁴

Inconsistencies can sometimes be observed in various strategic documents across different areas. There's a lack of continuity in their implementation and critical analysis of the established system, particularly concerning its functionality in achieving the intended goals. Moreover, the measures and activities defined in these strategic documents are often misaligned with the available personnel, administrative, and other resources required for their successful implementation.

¹⁰ LBRD, Article 1

¹¹ LBRD, Article 3

¹² Strategy for Regional Development of the Republic of North Macedonia for the period 2021-2031 (Official Gazette of RSM, no. 76/21).

¹³ Program for the implementation of the Strategy for Regional Development of the Republic of North Macedonia for the period 2021-2024 (Official Gazette of RSM, no. 37/22), available at:

<https://mks.gov.mk/images/files/Programa%20za%20sproveduvanje%20na%20Strategija%20za%20RR%202021-2024.pdf>

¹⁴ LBRD Article 14

In addition to the policy and legal instruments directly addressing the topic of balanced regional development, there are other acts that govern decentralization and the status of local self-government units, which are entities closely related with the development of *and* service delivery in the regions. These laws, with direct and indirect link to the process of balanced regional development, include:¹⁵

- The *Law on the Territorial Organization of Local Self-Government in the Republic of Macedonia*,¹⁶ which governs the territorial organization of local self-government in the Republic of North Macedonia.
- The *Law on Local Self-Government*¹⁷ which regulates the competencies of municipalities.
- The *Law on Inter-Municipal Cooperation*¹⁸ which stipulates the manner, forms, conditions, and procedures for inter-municipal cooperation, as well as financing of such ventures. Intermunicipal cooperation is important notably for smaller municipalities to realize investments and/or provide services they would not be able to provide when on their own, and as such forms a steppingstone towards regional approaches to development and service delivery.
- The *Law on the Financing of Local Self-Government Units*,¹⁹ which regulates the financing of local self-government units, and as such an important law in terms of achieving fiscal decentralization, that could ensure equitable distribution of public resources across local government units in the country, taking development differentials into account.

As illustrated these laws are highly relevant for regional development, but, as argued below, in practice, because BRD is treated as a stand-alone topic, these links seem insufficiently explored.

In terms of *institutional framework*, the Ministry of Local Self-Government, as a departmental ministry, is the pivotal actor for balanced regional development. However, as BRD is a cross cutting multi-sectoral issue, there are various bodies, with stakeholder participation, for policy development, implementation, and oversight, including:

At national level

- (i) the *Council for Balanced Regional Development* under the Government of North Macedonia, at national level. The Council has the function of a coordinating body that connects the most important stakeholders within thematic areas closely related to balanced regional development. The Council is composed of representatives from line ministries (Local Self-Government, Finance, Economy, Transport & Communications, Education & Science, Labor & Social Policy, Culture, Environment & Spatial Planning, and Agriculture, Forestry & Water Management); the presidents of the Councils for the Development of Planning Regions and the President of the Association of Local Self-Government Units (ZELS). At present, the Council mainly functions as the technical body approving projects funded through the BfRD, and it contributes much less to a substantive discussion on the functioning/advancement/reform of the BRD. It should be noted that SDC funded SI-BRD-P has its own approval mechanism/body.

¹⁵ LBRD Article 10

¹⁶ Law on the territorial organization of local self-government in the Republic of Macedonia (Official Gazette of RNM no. 55/04, 12/05, 98/08 and 106/08).

¹⁷ Law on Local Self-Government (Official Gazette of RSM 5/02).

¹⁸ Law on Intermunicipal Cooperation (Official Gazette of RSM 79/09).

¹⁹ Law on Financing of Local Self-Government Units (Official Gazette of RSM No. 61/04, 96/04; 67/07; 156/09; 47/11, 192/15, 209/18, 244/19, 53/ 21 and 77/21).

- (ii) The Bureau for Regional Development (BfRD or ‘the Bureau’), a specialised body within the Ministry of Local Self-Government (in the process of becoming a separate agency) responsible for the implementing of the policy for balanced regional development. Apart from carrying out activities to achieve the policy goals, the BfRD provides expert support to the Regional Development Centres and municipalities, in terms of programme preparation and preparation of project proposals. The BfRD supports the National Council in allocating funds and in approving project proposals submitted by the regions.

At regional level

- (iii) the eight *Councils for the Development of the Planning Region*, known as the *Regional Councils (RCs)* with all mayors of the region as member; and
- (iv) the eight *Centres for the Development of Planning Regions* (usually called *Regional Development Centres* or RDCs) that operate under the instructions of the RCs as its implementing arm. The Centers for Regional Development prepare the project proposals, are responsible for implementation of regional projects and assist municipalities in preparing proposals and executing projects for BRD funds (and funds under other calls) that are sent directly to the municipalities.

Although the CRDs in part depend for funding on the national council and the BfRD, they do not hierarchical fall under the BfRD, nor the Ministry as they operate under the instructions of the RCs, i.e. the mayors of the region.

At Municipal level

- (v) In terms of how BRD is operationalised, Municipalities are important actors in the implementation of the policy as municipalities both constitute and belong to one of the eight planning regions. All Mayors of a region constitute the Regional Councils, and usually, the CRDs implement policies and projects through the municipalities.

Inter municipal level

- (vi) Finally, there is a national Commission to promote and monitoring inter-municipal cooperation, in accordance with the above referred Law on Inter-municipal Cooperation. The Commission monitors the established forms of inter-municipal cooperation, reviews and issues an opinion on the annual report on the implementation of inter-municipal cooperation, initiates changes and additions to the legal regulations that affect inter-municipal cooperation and considers other issues of importance for inter-municipal cooperation.

Creating of a coherent and functional institutional infrastructure to address the issue of regional disparities, needed because of the multi-sectoral nature of the problem where numerous institutions need to contribute, has been a major challenge (and in part the origin of the uphill battle). If the institutions involved are not aligned, there's a risk that the efforts made by some stakeholders could be undermined due to a lack of commitment from others. Therefore, a high level of coordination and cooperation would be essential to achieve the intended goals.²⁰

Here it should be noted that the areas critical for balanced development are addressed across numerous strategic documents in the fields of demography, education, healthcare, entrepreneurship and business development, competitiveness, technological development, amongst others. As a result, there exists a multitude of institutions and stakeholders that are either directly or indirectly involved in what in the end constitutes regional development. This complexity makes it challenging to bring all these elements and stakeholders together behind a common goal, but for that it is first needed to have a clear common goal for regional development or even balance regional development, which is not necessarily the case.

²⁰ In that sense, the SI-BRD-P was in a better position when it still had strong support from the Cabinet of the Vice Prime Minister for Economic Affairs.

2.3 A variety of expectations underlying the BRD policy

Expectations about regional development cited by citizens generally converge along the following lines: stable growth and socio-economic development, enhanced living standards and improved education, healthcare, and other services.²¹

These aspirations tally with the priorities as set in the Strategy for Regional Development 2020-2030, where under two main headings (of on the one hand optimizing economic potentials; and livability through social services and employment opportunities on the other) two times seven is fourteen specific areas of focus are identified (See Textbox 5).

None of the priority areas specifically refers to ‘reducing regional disparities’ – the closest to this would be Area 2.3 calling to “*distribute investments and employment more evenly between regions*”. All other priority-areas speak in general terms about regional development that are equally applicable to each and all of the 8 regions.

Text Box 5 : Priorities as per the Strategy for Regional Development 2020-2030

I Competitive planning regions characterized by dynamic and sustainable development, with the following priority areas:

- 1.1 Encouraging economic growth in planning regions.
- 1.2 Developing contemporary and modern infrastructure in planning regions.
- 1.3 Recognizing and harnessing the innovative potential and advancing the technical-technological base of supporting industries in planning regions.
- 1.4 Elevating the level of human capital in the planning regions.
- 1.5 Creating competitive advantages for planning regions.
- 1.6 Optimally utilizing and valorizing natural resources and energy potentials in planning regions.
- 1.7 Environmental protection in planning regions.

II Greater demographic, economic, social, and spatial cohesion between and within the planning regions, with the following priority areas:

- 2.1 Demographic revitalization and more equitable distribution of the population between and within the planning regions.
- 2.2 Establishing functional-spatial structures for better integration of urban and rural environments in planning regions.
- 2.3 Increasing and distributing more evenly investments & employment between and within regions.
- 2.4 Elevating the level of social development in the planning regions.
- 2.5 Supporting areas with specific development needs.
- 2.6 Developing cross-border and mutual cooperation among planning regions.
- 2.7 Enhancing capacities for planning and realizing development within the planning regions.

As much as the list of priority areas as in the above Textbox is valid, it also reveals a lack of focus with regards to the BRD strategy. It illustrates that the expectations from the Balanced Regional Development policy are extensive and diverse, thereby posing challenges in their concrete realization, coordination, and monitoring.

As much as initially the BRD policy was targeting spatial inequalities and focusing on underdeveloped areas (the ‘Bureau’ was called Bureau for under-developed areas, focusing on selected part of the country, over time, and in fact since the introduction of the first Law in regional development, the policy has gradually evolved to eventually encompass all regions through the concept of ‘regional planning’ (hence the name of *planning regions*).

Given the broad framework of aims and expectations (as illustrated in Text box 5 above) the concept of Balanced Regional Development policy was (and is) not uniformly understood or accepted by stakeholders, resulting in divergent interpretations and pursuits of the BRD

²¹ In the same study (part of the documents used for the preparation of the Strategy for Balanced Regional Development 2021-2031), people cited as reasons for the observed uneven development between regions the ineffective strategies and development plans, insufficient quality of the infrastructure and conflicts and differences between political parties who prioritize own interest over national interests.

policy's objectives. Conversations during the review mission revealed distinct viewpoints among stakeholders regarding the intended outcomes of BRD policy. Some view it as about ensuring guaranteed minimum levels of public service delivery for all citizens, in order to prevent outmigration from villages and regions; Others see regional development as driving growth, exploiting developmental potentials, and fostering local economic development emphasizing transparency in public spending; whilst again others, including the SI-BRD-took the BRD policy to emphasize transparency and public participation.

With such a diversity of views on loosely defined goals and objectives, it would be difficult for any project like SI-BRD-P to support government effectively and efficiently, unless the project focused on refining and concretizing the policy, and assist government define what is meant by *balanced regional development*.

2.4 BRD relates to a tiny part of the public sector budget only

Part of the proof of the BRD policy pudding is in the amounts made available to promote balanced regional development.

The Law on Balanced Regional Development stipulates four BRD funding sources as follows, of which the first two are most relevant:

- The RNM government budget
- EU funds and other international sources
- Donations and sponsorships from individuals and legal entities, and
- Other means established by law.

The first category of BRD financing through the Government budget can be further divided into:

- 1a. Program for Balanced Regional Development intended for financing projects to support the development of planning regions.
- 1b. Program for reducing disparities between and within planning regions and enhancing regional competitiveness designated for financing the development of areas with specific development needs, villages, urban areas, and sustainable urban development.

Both 1a and 1b combined, is the budget that is made available through the Bureau for Regional Development. Until 2020, 70% of the funds under Bureau were earmarked for 1a, but from 2021 this was reduced to 55%, as there are (under 1b) three smaller envelopes of 15% of the total budget each wherein urban municipalities, rural municipalities, and municipalities with specific needs can submit proposals to the BRD bureau. If selected, the awarded municipalities are responsible for project implementation.

2. Programs budgeted for and implemented by Government bodies, line ministries and other budget users who carry out activities in support of regional development through their program initiatives fund these activities from their budgets. This is usually based on their own established strategic and program priorities and criteria. During the period 2019-2021, and apart from the Regional Development Bureau that accounted for 17% of the total BRD allocation via government agencies (captured under 1 above) there are fifteen other budget users that allocated funds within their program activities to support regional development, including the following five largest contributors next to BRD being the Innovation and Technological Development Fund (17%); the Ministry of Environment and Spatial Planning (14%); the Ministry of Education and Science (9%); the Agency for Youth and Sports (9%); and the Ministry

of Culture (8%). These six sources together constitute approximately 75% of the total government funds allocated for regional development.

According to Article 30 (2) of Law on BRD sources allocated for BRD are to be distributed among the planning regions based on the *Decision on the classification of planning regions according to their degree of development*, fixed every 5 years.²² For the period spanning 2018 to 2023, Skopje region is to be allocated 7.2% of the amounts whilst, at the other end North Easter region should receive 17.3%.²³

Available data show that the development index is indeed used for the funds under categories 1a and 1b above (i.e., for different windows using the same allocation formula); whilst the SI-BRD-P is pushing for line ministries to use the same formula.²⁴

In the Text box below, an estimate is made of the total amount presently made available for BRD on an annual basis.

Textbox 6: Estimate of funds allocated the BRD on annual basis			
	Amount in €	% of Bureau	% of BRD total
1a. BRD funds for Regional projects	€ 3.2 M	55%	5.3 %
1b. BRD funds for Municipal projects	€ 2.6 M	45%	4.3 %
<i>Urban municipalities</i>	€ 0.87M	15%	1.5 %
<i>Rural Municipalities</i>	€ 0.87M	15%	1.5 %
<i>Municipalities with special needs</i>	€ 0.87M	15%	1.5 %
Sub-total through BfRD/National council	€ 5.8 M	100%	9.7%
2. BRD funds in other Ministries / Agencies	€ 52.7 M	N.A.	87.9 %
3. EU regional Funds / Cross border funds	??		??
4a. SDC – sub projects under the SI-BRDP Project *)	€ 0.825M		1.4%
4a. SDC – sub projects under the SI-BRDP Project *)	€ 0.650M		1.1 %
	€ 59.75 M		100%

*) SDC grants only, average per year for the four period 2019-2022

For the period 2023-24 (two fiscal years²⁵), the Macedonian government's budget for BRD investments (administered through the Regional Development Bureau) stands at €11.6 million, translating to €5.8 million annually. This figure represents 0.12% of the public sector budget²⁶ and is relatively insignificant. Around 55% of this budget is dedicated to projects proposed by regional councils through RDCs, which also oversee implementation from start to finish. In principle, this allocation is meant for regional or inter-municipal projects, but in practice, the funds are often (equally) divided among municipalities to undertake 'quasi' regional initiatives (e.g., where at least 3 municipalities undertake same activities under the umbrella of one project).

As the three sub-programs, each having 15% of the BRD envelop, are specifically for Municipalities (to submit proposals to the BRD bureau for selection and endorsement by the National Council), a big share of the formal envelop for regional development ultimately ends

²² The *Decision* is adopted by the Government on the proposal of the Council for Balanced Regional Development. The last Decision on the indicators for calculating the development index was adopted by the Government in 2018 and is valid until 2023. (Decision on the classification of planning regions according to the degree of development for the period 2018-2023; Official Gazette of RSM, no. 234/2018).

²³ For the period 2018 to 2023, the shares are set as follows : North-East 17.3%; Vardar region 14.7%; South- West 13.3%; Polog region 13.2%; Pelagonia region 11.9%; Eastern region 11.3%; South-East region 11.1%; and finally, Skopje region 7.2%. It should be noted that apart from the outliers (Skopje, Vardar and North-East), the percentages for the other 5 regions are within a band of 2% for one another, hence coming rather close to equal shares.

²⁴ During interviews, the assessment team was told that ministries and agencies do use the development index to allocate funds, but as shown below that does not seem to be the case.

²⁵ It is not clear why the BRD budget was announced for two years combined; to make the amount look bigger?

²⁶ Figure used for the total public sector budget : € 4,75 billion.

up as municipal projects,²⁷ partially managed by the CRDs and partly by municipalities. Involvement of relevant sector ministries is minimal.

The allocated budget for all four envelopes is distributed among the 8 planning regions based on the composite regional development index, thereby fragmenting the available amounts tremendously (and making it more difficult to vow for regional projects of a certain size). But, as analyzed elsewhere in this report, it should be noted that the distribution of financial resources using the index exhibits a mild degree of differentiation among regions – as on the aggregate, from the dedicated BRD funds, on an annual basis, the least developed region is receiving only €0.6 million more than the most developed region.

The total budget allocated for BRD in 2021/2022 by other line ministries and agencies is estimated, based on data in the SiReRa system, that are based on self-declarations of these ministries and agencies, apparently without any clear-cut definition of what falls under “BRD expenditure” and what not, is evaluated at about €52.7 million, almost 10-times the dedicated amount under MLS/BRD. Apart from the Bureau for Regional Development, most line ministries do not consistently adhere to the development index when allocating their budgets; Even those ministries that utilize the index incorporate it alongside several other criteria in their fund allocation decisions.²⁸

Apart from the government funds for BRD, either through “the Bureau” or allocations by line ministries and agencies, there are funding streams from development partners for regional development, at present notably the European Union and Bilateral donors, notably SDC.

For the latter, for the period 2019-2022, SDC made available € 3.3 M for regional projects (some €825,000 per year on average) co-funded by Government for € 2.6M (or € 625,000 per year). Although exact data are not available, regions (and RDCs) receive more significant financial support from the EU, including under (5) cross-border programs /calls for proposals. Many of these IPA (Instrument for Pre-accession Assistance) funds directly reach regions or municipalities within regions, without considering in-country regional disparities as these funds are distributed based on criteria other than regional development or the development index. Different cross border programs have different management hierarchies and total amounts are not immediately known. But as much as they are often casually referred to as ‘regional programs’, the meaning of the word ‘regional’ is very different from its meanings in *Balanced Regional Development* when the term was coined. In fact, Regional Development Centers getting involved in various cross border programs further eroded the original meaning of BRD, and the revised priority areas as presented in Text box 5 above must be understood in the sense.

In total, and exclusive EU grants, the current annual amount dedicated to BRD is evaluated at around € 60 million, which is equivalent to some 1.26% of the public sector budget. Clearly such amounts are very small and are unlikely to have a major impact also as the already small amount is divided in numerous different windows and programs. If it is really considered

²⁷ From the perspective of mayors, notably mayors of smaller municipalities, the push for municipal projects can be understood, firstly because inter municipal cooperation is still a concept to be more deeply understood. But the second, more important, reason is their limited budget available for municipal investments. Their restricted fiscal capacities and modest municipal budgets hinder the development of genuine compromises for regional projects. As such, regional development is linked to proper arrangements for municipal investments (but one does not substitute the other as now is *de facto* the case.

²⁸ As much as various parties, including the SI-BDR-P, encourage line ministries to use the development index to make BRD allocations, we would argue that such constitutes a technical flaw as sector allocations are usually based on sector related indicators. A development index is only appropriate for the discretionary (not sectorally) earmarked grant. The approach of certain line ministry to combine the development index with sectoral indicators therefore makes a lot of sense.

important to address regional disparities, it would deserve to be treated as a topic to be mainstreamed across in the entire government budget.

As per Article 10 of the Law on Balanced Regional Development as published in the "Official Gazette of RNM" No. 24/21 and 174/21, annually, from the RNM budget, a minimum equivalent to at least 1% of GDP should be allocated to BRD. An audit by the State Audit Office conducted in 2022 revealed that although the funds allocated for balanced regional development in 2021 were three times higher than those in 2018, they are still far from meeting the legally required minimum percentage of GDP. For the four years 2018-2021, the total allocation for BRD was only 0.40% of the aggregated GDP for these years (Textbox 7).

Textbox 7 : GDP and RNM-allocations-for-BRD, 2018-2021, in NMK millions						
Year	In NMK, million			in %		
	GDP	Resources allocated to BRD	Realised BRD investments	BRD resources as % of GDP	BRD investments as % of GDP	BRD investments as % of budget
2018	660.9	1.518	1.452	0.23%	0.22%	96%
2019	692.7	1.666	1.56	0.24%	0.23%	94%
2020	669.3	3.106	2.964	0.46%	0.44%	95%
2021	720.4	4.558	3.218	0.63%	0.45%	71%
Total (4 years)	2,743.3	10.8	9.2	0.40%	0.34%	85%

Source: State Statistics Office, Announcement 3.1.22.15 of 09/30/2022 and SiReRa system of 09/30/202

The report of the SAO also showed that for these years, the distribution of these funds among planning regions did not consistently adhere to the Index for the degree of development of each individual region. Throughout the specified period, the highest allocation of funds was directed towards Skopje (26.2%), despite it being the most developed region, followed by Polog region (15.5%), Southwestern (14.4%), Pelagonia (13.9%), Northeastern (8.45%), Southeast (7.94%), Eastern (6.9%), and, finally, Vardar region (6.7%). Hence, the actual distribution of resources earmarked for BRD goes counter the official development index, and counter common perceptions of what are the most backward regions.

2.5 Implications for the SI-BRD-Project

From the above it is clear that there are quite a few unresolved issues in relation to the BRD policy including:

- How to allocate the budget for BRD more efficiently?
- Is the current system of a composite development index more efficient compared to a system of defining separate criteria in each separate area?
- Would it be more operational and efficient to create a fund for BRD, or does the current system of multiple sources of funds provide sufficient results?
- Is it necessary to reconsider the status and role of the CRDs?
- How can the creation and implementation of real regional projects be ensured?
- Can inter-municipal cooperation be an effective tool for regional cohesion?
- Can an efficient system of transfers for municipalities mitigate regional differences?
- How can an efficient system of coordination of stakeholders/institutions in the implementation of BRD policy be achieved?
- Is the current role of the Regional Development Bureau appropriate for the BRD context?
- How can the financial donor support be harmonized and integrated into a BRD context?

The indirect question for this MTR is *what did the project do to help address these questions*, which, amongst other things, is the topic of next chapter. Certainly, the context in which the SI-BRD-P operated was not conducive for a "smooth and easy ride".

3. Appreciation of SIBRD-P against the OECD/DAC evaluation criteria

3.1 Introduction

In 1991, the Organisation for Economic Co-operation and Development (OECD) in conjunction with its Development Assistance Committee (DAC), published definitions of five evaluation criteria that have, over the past 30 years, become the leading criteria for most evaluations of international development projects and programmes. Few years ago, the original five criteria (*relevance, effectiveness, efficiency, impact and sustainability*) that became known as the OECD/DAC evaluation criteria, were extended to six as a criterion on *coherence* was added (see the very readable OECD publication titled *Applying Evaluation Criteria Thoughtfully* (2021)).²⁹ The terms of reference for this evaluation (reproduced in Annex 1) requested to apply the OECD/DAC evaluation matrix.

So, in this chapter, we will assess the project against what was presented in the first two chapters as well as in Annexes 4 and 5, through the prism of these OECD/DAC criteria. As much as the criteria force evaluators to systematically think through issues, the criteria are not always easy to grasp, for which reason we provide, at the beginning of each paragraph below, based on the above publication, a short version of the current definition of each criterion.³⁰

It is noted that the revised OECD/DAC guidelines, whereby also the definitions of the former criteria were modified, explicitly state that the criteria need to be applied (i) *thoughtfully* and (ii) that not all criteria are applicable to every evaluation.

In this chapter, we first look at the project in its totality for the six evaluation criteria, and then, in a separate section (paragraph 3.8) we look, using the OECD/DAC criteria, at the sub projects financed under the calls for proposals.

3.2 Relevance of the design

3 on a scale of 5

Relevance entails examining the extent to which the intervention's objectives and design respond to beneficiaries' needs and priorities, as well as alignment with national, global and partner/institutional policies and priorities.

One of the principles of good governance is that a government takes care of its citizens and the interests of its citizens in a fair and equal manner. That, however, is more easily said than done, as people are different, have different interests and usually, different parts of the area where that government (be it national, sub national or local) has a mandate, are different from one to another. So probably it makes sense to speak about the task of a government to treat all people in a 'fair and balanced' manner wherever they live in the jurisdiction of the concerned government .

But even that does not resolve the issue, as 'fair and balanced' can be defined in many different ways. In literature on fiscal decentralisation and how to distribute and envelop between different lower level units, different '*equalisation goals*' can be distinguished. One may say that the distribution of public funds to different regions is '*fair and equal*' if, overall, the amounts per capita are equal.

²⁹ Available online: <https://doi.org/10.1787/543e84ed-en>

³⁰ A second downside of the criteria is that they do not necessarily provide the structure or the headings for the good storyline, although, in the case of this evaluation, and with an emphasis on coherence, the observations on the criteria that follow support the line of argument.

Textbox 8 : Equalisation goals and allocation factors	
Goals	Factors
1. Distribution on an equal per capita basis	Population
2. Enable similar levels of service affordability	Expenditure needs indicators or national expenditure standards
3. Enable similar levels of fiscal resource availability	Fiscal capacity indicators or “representative revenue system”
4. Enable similar levels of service at similar levels of taxation	Fiscal gap = Expenditure needs – Fiscal capacity

Source : Modified from : Boex and Martinez, Developing Institutional Framework for Intergovernmental Fiscal Relations in Decentralizing LDTCS, 2004

But certain areas (and Skopje as a capital may be an example) provide, due to their nature, more services than other areas, hence they should, net, get more per capita because they are also providing services for people not counted in the area. Then, of course, in certain areas the costs of providing a service is more expensive e.g. because there are less people and/or population density is lower; for these areas the expenditure needs are higher. Hence a second possible equalisation goal is that ‘regions’ – or subnational governments - receive as much as to allow similar levels of service delivery. Such, however, is not always ‘balanced’ neither as illustrated in text box 9.

Textbox 9 : Guaranteeing similar levels of service delivery across the country s
The constitution of the Maldives, a small country of many small atolls (islands) in the Indian Ocean, stipulates that all citizens in the country have the right a same level of services. When the education policy indicated that each grade should have a dedicated teacher, it resulted in a situation where on small islands, one could have classes with one or only few students, which clearly was not a balanced way of using public funds.

A third way of equalising between different lower level geographical / governance entities is to compensate for different income raising capabilities and try to reach fiscal income equalisation, whereby more resources are allocated to those entities that have a weaker tax (or income) raising potential, e.g. because the area is poorer. The problem with this approach is the difficulty in establishing the ‘actual tax potential’, which is not to be confused with actual performance in tax collection.

A final, even more sophisticated, but also most difficult to operationalise, equalisation goal is to combine the aforementioned two objectives, leading to an equalisation goal to fill the gap between the expenditure needs and the revenue potential, which would allow all areas to provide a similar level of services with a same level of tax collection effort (and as a result those with less effort would have a lower level of services).

Finally, it should be noted that resources can also be allocated based on the objectives of a specific grant. For example, if a financial envelope were available for regions for primary school infrastructure, funds could be allocated taking into account the average number of children per classroom; the average distance a kid has to walk to school, the occurrence of different grades sharing one classroom etc., whereby the actual allocation criteria to be used depend on the most important grant-objectives to be achieved. If there were an envelope for regional road maintenance (i.e. maintenance, not new construction) the existing road length (maybe combined with road width) would probably be a reasonable variable. If there is an envelope for ‘underdeveloped regions’ it makes perfect sense to use an allocation formula based on a composite development index, but details depend on the precise objectives of that grant.

Even though North Macedonia is a relatively small country, with even smaller regions, there are differences in development and in the development challenges from one region to another. Some areas face a huge out migration, especially of those in working age, having serious consequences for costs of service delivery but also for liveability of those areas, notably the concerned rural areas. From the perspective, the topic of balance regional development is certainly relevant. But on the other hand, development potentials differ, and it would be an illusion to think that development levels can be equalised; areas like Skopje will always have a relatively larger part of GDP, which is quite natural. Hence, to become more relevant, it would be good to have a serious debate around balanced regional development policy, as its agenda needs to become concrete in what it seeks to achieve. So far, such in-depth discussion never took place, and the project never really pushed for implementation of activities towards such a discussion (neither in the design nor in the implementation). As a result, the main weakness of the project is in its lack of coherence.

3.3 Coherence

1 on a scale of 5

Coherence examines the extent to which other interventions (particularly policies) support or undermine the intervention and vice versa. This includes internal coherence (within one institution or government) including compatibility with international norms and standards, and external coherence (with other actors' interventions in the same context). Coherence includes concepts of complementarity, harmonisation and co-ordination, and the extent to which the intervention is adding value while avoiding duplication of effort.

The set objective of the BRD policy is that an amount equivalent to 1% of GDP, which is roughly 3% of the public sector budget³¹, is set aside or used under the banner of regional development. However, there is no clear definition of what constitutes 'BRD expenditure'.

Under the SiReRa data system, developed by MLS with staff co-funded under the project, a lot of effort is made to collect and digitise data on expenditures for Balanced Regional Development, by different ministries and agencies. But it appears rather arbitrary what is considered 'BRD expenditure' as the criteria used are too broad and not specific; e.g. rehabilitation of a hospital in Struga funded under the call for proposals of the project would be entered as BRD-expenses, but had it been rehabilitated under the regular budget of the Ministry of Health it would not; yet, if declared under the few percentage points of the budget the Ministry would have set aside for BRD, it would be an expenditure in the context of *balanced regional development*; hence without looking at the nature of the expenditures or what it is seeking to achieve, the main criteria for SiReRa is what is *declared*, by a ministry or agency as BRD expenditures.

The amount declared and registered as BRD expenditure for this financial year is less than 1.3% of the public sector budget³²; and for this budget a lot of emphasis is put to see to it that it is distributed in a '*fair and balanced*' manner, according to the formula (development index) that is established every five years, as stipulated in the BRD Act. Reportedly, the SI-BRD-Project did not have involvement in the development index exercise as 'it is another department in MLS' -i.e. other than the SiReRa unit- that prepares the calculations (for endorsement by the National BRD council and subsequent adoption by the Government).

³¹ It is unclear why the target is set as a percentage of GDP – as the policy objective is to use a certain share of the public sector budget, over which the government has control, for BRD. Setting the target as a percentage of the public sector budget would probably have been more logic.

³² i.e. € 59.75 Million (calculated in Textbox 6) against a public sector budget of € 4.75 billion, which is 1.26%

Textbox 10 below shows the allocation of the estimated total BRD envelopes across the 8 regions as per the development index and compares these ideal figures (and we know the reality is less ideal) with a situation where the envelope was equally shared.

The formula clearly has an equalising impact on, on the one hand, Skopje that receives 42.4% less and as compared to the average and on the other hand North-East, that receives 38.4% more and, to a lesser extent, Vardar region, that receives 17.6 % above what it would have gotten if equally shared.

For the other 5 regions, however, the relative differences are small, and within a bandwidth of plus or minus 10%. As the BRD envelop is relatively small, also the differences in absolute terms are small; As much as Northern East region receives some €3 million over and above the other regions (Skopje aside), the differences in allocations for the other 5 regions are less than €1 million. It means a whole system of fund allocation has been geared up to realise a net reallocation from Skopje to Vardar an North-Eastern region to the tune of around € 3-4 million annually.³³

Textbox 10 : BRD allocations, compared to equal share allocations							
Rough estimate of total BRD envelop				Data for comparison :			
BRD funds through MLS/BRD	5,800,000			GDP, 2021, in Euro	13,830,000,000		
BRD funds in Ministries/Agencies (Serera data base)	52,700,000			Total Public sector budget, 20203, in €	4,750,000,000		
BRD funding through projects (like SI-BRD-P)	1,475,000			BRD envelop as % of GDP	0.43%		
Total amount available for 'BRD allocation'	59,975,000			BRD envelop as % of Public Sector Budget	1.26%		
Allocation of BRD funds, by region				Deviations from equal share allocations			
Planning region	Current BRD Allocation key	Amount, in Euro	Key Equal shares	Amount Equal shares	In Euros	in % of	
						BRD envelop	Equal share
Skopje	7.2%	4,318,200	12.5%	7,496,875	-3,178,675	-5.3%	-42.4%
Polog	13.2%	7,916,700	12.5%	7,496,875	419,825	0.7%	5.6%
Vardar	14.7%	8,816,325	12.5%	7,496,875	1,319,450	2.2%	17.6%
North East	17.3%	10,375,675	12.5%	7,496,875	2,878,800	4.8%	38.4%
East	11.3%	6,777,175	12.5%	7,496,875	-719,700	-1.2%	-9.6%
South-East	11.1%	6,657,225	12.5%	7,496,875	-839,650	-1.4%	-11.2%
Pelagonia	11.9%	7,137,025	12.5%	7,496,875	-359,850	-0.6%	-4.8%
South West	13.3%	7,976,675	12.5%	7,496,875	479,800	0.8%	6.4%
GRAND TOTAL	100.0%	59,975,000	100.0%	59,975,000	-	0.0%	0.0%

An even more important aspect why the BRD policy, and by extension the project, is not coherent with its wider policy environment is because it is only looking at a tiny part of the total government budget thereby ignoring 98.5% of it, whilst, in principle, quite a bit of these funds would be spent in the regions as well, as staff salaries (education, health) and infrastructure (education, health, roads and transports etc.).

Moreover, whereas ample attention is being paid to using the development index as allocation key for the BRD funds, there are many other calls for proposals (e.g. the EU Cross border IPA funds) that are made available whilst ignoring any such equity considerations. Yet, the Centres for Regional Development are heavily involved in the absorption of these funds. It hence gives the impression that the BRD policy and the CRDs are there for each region to pull as many resources to each respective region as possible, and that the aspect of equalisation, or resolving a development gap is of subordinate importance. In that sense, the BRD policy has become a rather generic development agenda for all regions, which put the Swiss funded SI-BRD project in a very difficult starting position; as it is very difficult to support something that is not clearly defined, yet complex and involving many stakeholders.

33

The Law on Balanced Regional Development replaced the earlier policy focussing on the regions with a risk of 'being left behind'. From a perspective of political economy, the question can be asked whether the Act was a means to reduce the impact of favouring backward regions or a means to be able to sell it politically. Whatever the reason, in practice is impaired the impact on the most underdeveloped regions.

3.4 Effectiveness – Where the right things done ? 1 on a scale of 5

Effectiveness -in its revised definition- looks at the extent to which the intervention achieved, or is expected to achieve, its objectives and its results, whilst taking into account the relative importance of the objectives. Effectiveness looks at whether the activity mix was the right one³⁴

Given that situation, the right thing for the project to have done would have been to engage, one way or another, at the national level or building it up from the bottom using the grant schemes, to engender a policy dialogue on the issues raised in the above two paragraphs (on *relevance* and *coherence*) but that did not happen. In instances, like the evaluation of the BRD policy 2009-2019 or support to drafting the revised policy for the next ten years, it was tried, deliberately or coincidentally, but those pieces of work did not scratch beyond the surface, partly because of a ‘don’t rock the boat – this is how all Balkan countries do it attitude’, partly because in the Project Implementation Unit (PIU) the professional capacity was lacking to initiate and steer such type of a dialogue. But also the frequent changes in political leadership, with varying views on BRD did not help

However, most importantly, the project design, and the way the outcomes and outputs are defined, is to blame as the aspect of *policy development* is largely absent. As noted above (in Chapter 1), both Credit Proposals, for both Phase I and Phase II, align behind the BRD policy without any critical analysis or scrutiny. Apart from its difficult starting position given the context, right from the beginning the project therefore lacked a clear vision and direction. It should therefore not come as a surprise that the list of activities undertaken (See Annex 4) comes across as a set of rather superficial activities (‘create awareness for BRD’) without going into much depth, as if calling for a good course but without being able to make it work. One other aspect needs to be mentioned – and which could also have been treated under *coherence* or *sustainability* which is that the project design, but also the way it was implemented, seems to take the regions, with the regional councils and the centres for regional development as an already established (intermediate) governance layer, in between of national government and the Municipalities, whilst the regional consultative forums are established without regions having neither substantive budgets nor well defined mandates. Negatively put, the RCs and the consultative fora serve to allocate the €3.2M available for regional projects annually, with little scope for further systemic improvements, unless issues are addressed more holistically.

3.5 Efficiency – Where things done the right way ? 1 on a scale of 5

Efficiency helps evaluators ask questions about the extent to which the intervention delivers, or is likely to deliver, results in an economic and timely way. Efficiency looks at whether things were done the right way and in time.³⁵

The share of salary costs and other overhead (below 20%; see Chapter 1) is very reasonable, but the practice of budgeting for the outcomes only in terms of consultancy fees, travel and related costs and other costs, instead of budgeting for concrete activities, suggests that the PIU sees itself as ‘managing others to do the work’, which may not be the best way to create ‘a pro-active office that can make a difference’, certainly not if the capacity to guide and steer consultants is relatively weak. In fact, outsourcing usually requires higher levels of capacity as compared to in-house implementation.

In the design as well as in the workplans, capacity building of the CRDs is considered an important task. However, in most cases, the managers, but also other staff of the BRDs, are much more senior and experienced as compared to the relatively young staff of the PIU. As a result, no signs of any substantial capacity development of the CRDs was observed.

³⁴ Last sentence not from the OECD publication but added by the authors of this report.

³⁵ Same as previous footnote #34.

Yet, staff of several CRDs indicated that they ‘feel lost and insecure’ as their institutional embedding is unclear, and they would welcome a debate on the *objectives of BRD in theory and practice and the roles of the CRDs therein*. It brings us back to the missed opportunity of the project to have supported the policy dialogue around BRD.

In general, it can be noted that for any project to be able to make a difference it should at least have a strong narrative (or Theory of Change), which was missing, as well as some professional capacity, or be able to bring in such expertise, over and above the capacity already available amongst the beneficiaries. Yet, both project and project staff lacked the elements to add value.

Few concrete examples can be given to illustrate this :

- **SiReRa** : Both MLS (for software development) and project (payment of several staff for several years) invested heavily in the IT-data system to track BRD expenditures. During the MTR-interview, however, it became evident that it is pretty unclear what is considered BRD expenditure – and that as such the figure presented, also in this report (of €52.7 million for BRD expenditures through ministries and agencies) is a rather arbitrary figure; and it almost seems as if that figure has become the objective in itself, instead of the policies and the *physically impaired* objectives behind it.
- **Sectoral allocation formula** : The project sees it as one of its objectives (even though not clear how that would be operationalised) to convince ministries to set, within their respective budgets , funds aside for BRD and allocate these funds using the development index. This, legally prescribed requirement, however, is highly debatable, as it is good IGFT practice that *sectoral* allocations should consider *sectoral criteria*; Whereas a more generic allocation key, such as the development index, is typically used for a discretionary allocation where LGs can allocate themselves across sectors depending on their priorities, a sectoral allocation formula should, next a development index, also include sector specific variables.
- **Fragmentation of BRD funds** : The way the policy is operationalised, each ministry or agency would have some BRD funds, to be used in the respective sectors, which stimulates a situation of fragmentation of resources, leading to many smaller projects, whilst disallowing regions to discuss broader regional priorities.

Overall, the current BRD mechanism is very inefficient. Of course, the project cannot be blamed for that, but both in design and implementation due attention should have been given to these larger policy issues (instead of rather blindly supporting the existing policy).

3.6 Impact and Sustainability of the Project as a whole 1 on a scale of 5

Impact is the extent to which the intervention has generated or is expected to generate significant positive or negative, intended or unintended, higher-level effects.

Sustainability is the extent to which the net benefits of the intervention continue or are likely to continue (beyond the timeline of the intervention), whereby different elements such as financial, economic, social and environmental aspects as well as the interaction between them needs to be considered.

Despite the numerous project activities aimed at the legislation/policy of the BRD, building the capacities of the Centres for the Development of the Planning Regions, the distribution of funds for the BRD and the use of the development index from institutions, increased awareness of BRD and reduction of regional disparities (poorer regions to receive more), the visible results indicate that: Skopje region ultimately receives the largest share of funds for BRD, awareness of BRD is still relatively low, a large part of institutions do not use the development index at all, and the Regional Development Centres are still without clearly defined place and commensurate budget.

From the foregoing it will be clear that impact of the project on either Balanced Regional Development per se, or on policy development around BRD has been limited. Probably the largest sustainable impact in that sense could be realised if this evaluation could help to start a policy dialogue around the three related themes as discussed in Chapter 2 being (i) municipal mandates and fiscal decentralisation, (ii) Inter municipal cooperation and (iii) balanced regional development.

Although the sub-projects realised under the calls for proposals were meant as a means to an end (e.g. a tool to promote and entrench public participation or means to start a discussion around inter municipal cooperation), rather than an objective in themselves, in the end it may well be that these sub-projects are the project's best legacy, with some concrete impact, even if that impact is sometimes difficult to classify under the heading of balanced regional development. In the next paragraph, and to end the chapter on a positive note, we will share our observations with regards to the various sub-projects visited.

3.7 Impact and sustainability of the Calls for proposals 4 on a scale of 5

Under the project, a total of three calls for proposals (CfP) were issued, two under Phase I (in 2019 and in 2020), and one in Phase II (2022). The projects were co-financed by the Government of North Macedonia and the Government of Switzerland.

The total amount thus spent is the equivalent of CHF 5.9 million, out of which 44.1 % was contributed by RNM and 55.9% by SDC; For the 2022 grant cycle co-funding it was 52.2 vs 47.8 %, hence close to 50/50 (See Text Box 11).

Planning region	Grant cycles						TOTAL	
	2019		2020		2022			
Skopje	91,002	8.0%	305,871	18.3%	315,220	10.3%	712,093	12.1%
Polog	149,676	13.1%	39,884	2.4%	352,548	11.5%	542,107	9.2%
Vardar	162,190	14.2%	203,813	12.2%	350,401	11.4%	716,404	12.2%
North East	184,101	16.1%	360,070	21.5%	362,596	11.8%	906,766	15.4%
East	132,698	11.6%	166,276	10.0%	334,452	10.9%	633,426	10.8%
South-East	131,946	11.6%	161,085	9.6%	333,514	10.9%	626,545	10.6%
Pelagonia	138,530	12.1%	285,313	17.1%	337,262	11.0%	761,105	12.9%
South West	150,859	13.2%	148,762	8.9%	687,666	22.4%	987,287	16.8%
GRAND TOTAL	1,141,001	100.0%	1,671,075	100.0%	3,073,659	100.0%	5,885,735	100.0%
2019-2020 combined								
<i>Share SDC in Total</i>			1,687,246	60.0%	1,604,959	52.2%	3,292,205	55.9%
<i>Share RNM/MLS in Total</i>			1,124,830	40.0%	1,468,700	47.8%	2,593,530	44.1%

For the first to CfPs, the two more backward regions clearly got higher allocations as compared to others, but for the CfP-2022, when the minimum project size was set at CHF 300,000, and only the residual amount being allocated using the development index, all regions got more or less the same amount.³⁶ On the aggregate for all 3 grant cycles combined, it strikes that Skopje got a relatively high share, with relative small differences across regions. Hence, counter to project objectives, the project allocations lacked any regional equalising element.

The CfP in 2020 had as theme *social inclusion*, whilst the theme for CfP-2022 was *digitalisation*. Especially the theme of inclusiveness made a certain impact in term of municipalities paying attention to disabled/impaired/less able people, including children. The theme of digitisation was less successful and digital aspects of the projects were sometimes a little artificial. In general, the different themes stimulated regions to come up with very fancy project names that had sometimes only marginal reference to what was actually done (e.g. 'social farming' for a greenhouse in an agricultural vocational training school).

³⁶

With the exception of South-Western region that got an extra allocation (of CHF 350,000)

In order to further stimulate thinking about genuine regional (or at least inter municipal) projects, in the last call the minimum project size was set at CHF 300,000, which indeed reduced the number of projects (each region having only one or at best 2 projects), and it was a good effort in the direction of thinking about regional development and, notably small, municipalities needing to think about collaboration with other municipalities for functions they are 'above their weight' doing it alone. But one cycle is insufficient to get sufficient traction, and, with the benefit of hindsight, the theme of *municipal inter-cooperation* should probably have been the leading theme for the entire project, with all project activities lined up behind that leading theme. It would, over time have allowed to discuss the differences between local, regional and national mandates.

Amongst the projects visited by the team, all three mandates were addressed, maybe mostly local mandates. Playgrounds, for example are a clear municipal mandate, even if they occasionally attract parents with their children from a neighbouring municipality.

Rehabilitation and maintenance of specialised hospitals of which there is only one in the country, are clearly a national mandate and, in principle, costs of such facility should be borne by the national ministry of health. Of course, as part of a national policy the ministry could encourage a spread of specialised hospitals over various regions (as they need not all be in Skopje), but that is another discussion around Balanced Regional Development and one that hardly takes place.

It was noted that the definition of what constitutes a regional project is sometimes a little stretched. For example, for the Bureau for Regional Development, a project is regional if a same activity is carried out in at least three municipalities (i.e. one project benefitting three municipalities) even if, in each municipality, the activity itself is clearly a municipal function. That said, under the SI-BRD-P there were examples of genuine regional projects such as the dormitories in regional headquarters, allowing students from more remote rural areas to attend school.

Some projects (notably some playgrounds, but certainly not all) had maintenance issues; few projects were clearly dysfunctional (e.g. the picnic benches next to a drained lake; the tourist promotion centres with any promotional materials and a regional dog shelter to comply with questionable legislation and without addressing the real problem); but overall the project investments were visible and used – as 'nice projects to have'. Several projects included aspects of social inclusiveness.

Overall, most visited projects could be characterised as either 'good' or 'nice to have'. They often should be classified as either municipal mandates (playgrounds, walking tracks, skate court, etc.) or national mandate (e.g. rehabilitation of the hospitals in South-West and Pelagonia regions), and as such not directly related to a regional mandate, but still these projects enabled useful activities that would otherwise have remained unfunded, and as such the money was well spent. The point is that a project with a title like 'inclusive municipal playgrounds' or 'rehabilitation of specialised hospitals' could have done the same, probably in a more focused manner.

In sum, the money of the grant schemes was, with exceptions, reasonably well spent, but it did not significantly contribute to the stated project objectives. Finally, it was noted that relatively few (if any) projects addressed 'basic service delivery' such as water supply, solid waste management or road infrastructure, which is likely explained by the fact that these utility functions are dealt with by separate legal entities, belonging to the municipalities but not being an integral part of them. The relatively narrow mandate of Municipalities may explain the high number of 'nice to have' projects, without them having the character of being absolutely essential.

4. Conclusions and Recommendations

4.1 Conclusion in a nutshell

The *Sustainable and Inclusive Balanced Regional Development Project (SI-BRD-P)* was grounded on the undeniably positive and sympathetic objective of reducing the development gap between more advanced and more backward areas and, presumably, to promote the economic potentials of each region. However, those objectives were never made very explicit whilst the SI-BRD-P aligned its support behind the national BRD policy without any critical analysis of that policy: Questions whether ‘regional development’ is an appropriate approach for a relatively small country like North Macedonia were not asked, whilst the stated objective for the project *reduce development disparities among and within regions*, without specifying what was meant to be achieved, was both utopian, and as such a little naïve, but also unworkable and unachievable. Taking out the specific attention and dedicated action as well as resources for most under-developed areas, deprived the BRD policy from its original vision and core mandate.

Subsequently, the design and implementation did not take the route of trying to develop and/or improve the policy framework (through debate to enhance focus and consistency), but instead opted for activities within the confinement of the *status quo*, whilst gradually the idea of assisting regions that were under risk of being left behind got lost out of sight.

Both project design and capabilities within the PIU (lacking strategic expertise in areas of local government mandates and intergovernmental fiscal decentralisation) prevented the project to tackle larger policy issues overhanging the project environment. Also, the mostly young and more junior staff in the PIU did not have the authority to ‘build capacity’ amongst the most often quite senior and seasoned managers of the Centres for Regional Development, who were institutionally also more linked to the BfRD.

In addition to the fact that the ProDoc failed to provide a clear vision and that the PIU was unable to provide leadership and direction, it should also be mentioned that the project was negatively affected by the many changes in senior management, including deputy prime ministers. Whereas, under phase I, the CPVMEA pushed for SiReRa, during Phase II and subsequent DPMs the interest was much less and the project was moved to MLS which put a serious dent into the ownership and hence effectiveness and efficiency of the project.

Two lasting contributions and glimmers of achievement of the project are the introduction of consultative forums, both at municipal and regional level, and the attention that it was able to draw for aspects of social inclusion, and the need of all public sector investments to also be accessible for those with physical handicaps.

Overall, the project operated in an environment keen to play a ‘populist’ equalisation card, but unwilling to boldly implement the same, and as such the project, also given the limitations of the project Implementation unit to engage in high level policy discussions, was fighting an unequal battle that could hardly be won.

4.2 Need to rethink the BRD approach in a broader context

For reasons yet to be fully understood, over the past twenty or even more years, the concept of Balanced Regional Development has created itself a rather untouchable status, as a good that cannot be challenged. The connotation with EU accession and EU regional funds plays a role, as well as the fact that other countries in the Balkan have similar arrangements. Yet,

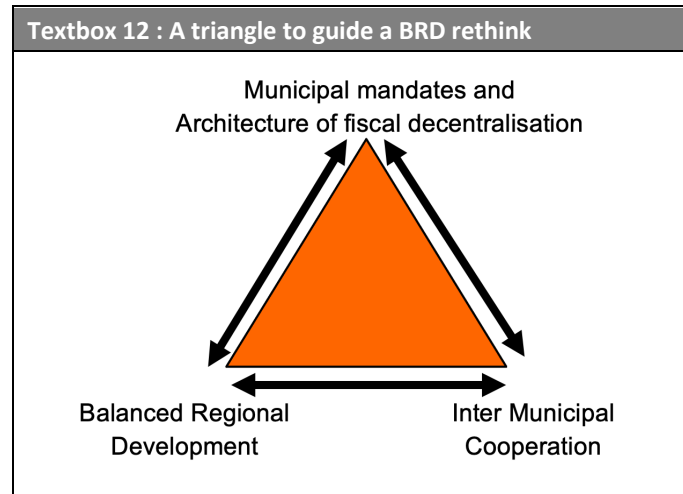
regional development in the context of cross border programs has a very different meaning from regional development in the sense of 'reducing in-country regional disparities'.

The focus on the concept of Balanced Regional Development has obscured a debate and deeper reflection on the roles and mandates of municipalities; the funding of Municipal functions; the roles of utility companies and the role of inter municipal cooperation, notably for the many smaller municipalities that are too small to provide all required services by themselves alone. And all these elements are interconnected; Under the SI-BRD-P, mayors, notably mayors of smaller municipalities, are reluctant to go for regional projects, as, in view of the limited investment funds available to them, they prefer using the grant money for small municipal projects to gain some political mileage. In other words, the system must be fixed in a more holistic manner whilst so far, BRD funds are often used as a sweetener or distraction.

Should the project have been effective, it should have helped to address the broader policy issues. It could (ignoring project design and staff permitting) have assisted to rethink the bigger picture of the BRD objectives, and how to best achieve these in a institutionally structured and sustainable manner. Three interrelated issues need to be considered :

1. Municipal Mandates and the funding of these mandates
2. Intermunicipal cooperation and mandates in between of municipalities and the region
3. BRD and the role of municipalities and inter municipal cooperation.

The dialogue or debate could start from any of the angles in the diagram below. At some point of time it would need to critically review and notably narrow (i.e. specify) the objectives of the BRD policy.



But also the relationships between the three corners of the triangle need to be explored:

- In how far could fiscal transfers to Municipalities that use a regional development index as allocation key help reduced regional disparities ?
- How to cater for services that are beyond the capacity of (small) individual municipalities ? Would inter municipal be a solution ? What is the role of utility companies ?
- In how far could inter-municipal cooperation be an intermediate level to regional projects; What are (how to define) regional development projects – and are they different from inter-municipal cooperation ?

All this oscillates around the question, what are the service delivery mandates and delivery obligations of each level of governance : the municipality, a group of municipalities, a region or the national level, and how are these funded, for which reason this issue is put at the top of the triangle in Textbox above. Obviously, fiscal transfers to municipalities could be a politically sensitive issue, reason for which many countries have established objective allocation criteria that cannot be changed by a stroke of the pen, as these transfers are seen as an ‘entitlement’ of the local governments for the tasks bestowed on them.

4.3 Recommendations

Ever since the start of phase II, the sailing has been somehow ‘uneasy’. As illustrated above, the project seems to have run out of steam, whilst too many high level meetings were needed to keep things afloat in a for all parties acceptable direction. With, by end of this year, at least 2/3 and maybe even 3/4 of the budget spent, whilst apart from initiating the above proposed discussion, little more mileage can be expected from the project with regards to stated objectives, it is suggested to shorten the lifespan of the project and aim for an end-date of June 30th, 2024 (instead of September 2025; i.e. shorten the project period by 15 months)

For the remaining period the following activities are proposed :

- Few quick-win investment or other projects, preferably in the 2 or 3 least developed regions and with a direct link to inter-municipal cooperation, to absorb any balance resources, whereby the procedure for project identification and project selection is to be mutually agreed upon between SDC and MLS;
- Following a dedicated study, preparation of a high level and high quality discussion paper on the relations between regional development, municipal mandates, inter-municipal cooperation and intergovernmental fiscal transfers, whereby MLS and PIU may call upon the Embassy to identify suitable consultants;
- A study on the role, functions and funding of CRDs, as they suffer from the lack of a clear mandate and institutional position;
- One or more high level round tables to start a dialogue on the relations between Municipal mandates, intergovernmental fiscal transfers, inter-municipal cooperation and regional development; and
- PIU to complete priority activities and winding up.

4.4 Concluding remarks

The review team understands that the above recommendations will be difficult, notably for the staff of the PIU. However, we believe there is merit in facing the facts and that, when hard fought and it doesn’t work, action should be taken by any responsible management. In fact, the project design was insufficiently thought through and failed to focus project activities; the project was sent on an expedition that would be difficult to achieve, given the brief and the context. For SDC the learning should be that, firstly, a thorough project-appraisal is indispensable; and secondly not to make a move in case of doubt. With the benefit of hindsight, the project should probably have been called to closure at the end of phase I.

Skopje / Nairobi,

Draft 25th of August 2023 / Final 20th September 2023

Annexes

Annex 1 : Terms of Reference

Annex 2 : Mission program and People met

Annex 3 : SI-BRD-P : Overview of activities against the Outcomes & Outputs

Annex 4 : List of grant schemes - call for proposals 2019 and 2020 and 2022

Annex 5 : SI-BRD-P : Budget – Expenditure overviews Phase I and II

Annex 6 : PPT debriefing Friday 21st July 2023 with Minister and Ambassador

Annex 1 : Terms of Reference

Swiss Embassy in North Macedonia

Terms of Reference

External Mid-term Programme Evaluation of The Sustainable and Inclusive Balanced Regional Development Project 2017 – 2025

Skopje, March 2023

1. Introduction

This document sets out the requirements relating to the programme evaluation mandate for the Sustainable and Inclusive Balanced Regional Development Project. These Terms of Reference (ToR) describe the purpose, context, objectives (including guiding indicative evaluation questions), scope and a proposed methodology of the evaluation. They further describe the evaluation process and the expected deliverables. The ToR will become a component of the contract for this evaluation mandate.

2. Background information and context of the evaluation

With decentralization process completed in 2005, the Republic of North Macedonia (RNM) has two-tier governance: central and local. The country is divided in 80 municipalities and 8 statistical regions for planning purposes only (planning regions). Regional Councils (RCs) comprised of the mayors in each region, govern the planning region and the balanced regional development (BRD) policy for the region. Centres for Regional Development (CRDs) are administrative bodies of the RCs mandated to work on regional project implementation and inter-municipal cooperation on regionally managed topics. Each CRD has a Programme for development of the region, implemented with national funds and other sources, such as the EU instrument for pre-accession (IPA). In addition, other line ministries also contribute to regional development, yet they do not always distribute funds according to the level of development of the regions. The main goal of the BRD policy in RNM is to encourage and support equal development among and within the planning regions hence reducing regional disparities and achieving balanced, sustainable and inclusive development of the country, with special focus on least developed regions. In 2007, the Ministry of Local Self-government (MLS) committed to manage the regional development and lead activities for creation of institutional and legal framework for BRD. This resulted with a positive trend in reduced regional disparities in RNM. The ratio in terms of GDP per capita between the most developed and least developed region has decreased during 2009-2021 from 3.6 to 2.27. Despite the progress in the area of BRD, disparities between regions in RNM still prevail. The Covid-19 crisis and the subsequent energy crisis further negatively impacted the poorest regions resulting with 60% higher GDP per capita in the most developed compared to the least developed region. In addition, as a result of the latest crisis, in 2022 the unemployment rate in the least developed region increased to 36.3% (in 2021 it was 32.4%) compared to the national average of 15.7% and 13.9% in the most developed region which note decrease compared to 2021 (16.4% and 14.4% respectively). Rural areas are particularly affected, migration persists, with groups left behind remaining increasingly vulnerable. The Law on BRD prescribes that 1% of GDP is invested in BRD, distributed according to the level of development of the regions. Currently the allocated funds are reported to be at 0.62% of GDP, however there is still lack of transparency and reliable data on how funds are allocated from the various ministries,

agencies, donors etc. to the regions. According to the 2022 EU progress report³⁷, North Macedonia is moderately prepared in the area of regional policy and coordination of structural instruments. The regional policy is not fully harmonized with sectoral policies, line ministries still do not fully understand nor support BRD when allocating funds in the regions, and MLS as main driver of the process needs support to mainstream BRD policy across national and regional institutions in order to fulfill their commitment to an EU compliant BRD. The EU Report clearly states that in the next period, the country is expected to strengthen significantly the BRD policy, improve the financial instruments put in place for its implementation and strengthen the administrative capacity at central and local level. The Swiss supported Sustainable and Inclusive Balanced Regional Development programme (SIBRD) started in 2017 (Phase I) and continued with Phase II in 2021, as a direct contribution to the Ministry of Local Self Government. The programme is coherent with the national legislation, EU policy and the Swiss Cooperation Programme for RNM 2021-2024. It builds up on mechanisms established in other programmes in the governance domain and is complementary to the economic development and environment domain. The implementing Ministry in the past two-three years demonstrated commitment and readiness to continue working on this important topic for the country and has allocated funds to contribute to it. However, both commitment and understanding on the side of the Government and the other ministries contributing to regional development is still missing. While MLS demonstrates commitment, actions lag behind due to its limited capacity. In addition MLS has very limited influence, hence there is no “driver” behind the BRD policy. One year after the start of Phase II of the project, the relevance of the project and the topic of balanced regional development is even higher than before. The perpetual crises, first Covid, then the war in Ukraine and the energy crisis, led to an escalating inflation (14.3%), resulting with further increase of the discrepancies in development among and within the regions. This led to further poverty increase in the least developed regions, as well as in the rural areas of the country in general. The crisis also affected and burdened the government budget, and reduced the funds available for financing new projects at local and regional level. The capacities of the institutions to develop and implement relevant projects with impact on the lives of the poorest remain locked, even though the needs of the least developed regions have been constantly increasing. In addition, the latest census conducted in 2021 confirmed the increased disparities among the regions, and the scope of the emigration of the population (10% of the total population left the country, for age 20-34 years the percentage is at 25%). This is to a large extent a result of lack of employment opportunities and insufficient service provision, especially in the least developed regions of the country. The census poses yet another challenge for BRD policy as 2 out of the 8 statistical regions are about to lose the status of regions, as their population now is below the prescribe threshold of 150,000 inhabitants (NUTS 3 regions according to EU nomenclature). MLS will have yet another challenge, how to rearrange the territorial redistribution of the regions that will no longer have the status of NUTS 3.

3. Objective, scope and focus of the evaluation

3.1 Evaluation object

The programme addresses the key challenges in BRD, supporting the national and regional level institutions using a three pronged approach: (1) By providing relevant technical assistance (TA) to MLS and the line ministries, the programme improves legal framework to meet EU requirements (2) To enable effective and transparent monitoring of the allocation of the funds for BRD, the IT system that was introduced in phase I will be operationalized and digitalized by linking it to the treasury in phase II. This will be done in close cooperation with Ministry of Finance (MoF). (3) At the regional level, regional governance, and capacities for project development and implementation will be strengthened as well as competitiveness of the regions promoted by providing targeted TA helping them to prioritise sectors with greatest potential to spur development of the region. In Phase I, the programme introduced Performance Based Grants (PBG) through which RCs and CRDs were coached how to include the

³⁷ https://neighbourhood-enlargement.ec.europa.eu/north-macedonia-report-2022_en

principles of transparency, participation through regional forums and gender and social inclusion when identifying and applying for regional projects. As a good practice, these principles were then included in the national policy for regional development as a prerequisite for approving and funding regional projects from the national grant scheme. In Phase II, using relevant expertise, the PBG is used to coach RCs, CRDs, MLS and BfRD on how to develop infrastructure projects with regional impact supported by feasibility studies and cost benefit analysis. PBG is also used to test longer term (not annual projects as is the case now) as this was identified by the RCs to be one of the major constraints for regional development. The scoring in Phase II is done based on the cost-benefit analysis proving the development impact the PBG will have on the region. The lessons learned from the PBG scheme in Phase II will be used to further improve national BRD policy and include longer-term grants the national grants scheme for regional development.

Overall goal: Disparities in the development among and within the planning regions are decreased, and as a result, citizens, in particular those of the less developed regions in the country, have better living conditions.

Outcome 1: The Government allocates and implements funds for balanced regional development in a transparent, predictable and effective manner and according to the level of development of the planning regions.

Outcome 2: Regional Councils effectively implement BRD policy while mainstreaming transparency, citizen participation and social inclusion.

Outcome 3: CRDs in all eight planning regions, in particular the less developed ones, are more effective and efficient.

If the Government allocates and implements funds for balanced regional development in a transparent, predictable and effective manner and according to the level of development of the planning regions, and if Regional Councils implement BRD policy in a more transparent and participatory manner, and if CRDs increase their efficiency and effectiveness, then disparities in the development among and within the planning regions will decrease, and as a result, citizens, in particular those of the less developed regions in the country, will have better living conditions.

Key results from phase I: (a) National funds for BRD increased by 245%, from 13.8 mil EUR in 2017 to 33.9 mil EUR in 2020. (b) The legal framework for BRD was further improved by incorporating transparency, citizen participation and social inclusion (c) Regional disparities in the GDP per capita level between the most and least developed region have decreased from 2.9 to 2.5 (d) Total value of projects implemented through 8 CRDs increased from 6.8 mil. EUR in 2018 to 16.6 mil. EUR in 2020.

Insights: (a) regional development is still a relatively unknown concept in RNM, hence strengthening the county system by working with state institutions, both at central, regional and local level, and further building their capacities is necessary. (b) Introduction of appropriate policies at central level needs to be coupled with concrete digital tools to enable policy makers to have access to real time data regarding the funds that flow into the regions, and develop data supported regional development policies. (c) CRDs, Mayors and RCs need more strategic guidance on how to address core problems in the region, identify and fund cost-effective projects that will spur regional development and decrease disparities among the regions. (d) Cooperation with the private sector, civil society and academia needs to be further strengthened in order to foster sustainable and inclusive development of the regions.

3.2 Purpose and objectives

This programme evaluation serves several purposes: 1) learning (what works, what does not and why), 2) steering (inform and guide further development of the Swiss engagement in BRD North Macedonia, for the end of the phase); and 3) accountability to stakeholders and funders. The objective of this evaluation is to provide insights into the programme's effectiveness, efficiency, relevance, coherence, impact and sustainability in the frame of set targets.

The programme evaluation should be guided by the OECD/DAC Criteria³⁸ relevance, coherence, effectiveness, efficiency, impact and sustainability. The focus on and the exclusion of criteria should be explicitly stated in the final evaluation report.

³⁸ OECD/DAC Network on Development Evaluation: [Better Criteria for Better Evaluation. Revised Evaluation Criteria Definitions and Principles for Use](#) (2019).

3.3 Scope

The extent and depth of the evaluation will be informed by the indicative evaluation questions that the evaluation seeks to answer (see chapter below). The evaluation will assess:

- The overall performance of the programme and the extent to which the planned programme outcomes have been achieved since the beginning of the programme in 2017;
- The specific institutional country's context and the dynamics between and among the relevant institutions and stakeholders that proved critical in achieving or hindered the achievement of the planned outcomes.
- Review the relevance and sustainability of small grants investments of previous phase and on-going phases (grant schemes from 2019, 2020, and 2022).
- Identify and propose solutions to mitigate risks related to corruption, lack of capacities, weak political commitment and weak donor coordination.
- Assess abilities and capacities of the key project partners, including the project implementation unit, to perform their role according to the project document.

The timeframe is limited to Phase I (2017-2021) and first 18 months of Phase II (2021-2025). The geographical scope is nationwide covering all 8 planning regions.

3.4 Indicative evaluation questions / key focus area

During the preparatory phase, the evaluator, in consultation with the SDC, should further refine and prioritise the questions that are structured according to the OECD DAC-Criteria.

Relevance	<ul style="list-style-type: none"> • Have the projects from the grant schemes 2019, 2020 and 2022 been relevant and did they contribute to the overall goal of the project?
Coherence	<ul style="list-style-type: none"> • External coherence: to what extent is the intervention compatible with and complementary to interventions of EU policies and funding for regional development? • To which extent is the programme aligned with the BRD policy framework?
Effectiveness	<ul style="list-style-type: none"> • To what extent have the planned results been achieved at the different levels? Which assumptions in the intervention logic have proven true and which mitigation measures worked? <ul style="list-style-type: none"> ◦ Has the transparency of the allocation of funds for BRD improved due to project interventions? ◦ Has the methodology and approach behind project identification for grant schemes been effective? ◦ Has the methodology and approach behind building the capacities of CRDs been effective? • Which major factors have influenced the achievement or non-achievement of expected results especially with view to identification and implementation of projects with impact on regional development? • What were the obstacles or constraints in the implementation process and the achievement of results with a particular emphasis on results related to institutional capacity building of RCs and CRDs?
Efficiency	<ul style="list-style-type: none"> • To what extent was the intervention implemented cost-effectively and in a timely manner? • Was the development intervention implemented on the basis of a results-oriented approach – for this question place a special focus on the grant schemes (2019, 2020 and 2022)? • How do project management as well as steering and decision-making processes function? Are problems identified in good time and are practical, feasible solutions proposed? • Does the team have the skills and expertise to anticipate and timely adjust needed interventions based on development of context? • Do the consultants hired by the project team bring the necessary expertise, and is the selection process managed efficiently to guarantee quality of provided consulting services?

Impact	<ul style="list-style-type: none"> • Which positive, lasting effects were reached or not, especially with reference to capacity of RCs and CDRs to identify projects that have impact on the development of the regions? How does the project ensure that what they do will have a lasting effect? • Which unexpected and unintended positive and negative (side) effects have occurred and in which programme areas? • What real difference have the programme’s interventions made to the beneficiaries? • Do the legal and policy frameworks need to be adjusted? If yes, what should be changed and how? • Who are the drivers of change and how can the project support them? Who are the spoilers and how can the project mitigate their influence?
Sustainability	<ul style="list-style-type: none"> • What evidence indicates that short-term impact(s) achieved so far will remain after programme completion, especially in view of the grant schemes? If not, what is necessary to reach a sustainable impact, and does the programme adequately address/manage necessary conditions? • Which major factors might enhance the effects achieved or prevent them from continuing – both at policy level and with respect to the investment grants? • What are the main risks for the programme not to be successful? • Have the partner institutions RCs and CRDs embraced the aims and activities promoted by the programme (ownership)? • Are mechanisms in place, for partner institutions and involved stakeholders (target groups) to continue the activity independently (of existence of financial resources) and adjust their strategies to changing conditions? Have they strengthened their own problem-solving capacities (institutional and technical capacity)?

3.5 Forward looking recommendations

In order to guide further development of the Swiss engagement in Balanced Regional Development in North Macedonia, the evaluator shall elaborate forward looking recommendations that include the lessons learnt and provide content for the theory of change, objectives, strategy of intervention, methodological approach, modalities of implementation for the future Swiss engagement.

4. Evaluation process, methods and methodology

4.1 Methodology

The methodology shall include, but does not have to be limited to:

- Desk Study: The Consultant shall review before carrying out the field mission:
 - SCO Documents: Entry Proposal / Credit Proposals, Extension of the Credit proposal, Project Documents for Phases I and II, End of Phase report for Phase I, Contractual documents,
 - Implementing organization documents: Progress reports, Yearly Plans of Operations, Steering Committee documents
 - National policy: National Strategy for Balanced Regional Development; Law on Balanced Regional Development.
- Field mission: The Consultant shall carry out a field mission in North Macedonia. The field mission includes briefing and debriefing meetings at the beginning and end of the mission with the Swiss Embassy in Skopje.
- Interviews/working sessions with the implementer (Ministry of Local Self Government office in North Macedonia) and other relevant national and local stakeholders:
 - Minister of Local Self Government
 - Deputy Minister of Finance
 - State advisors from MLS involved in the project steering
 - Bureau for Regional Development;

- Evaluation committee members from MLS, BfRD and SCO Skopje
- Directors and teams of all 8 CRD;
- EU delegation,
- Visit at least 16 project (2 per region) from the grant schemes from 2019,2020 and 2022
- Attend at least 4 meetings of the regional councils and interview at least 4 RC presidents;

The Consultant is invited to propose other methods and instruments for carrying out the assignment. The field visits of the CRDs, RCs and project from grant schemes will take place in the planning regions.

4.2 Roles and responsibilities of the evaluator(s)

The evaluation will be conducted by a team composed of one international consultant accompanied by a local or regional consultant. The overall responsibility will lie with the international consultant who will be the team leader. The local consultant will be i) responsible for organizing meetings with a support, if needed, of the Swiss Embassy: ii) ensure logistics and transport, and iii) provide translation services in English and Macedonian when needed. The international consultant will have a contract with Swiss Embassy in North Macedonia to whom he/ she will report, and in the capacity of team leader, will sub-contract the local consultant.

4.3 Evaluation process and timeframe

The following work plan provides suggested dates, responsibilities and resources needed for the various activities of the evaluation process. This work plan is flexible and will eventually be adapted by the evaluation team, in consultation with Swiss Embassy in North Macedonia.

Activity	Date	Responsibilities
Logistical and administrative preparation for data collection, evaluation workshops, field visits, etc.	June 2023	Swiss Embassy & Consultants;
Field mission 1 with data collection, interviews, evaluation workshops, etc.	June 19-23, 2023	Consultants
Field Mission 2	July 10-15, 2023	Consultant
Debriefing of main findings (pre-validation meeting)	July 21, 2023	Consultant
Draft Evaluation Report	August 21 st , 2023	Consultant
Validation workshop	September 1 st , 2023	Consultant
Final Report	September 12 th , 2023	Consultant

The expected duration of the assignment of the international consultant is up to 25 days, including one field mission to North Macedonia in duration of 8-10 working days, while for the local or regional consultant, the expected duration of the assignment is up to 20 working days.

Timeframe to be discussed with the consultant, but the work will be undertaken over a timeline of approximately 4 months (June – September 2023).

Desk research	Up to 4 days
Travel to North Macedonia	Up to 2 days
Briefing with SCO Skopje and meetings in Skopje	Up to 3 days
Field visit	Up to 8-10 days
Debriefing meetings in Skopje	Up to 2 days
Reporting	Up to 4 days
Drafting final report after providing feedback	Up to 2 days
Total	Up to 25 days international and up to 20 days for local or regional consultant

5. Deliverables

The following deliverables are expected to be submitted by the evaluator:

- Feedback on the ToRs and concept
- **Pre-Validation workshop**
 - This workshop shall be organized by the end of the field mission, to share first findings and to discuss and receive comments from the programme stakeholders.
 - Debriefing with Swiss Embassy
- **Draft Evaluation Report**

This Report shall include the evaluation findings, conclusions and recommendations. After receiving feedback from the Swiss Embassy, the evaluator should finalise the report in view of these comments.
- **Final Evaluation Report**
 - The report should be in English, logically structured, contain evidence-based findings, conclusions, lessons and recommendations and their correlations. All information that is not relevant to the overall analysis belongs in an annex. The report should respond in detail to the evaluation questions and key focus areas. It should include recommendations with a focus on how to improve efficiency, effectiveness and sustainability of the programme, and identify the necessary actions required, who should undertake these, and possible timelines (if any).

The evaluation report should not exceed 25 pages, excluding an executive summary and the annexes. The report should contain clear references to important information/data available in the annexes. A stakeholder assessment or actor mapping of the major stakeholders should be added in an annex.

Annex 2 : Mission Programme and people met

Day #	Date / Time	Activity / meeting with
	12 -16 June	Home based preparations – desk review
	Su 18/6	Team mobilisation in Skopje
1.	Mo 19/6	<p>Briefing at Embassy / SDC</p> <p>10:00-11:00 National Programme Officer – Mirjana Makedonska</p> <p>11:00-12:00 Véronique Hulmann, Ambassador of Switzerland to North Macedonia</p> <p>Ministry of Local Self Government</p> <p>12:30 -13:15 Minister Risto Penov / General Secretary Kiril Partalov</p> <p>13:15 – 13:45 State advisors from MLS involved in the project steering: Andriana Stojanovska anestojanovska@gmail.com (vacation) Eli Cakar elicakar@gmail.com Zvonko Zafirovski zvonkozaf@yahoo.com Lidija Markov Lidija.markov@brr.gov.mk <i>Meeting with Evaluation committee members from MLS, BfRD and SCO Skopje</i></p> <p>14:00 – 14:30 EU delegation - Karl Giacinti - Programme Manager (EEAS-SKOPJE)</p> <p>15:145– 16:00 Project Implementation Unit</p>
2.	Tu 20/6	<p>Ministry of Finance</p> <p>09:45– 10:20 (Deputy Minister/ Key Adviser of the Minister for Public finances (Aleksandra NAkeva Ruzin), as well as other employees in the department for local finances (Radmila Sandeva, Aleksandra Petkanovska, - Bari Iseni)</p> <p>13:00 – 14:00 Bureau for Regional Development Ramiz Rexhepi – Director and the BRD team (Lidija Markov)</p>
3.	We 21/6	<p>VARDAR PLANNING REGION – both consultants together</p> <ul style="list-style-type: none"> ○ 09:00 – 10:00 Interview Director and team of the Center for development of Vardar planning region Saso Mosev (sasho.moshev@vardarregion.gov.mk: +389 72 307 227) ○ 10:00 – 11:00 Visit 2 projects from the grant schemes from 2019 and 2020 (Veles - Recreational Park for Social Inclusion at Lake Mladost and Food Laboratory) ○ 11:00 – 12:00 Interview RC president (Marko Kolev) and discuss with the municipality management and administration in Veles ○ 12:30 -13:30 Interview (Mayor Mitko Jancev) and discuss with the municipality management and administration in Kavadarci ○ 14:00- 15:00 Visit 2 projects from the schemes from 2019,2020 and 2022 (Kavadarci - dog shelter and skate park)

4.	Th 22/6	<p>NORTHEASTERN PLANNING REGION – both consultants together</p> <ul style="list-style-type: none"> ○ 10:00 – 11:00 Interview Director and team of the Center for development of Northeastern planning region Mladen Protik - mladen@northeastregion.gov.mk mob: 071/321-177 ○ 11:00 – 13:30 Visit at least 2 projects from the grant schemes from 2019, 2020 and 2022 (Beslim Canyon, student dormitory, the regional firefighting project etc.) ○ 14:00 – 15:00 Interview RC president (Mr. Maksim Dimtrievski) and discuss with the municipality management in Kumanovo
5.	Fr 23/6	<p>09:00 – 10:30 Project Implementation Unit</p> <p>Bisera Jakimovska b.jakimovska@yahoo.com (Team Leader); Vesna Goceva gocevavesna@gmail.com (leader of outcome 1) Emir Coric emircoric@gmail.com (leader of outcome 2) Vesna vesna.davidovska@gmail.com (leader of outcome 3)</p>
		<p>10:30 – 11:30 National Program officer Kristina Kolozova</p> <p>Debriefing National Programme Officer – Mirjana Makedonska</p>
		<p>Coordination and summary meeting Gerhard/Borce</p>
Sa 24/6 – Su 09/7		Team suspends the mission for 2 weeks
6.	Mo 10/7	<p>8:00 – 9:00 Domestic – International expert coordination</p> <p>09: 00 – 09:45 EU delegation – Klaus ... - Project Manager (EU for Municipalities)</p> <p>Visit the Skopje Region - both consultants together</p> <ul style="list-style-type: none"> ○ 10: 00 – 11: 00 Interview Director and team of the Centre for development of Skopje planning region ○ 11:00 – 12:00 Interview RC president of Skopje Planning Region () and discuss with the municipality management and administration ○ 12:00 – 13:30 Visit projects from the grant schemes from 2019, 2020 and 2022 <p>14: 00 – 15: 00 SRMA – USAID Project – Ljubica Patligankovska (075402104) – Project Vice Director at Project SRMA office</p>
7.	Tu 11/7	<p>09: 30 – 10:15 Representatives from SIDA project – concerning project for municipal/regional development (Emil 070 333 479)</p> <p>10:30 – 12:00 Meetings with the Mayors from different municipalities, Aleksandar Palace, Skopje</p> <p>12:00 – 12h45 Meeting with Marija Karaeva – ex project coordinator of the BRD project, now UNDP</p> <p>12:30 – 13:30 UNDP – Biljana Gugovska (Governance Unit Program Manager) – 070274649</p> <p>14: 00 – 14: 45 State Audit Office – Maksim Acevski SAO Team, General Auditor and the team working on the audit of BRD in the country</p>

8.	We 12/7	<p>Visit POLOG PLANNING REGION and at the same day continuing to SOUTHWEST PALNNING REGION– both consultants together</p> <p>POLOG PLANNING REGION –</p> <ul style="list-style-type: none"> ○ Interview Director and team of the Centre for development of Polog planning region ○ Visit at least 2 projects from the grant schemes from 2019 and 2020 () ○ Interview Director and team of the Centre for development of Southwest planning region ○ Interview RC (Mayor) president and discus with the municipality management and administration in ○ Visit projects from the schemes from 2019,2020 and 2022
9.	Th 13/7	<p>SOUTHEAST PLANNING REGION – both consultants together</p> <ul style="list-style-type: none"> ○ 09:00 – 10:00 Interview Director and team of the Center for development of Southeast planning region ○ 10:00 – 11:00 Visit 2 projects from the grant schemes from 2019 and 2020 () ○ 11:00 – 12:00 Interview Mayor discus with the municipality management and administration ○ 12:30 -13:30 Interview RC president and discus with the municipality management and administration in ○ 14:00- 15:00 Visit project from the scheme from 2022
10.	Fr 14/7	<p>09:00 -09:45 SIRERA office Ministry of local self-government</p> <p>10:00 – 11:00 Project Implementation Unit: Bisera Jakimovska b.jakimovska@yahoo.com (Team Leader); Vesna Goceva gocevavesna@gmail.com (leader of outcome 1) Emir Coric emircoric@gmail.com (leader of outcome 2) Vesna vesna.davidovska@gmail.com (leader of outcome 3)</p> <p>11:00 – 14:00 Team meeting – finalise draft PPT</p> <p>14:00 Debrief at the Embassy with Véronique Hulmann, Ambassador of Switzerland to North Macedonia and Mirjana Makedonska, National Programme Officer –</p> <p>End of field work</p>
	21 July 2023	Validation workshop - MLS (digital participation Int team leader)
	25 August 23	Submission of draft report
	TBC	Final presentation
	12 Sept 2023	Final report

List of grant funded projects visited

Vardar Region

1. Lab equipment for food technology centre
2. Inclusive smart tourism - Play-ground and Lake access point for wheelchairs
3. Skate park
4. Dog shelter

North Eastern

5. Dormitory
6. Eco tourism Bislim gorge
7. Plastic bottle collection machine
8. Inclusive Smart classrooms

Skopje

9. Green zone with internet
10. Inclusive children playground
11. Multifunctional playground (sports field)
12. Children cancer rehabilitation centre

Polog Region

13. Social farming (Glass house for vocational training center)
14. Smart tourism Info and Promo centre

South Western

15. Rehabilitation of Rehabilitation centre for people with cardiac diseases
16. Rehabilitation of hospital pool for Physical therapy
17. Walking path – near lake Ohrid connecting Struga with a neighbouring village
18. Tourism walking path near the castle in Ohrid

Palagonia Region

19. Rehabilitation of rehabilitation centre for respiratory diseases
20. Regional dormitory
21. Inclusive Playground

Annex 3 : Overview of activities against Outputs (prepared by PIU)

Phase I

SI-BRD-P Overall Goal	The disparities in the development among and within the planning regions are decreased, and as a consequence, citizens, in particular those of the less developed regions in the country, have better living conditions	
	Outputs:	Achievements
Outcome 1:		??
	1.2. Updated policy and legal framework for regional development	
	1.2.1. Amendments to the Law on Balanced Regional Development and related by-laws. The Government allocates and implements funds for balanced regional development in a transparent and predictable manner and according to the level of development of the planning regions.	<p>Nine national legal documents related to the balanced regional development were prepared/upgraded:</p> <ol style="list-style-type: none"> 1. Law on Balanced Regional Development 2. Preparation of “Manual for monitoring the project which are implemented through the annual Programme for Balanced Regional Development” 3. Preparation and adoption of the new by law “Rulebook on the procedure and methodology for evaluation of projects proposal” 4. Revision of the by-law: “Rulebook on methodology for preparation of planning documents for regional development” 5. Preparation of the by law “Rulebook for determination of closer criteria for the funds for the Centres for development of the planning regions” 6. Preparation of an Elaborate for determining the areas with specific need, by law: Decision for closer criteria and indicators to determining the areas with specific needs and revised List of areas with specific development needs 7. Development of criteria for determination of the annual programmes of the line ministries with regional impact 8. Preparation of elaborated criteria and Decision for the salaries of the Directors of the Centers for development of the planning regions 9. Template for Annual Report for implementation of the Programme for development of the planning region of CRDs
	1.2.2 Amendments to other laws and by-laws prepared by the line ministries relevant to regional development	Part of the measures under Outcome 1 aim to ensure harmonization of the regional policy (in relation to balanced regional development / BRD) with sectorial policies. During the proces of mapping the programs which are relevant for the policy of BRD, the analysis have shown that the Ministry of Environment & Physical Planning of RNM has 3 relevant programs, including: Program for Water Management, Program for Environmental Investments and Program for financing the preparation of the Spatial plan of RM.
	1.2.3 Final evaluation of the Strategy for Regional Development 2009-2019	In May 2020, final evaluation of the Strategy and the 8 Programmes for development of the planning regions was completed.
	1.2.4. Development of the Strategy for Regional Development 2021-2031 in a participatory approach	Strategy for Regional development 2021 – 2031 was prepared by team of 14 experts. It was adopted by the Parliament on the 26th meeting on 02.04.2021.
	1.2.5 Development of a Programme for implementation of the Strategy for Regional Development 2021 - 2031	-

1.3 The capacities of the national institutions in charge of the implementation of regional development policies are strengthened	
1.3.1 ?	
1.3.2 Support the MLS to increase the effectiveness of implementation of the Programme for Regional Development based on a systematic evaluation of the regional projects and using best practices	<ul style="list-style-type: none"> ○ Evaluation of regional projects financed by MLS and BfRD Based on the Article 71 of the Law on Balanced Regional Development, the evaluation of the implementation of the projects for development of the planning regions, was performed through preliminary, current and final evaluation. ○ Exchange of best practices with Bulgaria/Slovenia/ Hungary Study tour in Hungary – MLS and BfRD The main purpose of the study trip was to share knowledge and gain new one, as well as to get more information on Hungarian lessons learned in the field of regional policy. As a country, applicant for EU accession, the regional policy is especially important for RNM and plays a key role in the process of harmonization and implementation of the EU laws. Therefore, the agenda for this study trip was made to cover the entire system of regional development of Hungary, including the available EU funds.
1.3.3 Support MLS and BfRD to implement recommendations for improvement of the management of the Programme for RD and innovative projects 2019 and 2020	<ul style="list-style-type: none"> ○ Revision of the application form and other relevant documents : <ol style="list-style-type: none"> 1. Preparation of Guidelines and Application form for the annual Programme for Balanced Regional Development 2021 of BfRD. 2. Established a Monitoring Information System (MIS) for BfRD ○ Training of CRDs for new application form and other documents for regional projects All 8 CRDs were trained how to use new Guidelines and Application form for the annual Programme for Balanced Regional Development 2021 of BfRD. ○ A Training Needs Assessment was prepared jointly by MLS and BfRD. Based on the identified training needs assessment, series on trainings and mentorship programmes were delivered to MLS/BfRD. ○ Needs based Mentoring /coaching sessions to MLS and BfRD ○ Team building of MLS and BfRD ; and two team building sessions were organized for MLS. The first session was organized for enhancement of cooperation, communication and strategic planning skills in December, 2019 in Veles. The second session focussed on improving the coordination between different departments within MLS and it was organized on September 2021 in Mavrovo. ○ Trainings on specific topics based on TNA (trainer, venue, IT equipment, training materials) As a result of series of trainings and mentorship programmes, MLS and BfRD have improved their skills for internal control, revision of projects and project management and administration related to the regional development policy and training for enhancement of cooperation, communication and strategic planning skills. ○ Coordination (joint workshops) between MLS/BfRD and CRDs / RCs on implementation of Programme for RD and several events were organized such as: promotional event: Possibilities for cooperation within the frame of the project “Sustainable and Inclusive Balanced Regional Development”, Event for presentation of the 16 approved projects within the Grant schemes for investment projects and innovative projects 2019 and several joint workshops between MLS and CRDs/RCs to discuss the new Law for BRD / by laws. Also planning workshop for future activities in the field of regional development policy were organized. ○ Monitoring and evaluating the PBG scheme - Expert input during 2020 and 2021, evaluation of 32 projects from grant schemes for investment

1.4. New officials (National Government and Mayors) are increasingly aware about the regional development polices and the results achieved	
1.4.1. Organization of international conference for the exchange good practices in the area of balanced regional development	This activity was cancelled and the funds were reallocated for other activities.
1.4.2. Organization of conferences for the exchange good practices in the area of balanced regional development in all 8 regions	The main goal of the conferences was to raise awareness regarding the balanced regional development in all regions for all stakeholders, directly or indirectly involved. Each conference lasted for 2 days - the 1st day was reserved for presentations on key topics by local and international experts; the 2nd day was reserved for round tables divided by different areas,
1.4.3. Study trip exchange of good practices 1.4.4. Organize a fair in Skopje for promotion of all 8 regions 1.4.5. Organize annual events for promoting and awarding of best practices	These activities were cancelled and the funds were reallocated for other activities.
1.4.6 Support MLS to increase the awareness about the importance of regional policy and projects among RCs	<ul style="list-style-type: none"> o Preparation of brochures; In order to promote the selected projects from grant schemes from 2019 and 2020, two brochures were prepared and printed on three languages: Macedonian, Albanian and English: "Regional Cooperation for a better future" - 2019 and 2020 respectively o Preparation of leaflets; During implementation of Phase I, five leaflets were prepared as follows (i) Information about SIBRD project; (ii) Steps of the process of realization of the regional forums; (iii) Qualification criteria for supporting projects through the Programme for Balanced Regional Development of MLS/BfRD; (iv) Regional policy in RNM; and (v) Our achievements. o Preparation of video clips; During the implementation of SIBRD project, 15 storytelling video clips were produced and promoted through different tv and social media, including video clip for promotion of the results from the grant schemes 2019 and grant schemes 2020 respectively.; o A media tour for promotion of the project results was conducted on 16 and 17.10. 2020. Ten journalists from different TV and electronic media attended the tour, whose aim was to increase awareness about the importance of the regional policy and the results achieved by the project. During field visits of the projects, Mayors and CRDs were present. Interviews with final beneficiaries have been made. The follow up results from media tour were: <ul style="list-style-type: none"> - 3 interviews with representative from Swiss Embassy on 3 TV media have been realized; - 3 video clips were prepared and promoted through different social media; - 20 electronic articles about achievements within the project "Sustainable and Inclusive Balanced Regional Development" were published; - Branded photos for 3 projects were prepared and promoted. o Articles/Social media post; More than 200 public articles regarding supported projects were published in different media; 95 messages were posted on project Facebook page.

<p>Outcome 2:</p> <p>Citizens’ needs and demands, including those of the vulnerable groups, are systematically included by the Centres for development of the planning regions in regional development planning.</p>	<p>2.1. Protocol for including civil society, private sector and academia in the sessions of the RCs are in place</p>	
	<p>2.2.1 Support transparent decision-making process of RCs</p>	<ul style="list-style-type: none"> ○ In the period 2017 – 2020, RCs from 8 planning regions have initiated and held a total of 123 meetings on which representatives of the civil society, business sector or academia were invited. ○ A Concept note for possible tools for transparent decision-making process in the regions was prepared, presented and explained to the Centres for development of the planning region. ○ Preparation of tools for transparent decision - making processes in the regions. From 17 tools mentioned in the Concept for possible tools, 10 tools were developed : Tool 1: Minimum standards for transparency of the planning regions; Tool 2: Transparency as a Requirement for Applying for the BRD Programme; Tool 3: Transparency as part of the Annual Report of the CRDs; Tool 4: Unification of the Form/content of the Annual Reports of the Centres; Tool 5: Participation of the civil society and business sector in the work of regional councils Tool 6: Institutionalization of Regional Forums; Tool 7: E-Idea; Tool 8: Electronic Platform E-REGIONS; Tool 9: Ranking of Planning Regions; Tool 10: Calendar of Events in the Planning Region; The following seven tools were not developed / applied Tool 11: Communication Strategy of the planning region; Tool 12: Regional Development Agenda on hand; Tool 13: Annual Conference of CRDs; Tool 14: Catalogue of the completed work with interpretative overview of the given municipality; Tool 15: Regional Development Day or Week in each municipality; Tool 16: The Social Network Planning Region; Tool 17: Open Data – Regions.)
	<p>2.2. Community forums are established as a mechanism for engaging citizens in planning at the regional level, considering the needs of vulnerable groups</p>	
	<p>2.2.1</p>	
	<p>2.2.2 Support the RCs in the process of participatory preparation of Programmes for Development of the Planning Regions (2021-2025)</p>	<ul style="list-style-type: none"> ○ Project ideas for investment projects were successfully identified through Regional Forums in all 8 regions in 2019 and 2020. ○ In the period Sept-Dec 2020, CRDs for all eight regions prepared <i>Programmes for Development of the Planning Regions 2021 – 2025</i>. During preparation of the Programmes, workshops with the main stakeholders were organized, including SWOT analysis, development of vision and mission, in order to be able to set priority areas. Due to the COVID pandemic, some of the workshops were organized as online platforms.
<p>2.2.3 Support RCs to use community forums in the process of identification of project ideas for PBG and other calls for proposals.</p>	<ul style="list-style-type: none"> ○ Investment projects were identified through Regional Forums in all 8 regions in 2019 and 2020. <ol style="list-style-type: none"> 1. Regional forums – grant scheme 2019 	

	<p>The CRDs were introduced to the regional forum for the first time in 2018 within the frame of SIBRD project. The regional forums as a tool was one of preconditions for CRDs to apply for projects within the grant schemes for investment project in 2019.</p> <p>2. Regional forums – grant scheme 2020 Second series of forum sessions were organized as precondition for applying for the grant scheme for social inclusion in 2020. With a support from SDC, representatives from UNDP (which are working on project for social inclusion) attended the forum sessions to support the participants to identify quality concepts for social inclusion.</p>
<p>2.2.4. Support the RCs to use gender responsive budgeting and prioritizing actions in a participatory way</p>	<ul style="list-style-type: none"> ○ The gender responsive budgeting was implemented by the project in cooperation with UN women. Two training modules for CRDs how to use gender responsive budgeting were organized by the project in close cooperation with UN Women.
<p>2.2.5. Capacity development for social inclusion for regional development</p>	<ul style="list-style-type: none"> ○ Capacity development for social inclusion for regional development Through capacity building session for social inclusion, transparency and participation, the members of the Councils in each region were familiarized with the general and specific aims of the revised and upgraded regulation. ○ Support the process of constitution and operation of the Regional Council for Social Protection in Northeast Planning Region According to the Law for Social Protection each planning region is obliged to establish a Regional Council for Social Protection (RCSP) in order to plan and develop the network of social services on regional level. It consists of the mayors of the municipalities and Directors of the Centers for Social Work in the planning region. Therefore, the project provided technical assistance and capacity building for setting up of one pilot Council for Social Protection in Northeast planning region. ○ Support the process of Exchange of experience with seven planning regions for the main steps for establishing Council for Social Protection in the planning regions based on lessons learnt establishing the Council in Northeast Planning Region The findings and lessons learned from the process for setting up the first Regional Council for Social Protection (RCSP) in Northeast planning region should be transferred to the other Centres in order they to get familiar how to facilitate the process of establishing of the RCSP in their regions. Therefore, the Project has engaged the Consultant who distributed the knowledge and experience for the process of constitution and initial operation of the Council for Social Protection in Northeast planning region in all seven regions.
<p>2.2.6. Implementation of projects for social inclusion by CRDs based on the Call for proposals</p>	<ul style="list-style-type: none"> ○ The funds were merged with the funds for the grant scheme for investment projects for 2020. Grant scheme in total value of CHF 1.131.000 was focused only on social inclusion topics.

<p>Outcome 3:</p> <p>Centres for development of the planning regions (CRDs) for in all eight planning regions, in particular the less developed ones, improve their effectiveness and efficiency.</p>	<p>3.1 Increased capacities of the CRDs for the preparation of large-scale and innovative projects</p>	
	<p>3.1.1 Financial support to the CRDs to prepare grant scheme for investment projects</p>	<ul style="list-style-type: none"> ○ Through the grants scheme for investment projects in 2019 and 2020 projects in total value of CHF 1.973.504 were implemented. The project ideas were identified through regional forums on which more the 100 participants per region were actively involved. ○ Grant scheme for investment projects 2019 The Call for access of the Centers for Development of the Planning Regions to the grant scheme was prepared and opened by the Programme Coordinator in close coordination with SDC and MLS in March 2018. From 8 selected projects: <ul style="list-style-type: none"> • 2 projects are in the area of social inclusion • 1 project are in the area of environmental protection and • 5 projects are in the area of tourism The priority project in the most development region – Skopje planning region has been financed with funds of 60.000 CHF, while the least development region - Northeast planning region received, 145.0000CHF. All accepted projects from this grant scheme were successfully implemented. (More info in Annex 2 – Regional development for better future – 2019) ○ Grant scheme for investment projects 2020 The Grant scheme for investment projects in the area of social inclusion, available only for the Centres for development of the planning regions, was announced on 13.12.2019. Following the call, several consultation meetings were organized with CRDs. The total value of the grant scheme for social inclusion was CHF 1.131.164. ○ Establishing manoeuvre hospital - prefabricated containers for the needs of the healthcare system for dealing with COVID 19 pandemic in Skopje The project unit in cooperation with SDC initiated an idea to reallocate part of the funds from the Grant scheme for social inclusion to support the Government of North Macedonia to address health hazard emerging from the COVID 19 pandemic.
	<p>3.1.2 Develop an information package for the PBG</p>	<ul style="list-style-type: none"> ○ Development of a Grant Scheme Concept and set of application documents for the grant scheme for investment projects 2019 One of the main activities of the project Sustainable and Inclusive Balanced Regional Development is providing funds to the Centres for development of the planning regions (CRDs) for preparation and implementation of larger-scale projects with regional relevance. Therefore, Grant Scheme Concept for thr first grant scheme for investment projects – 2019 and set of application documents as Annexes were prepared with close coordination and consultation with SDC and MLS, as a base for starting the preparatory actions for this activity. The concept has covered the following topics: <ul style="list-style-type: none"> - Description of main steps for applications for soft and investments projects

	<ul style="list-style-type: none"> - Areas of interventions - Process of accessing and approving/disbursing the financial support - Eligibility costs - Evaluation Commission - Qualification criteria for assessing the pre-selected applications - Quality criteria for assessing the qualified applications for soft projects <ul style="list-style-type: none"> o Adaptation of the Guidelines for the grant scheme for investment projects 2020 - focusing only on investment projects for social inclusion <p>The grant schemes for investment projects 2020 was focused on investment projects for social inclusion. Within this grant scheme as a precondition the project proposal should clearly articulate the elements of social inclusion for persons belonging to some of the socially excluded groups, as well as their expected results, i.e. whether that project addresses the problems of persons belonging to socially excluded groups in the given planning region.</p>
<p>3.1.3 Mentorship to support the CRDs in developing and implementing better concepts for large-scale, inclusive and innovative projects</p>	<ul style="list-style-type: none"> o Several meeting with CRDs were held in order to introduce the concepts and set of application documents for all grant packages: <ul style="list-style-type: none"> - Grant scheme for investment projects 2019; - Grant scheme for innovative projects 2019; - Grant scheme for investment project in the area of social inclusion – 2020; - Grant scheme for innovative projects 2019.
<p>3.1.4 Provision of financial support and advisory services for the implementation of projects laid out in the Regional Innovation Strategies</p>	<ul style="list-style-type: none"> o Grant scheme for innovative projects – 2019 <p>The total funds for the Scheme for supporting innovative projects for 2019 was 311.841 CHF. Each of the eight planning regions had an opportunity to apply with a project in total value of 38.980 CHF.</p> o Grant scheme for innovative projects – 2020 <p>The public call was published on December 2019. Each centre has organized one joint event with the business and NGO sector regarding the development of the project concepts. The deadline for submitting project concepts was 30.01.2020.</p> <p>Each region has developed a minimum of 3 concepts and has submitted them for review to the Project unit. In total 24 concepts were prepared from which seven were approved.</p> o Additional projects 2020/2021 <p>MLS has signed additional contracts for implementation of the following two projects:</p> <ul style="list-style-type: none"> - Social inclusion and education for the children from rural areas in the Pelagonija region - Reconstruction of a primary school in the village of Zapolzani - phase 1 and phase \ 2 - Social inclusion of users of Daily Care Centers for people with disabilities and improvement of social services by improving their transport

<p>3.2 Improved service provision of the CRDs to the business sector</p>	
<p>3.2.1 Provision of support to improve advisory service delivery of Business Centres (e.g., events, workshops and coaching for business sector)</p>	<ul style="list-style-type: none"> ○ Services offered by BCs ○ Cooperation with FITD <p>Main results of BCs regarding the Public Call for Co-financed Grants for Technological Development for Accelerated Economic Growth</p> <ul style="list-style-type: none"> - Active online promotion of the FITD instrument (through websites and facebook pages); - Regular Contacts/ communication with companies from the regions; - Organization of 8 events for promotion of the Instrument for Technological Development in close cooperation with FITD; - From 95 companies which have applied for expert support, 55 companies are micro companies (from 1 to 5 employees) - Participation of 284 companies at the promotional events of the Public Call; - Expert support of 61 companies within the voucher scheme in total amount of 1,530,000 MKD. <ul style="list-style-type: none"> ○ Main results of BCs regarding the Public Call: Co-financed grants for start-ups and spin-off companies" - Active online promotion of the FITD instrument (through websites and facebook pages); - Regular Contacts/ communication with companies from the regions; - Organization of 8 events for promotion of the Instrument for Technological Development in close cooperation with FITD; - From 84 companies which have applied for expert support, 41 companies were supported (- Participation of 284 companies at the promotional events of the Public Call; <p>Expert support of 41 companies within the voucher scheme in total amount of MKD 1,002,000</p>

Phase II

SI-BRD-P Overall Goal	Disparities in the development among and within the planning regions are decreased, and as a result, citizens, in particular those of the less developed regions in the country, have better living conditions.		
		Outputs:	Achievements :
Outcome 1:	<p>The Government allocates and implements funds for balanced regional development in a transparent, predictable and effective manner and according to the level of development of the planning regions.</p> <ul style="list-style-type: none"> • € 58.5 million from Government Programs are allocated for BRD • A total of 14 programmes from eight (8) National Institutions have included the Level of Development of the Planning Regions as a criterion 	<p>1.1 System for regional development (SiReRa) is digitalized and becomes efficient and effective tool which is used by the government for strategic decision-making processes for balanced regional development</p> <p>1.2 Legal framework is updated and is in line with the EU requirements</p> <p>1.3 Regional projects of considerable size and importance implemented through the annual Programme for Balanced Regional Development</p> <p>1.4 The Government through its ministries is increasingly aware of the regional development policies and the results achieved</p>	<p>The Ministry of Finance and the Ministry of Local Self-Government started the negotiations for connecting SiReRa System with the National Treasury</p> <p>Three Bylaws were adopted: a Rulebook for regional forums, referring to the Programme for BRD in accordance with the Law (article 43); a Rulebook indicating the criteria and the scope of the data required for keeping record of the development potentials of PR (Article 20); and a Rulebook for monitoring of regional development projects (Article 56)</p> <p>17 from 57 of the selected BRD Program projects from six (6) planning regions are worth more than 300,000 CHF (each project separately). Nine (9) of them are from the Program 2021-2022 and eight (8) of them are from the Program 2022-2023</p> <p>In February 2022 an event for supporting Policy Dialog initiatives was organised with representatives from the ministries and BfRD</p>
Outcome 2:	<p>Regional Councils effectively implement BRD policy while mainstreaming transparency, citizen participation and social inclusion.</p> <ul style="list-style-type: none"> • Seven (7) planning regions prepared Action Plans through a consultative process by involving all relevant stakeholders 	<p>2.1 Strengthened capacities of RCs for efficient implementation of the regional policy</p> <p>2.2 RCs/CRDs strengthen their capacities to use regional forums and to include social inclusion aspects in each project/initiative which is supported through the Programme for Balanced Regional Development</p>	<ul style="list-style-type: none"> • The action plans in all planning regions have been adopted and consider gender mainstreaming. • All eight RCs selected representatives from the business sector and from NGO sector. • Eight (8) grant schemes for investment projects were prepared with mainstreaming gender • In all eight planning regions a total of 29 Regional Councils meetings (at least three per PR) were held to discuss the benefits of the implementation of regional projects of significant value <p>•16 regional forums were held in all PR (two per region) aiming to prioritise projects' proposals which will be funded by the Projects' Grant Scheme and by BfRD BRD Program implemented by the Centres. The forums for Grant Scheme and the forums from BfRD on BRD Program for 2022-20223 were attended by a total of 1008 (in both session) citizens in all PR; 52% of which were male, 48% female, 26% youth and 6% of the vulnerable groups. The forums organized from BfRD on BRD Program for</p>

Outcome 3:			<p>2023-2024 were attended a total of 831 (in both session) citizens in all PR; 52% of which were male, 48% female, 25% youth and 4% of the vulnerable groups.</p> <ul style="list-style-type: none"> •57 projects in total were approved within the Programmes for Balanced Regional Development for 2021-2022 and 2022-2023 in all PR. All of them meet the criteria for inclusion of the vulnerable groups.
		2.3 Tools for improved transparency enabling RCs to provide feedback to the citizens about the follow-up of their demands are regularly used and upgraded	Two new tools have been implemented in all eight PRs “The planning regions on the social networks” and “Proposal of tools that enable gathering opinions
		2.4 Citizens are increasingly aware of the regional development policies and the results achieved	The Regional Forums (16) were held as a tool for raising awareness in the regions
	CRDs in all eight planning regions, in particular the less developed ones, are more effective and efficient.	3.1 Increased capacities of RCs/CRDs for implementation of regional projects of considerable size and importance accompanied with cost - benefit analysis and feasibility study.	All CRDs in 2022 have signed agreements for a total of 19 projects worth more than 300.000 CHF (each). Seven (7) of them are investment projects which obligatory including digital component from the Grants Scheme in seven PRs, and for the other 11 projects the source for budget is from the BfRD (although three projects approved within Program for BRD from BfRD were not worth more than 300.000 CHF with co-financing by the Municipalities have reached the value from 300.000 CHF).
		3.2 Smart specialization of 8 planning regions is defined and accepted by RCs/CRDs.	<ul style="list-style-type: none"> •The initial activity for introduction of the Smart Specialization has started with organising workshops and mentorship meetings in all planning regions. •Vardar planning region was selected as a Pilot Region for Smart Specialization.
	<ul style="list-style-type: none"> • In 2022, CRDs of the eight planning regions have implemented projects in total value of €12,7 mil (average €1,6 M per region), ranging from the lowest value of 912.926 EUR in the Polog PR, to 1,9 mil EUR in the Southeast PR, and 2,1 mil. EUR in Pelagonia planning region. 	3.3 Improved service provision of the Business Centres within RCs/CRDs to the business sector	<ul style="list-style-type: none"> •Eight new services of the Business Centers were extended to the business sector in the region. •All eight BC continued the cooperation based on the Memorandum for Cooperation with FITD signed in Phase 1. •A total of 30 video clips (at least three per Business Centre) were recorded along with an interview/ story from the region and have been promoted in the media

Annex 4: List of SI-BRD-P funded sub-projects under the Grant schemes

Skopje planning region

2019

- Construction of an innovative multifunctional playground in the municipality of Saraj, v. Kondovo
- Inclusive children`s playground”

2020

- Eco innovative zones for clearer air
- Installation covid hospital within the clinical center Mother Theresa Skopje

2022

- The Story Continues

Polog planning region

2019

- Establishment of a social enterprise for sustainable informal education in tourism “–
- Smart info and promo centers (PIPC)

2020

- Social farming

2022

- -

Vardar planning region

2019

- Construction of a skate park with 7 elements and arrangements of pedestrian and cycling paths in the Vardar planning regions
- Expanding the tourist offer in the Vardar Planning Region through the construction of a platform for paragliding and procurement of equipment in the Demir Kapija Gorge

2020

- Establishing center for food technology for development of innovative products
- Inclusive SMART tourism – recreational facilities and services for equal access to the tourist attraction Lake Mladost

2022

- Regional Center for Care of Homeless Animals and Veterinary Health

North East planning region

2019

- Regulation and valorization of sports recreational eco center BSLIM”
- Inclusive smart classrooms (U- Smart)

2020

- Social inclusion of children from rural areas and care for victims of domestic violence, floods and fires
- Social inclusion of users of daily centers for persons with special needs and improvement of social services through improvement of their transport
- For a clean city use Plastikmat

2022

- Fire Protection and Prevention in the Micro-Region of Municipalities Kumanovo, Lipkovo, Staro Nagoricane, Rankovce (FIRE SHIELD)

East planning region:

2019

- Reconstruction of the ski-lifts in Ponikva”
- Healthy children – a secure future

2020

- Agrometeorological stations for protection of agricultural crops in the East planning region
- Reconstruction and adaptation of a home for the elderly people – Berovo

2022

- Reconstruction and Adaptation of a Nursing Home, Berovo 4th Wing, Municipality of Berovo

Southeast planning region

2019

- Agrometeorological stations for the protection of agricultural crops and the environment
- Joint workspace – a tool for strengthening the cooperation with the business sector

2020

- Academy for reintegration of the marginalized persons
- Creating conditions to increase social inclusion of people with disabilities in the Southeast Planning Region

2022

- Energy Efficient Region

Pelagonia planning region

2019

- Construction of a regional infrastructure for social inclusion of marginalized groups – park for children and people with special needs and visually impaired people
- Innovations in function of a regional tourism development- Pelagonia created for adventure

2020

- Construction of infrastructure for social inclusion in the Pelagonija region - Centre for accommodation and psychosocial support of persons from vulnerable population within the State Student Dormitory "Kocho Racin", Bitola
- Innovation in order to promote agriculture in the Pelagonija region
- Reconstruction of elementary school Pero Daskalot, Zapolzani

2022

- Improvement of Health Services and Creation of Conditions for Rehabilitation of Vulnerable Citizens and Post-COVID Patients

Southwest planning region

2019

- Regulation of attractive zones and paths in the Southwest Planning Region
- Visualization of tourist attractions in the Southwest Planning Region

2020

- Reconstruction and equipping of contemporary center for physical therapy within St Erazmo hospital

2022

- Improvement of Health Tourism Conditions through the Reconstruction of the Public Healthcare Institution Cardiology - Ohrid, Equipment Procurement, and Digitization
- Reconstruction of the Public Healthcare Institution Nephrology - Struga and Creation of Conditions for Health Tourism in the Public Healthcare Region
- Reconstruction and equipping of contemporary center for physical therapy within St Erazmo hospital

Annex 5 : SI-BRD-P Budget - Expenditure overviews Phase I and II


Phase I (2017-2021)

	Total Budget Phase I		Total expenditures Phase I		
	in CHF	as % of total	in CHF	as % of budget	as % of total
Personnel Salary	163,436	4.3%	162,293	99.3%	4.3%
Travel and subsistence	-		-		
Equipment	-		-		
Consumables, office rent etc.	61,560	1.6%	57,569	93.5%	1.5%
Exchange rate differences	-		33,252		0.9%
Sub-Total PIU	224,996	5.9%	253,114	112.5%	6.7%
Outcome 1	297,291	7.8%	291,609	98.1%	7.7%
Outcome 2	381,362	10.0%	376,355	98.7%	9.9%
Outcome 3	282,826	7.4%	272,101	96.2%	7.2%
Sub-Total Outcomes 1-3	961,479	25.2%	940,065	97.8%	24.8%
Grant scheme - contribution SDC	1,573,552	41.3%	1,569,585	99.7%	41.5%
Grant scheme - contribution MLS	1,049,410	27.5%	1,022,757	97.5%	27.0%
Grant scheme	2,622,962	68.9%	2,592,342	98.8%	68.5%
GRAND TOTAL	3,809,437	100.0%	3,785,521	99.4%	100.0%
as % of budget	100%		99.4%		
<i>Share SDC in Grand Total</i>	2,760,027	72.5%	2,729,512	98.9%	72.1%
<i>Share MLS in Grand Total</i>	1,049,410	27.5%	1,056,009	100.6%	27.9%

Phase II (2021-2025)

	Total Budget Phase II		Expenditures by end of June 2023		PIU Forecast expenditure JUL-DEC 23	Estimated Expenditure by end of 2023		
	in CHF	as % of total	in CHF	as % of budget		in CHF	as % of budget	as % of total
Personnel Salary	811,200	12.8%	320,683	39.5%	139,000	459,683	56.7%	9.6%
Travel and subsistence	65,000	1.0%	6,249	9.6%	3,000	9,249	14.2%	0.2%
Equipment	45,000	0.7%	15,856	35.2%	11,000	26,856	59.7%	0.6%
Consumables, office rent etc.	168,800	2.7%	59,414	35.2%	17,000	76,414	45.3%	1.6%
Sub-Total PIU	1,090,000	17.2%	402,202	36.9%	170,000	572,202	52.5%	11.9%
Outcome 1	503,333	7.9%	70,943	14.1%	91,000	161,943	32.2%	3.4%
Outcome 2	503,333	7.9%	103,855	20.6%	260,000	363,855	72.3%	7.6%
Outcome 3	503,333	7.9%	135,143	26.8%	58,000	193,143	38.4%	4.0%
Sub-Total Outcomes 1-3	1,510,000	23.8%	309,942	20.5%	409,000	718,942	47.6%	15.0%
Grant scheme - contribution SDC	1,750,000	27.6%	-	0.0%	1,635,000	1,635,000	93.4%	34.1%
Grant scheme - contribution MLS	2,000,000	31.5%	-	0.0%	1,870,000	1,870,000	93.5%	39.0%
Grant scheme	3,750,000	59.1%	-	0.0%	3,505,000	3,505,000	93.5%	73.1%
GRAND TOTAL	6,350,000	100.0%	712,144	11.2%	4,084,000	4,796,144	75.5%	100.0%
as % of budget	100%		11%		64%	76%		
<i>Share SDC in Grand Total</i>	4,350,000	68.5%	712,144	16.4%	2,214,000	2,926,144	67.3%	61.0%
<i>Share MLS in Grand Total</i>	2,000,000	31.5%	-	0.0%	1,870,000	1,870,000	93.5%	39.0%

Annex 6 : PPT debriefing Friday 21st July 2023

<p>North Macedonia</p> 	<p>Assignment commissioned by :  Schweizerische Eidgenossenschaft Confédération suisse Confederazione Svizzera Confederaziun svizra</p> <p>Swiss Agency for Development and Cooperation SDC Swiss Cooperation Office – Skopje</p>
<p>External Mid-Term Evaluation of the Sustainable and Inclusive Balanced Regional Development (BRD) Project 2017-2025 (SI-BRD-P)</p>	
<p>Sharing of main observations and suggestions Joint session with Ministry of Local Self Government and Swiss Embassy</p>	
<p><i>A tale about the cloths of the emperor</i></p>	
<p>Friday 21 July 2023 Gerhard van 't Land and Borce Trenovski Independent reviewers</p>	

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List of acronyms and abbreviations

BfRD	Bureau for Regional Development
BRD	Balanced Regional Development
CfP	Call for Proposals
CHF	Swiss Francs (1 Swiss Franc equals € 1.04 by mid-August 2023)
CP	Credit Proposal (SDC)
CRD	Centre for Regional Development
CVPMEA	Cabinet of the Vice Prime Minister for Economic Affairs
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
IGFT	Intergovernmental Fiscal Transfer (system)
LG	Local Government
MLS	Ministry of Local Self Governance
MTR	Mid Term Review
OECD	Organisation for Economic Co-operation and Development
OECD/DAC	OECD's Development Assistance Committee
PIU	Project Implementation Unit
RC	Regional Council
RED	Regional Economic Development
RNM	Republique of North Macedonia
SALAR	Swedish Authority for Local Authorities and Regions
SDC	Swiss Agency for Development and Cooperation
SI-BRD-P	Sustainable and Inclusive Balanced Regional Development Project
Sida	Swedish International Development Cooperation Agency
ToR	Terms of Reference
UNDP	United National Development Program

Management response to the external Mid-term Evaluation of the Sustainable and Inclusive Balanced Regional Development (SIBRD) Project

October 4, 2023
Skopje

Management Response

The Management Response (MR) states the position of the SDC on the recommendations of the mid-term evaluation of the SIBRD Project. The MR provides a solid basis for strategic decision-making. The relevant stakeholders should be consulted.

Assessment of the evaluation

The evaluation was conducted by a team of independent experts in accordance with international standards. The evaluation process was well managed and included close involvement of all relevant stakeholders and project partners.

The main objectives of this midterm evaluation are: 1) learning (what works, what does not and why), 2) steering (inform and guide further development of the Swiss engagement in SIBRD North Macedonia, for the end of the phase); and 3) accountability to stakeholders and funders. The objective of this evaluation is to provide insights into the programme's effectiveness, efficiency, relevance, coherence, impact and sustainability in the frame of set targets. The objectives have been met by the evaluators. The SDC appreciates the comprehensiveness of the evaluation report and the sound analysis of key elements of the SDC's performance in SIBRD Project. The report's analysis and resulting recommendations are considered to be useful for strengthening the strategic orientation of the SIBRD Project.

Main findings

The evaluation has accurately identified the main challenges and shortfalls of SIBRD project, confirming what SDC already had as an assumption. The evaluation report done by independent external consultants is useful and will enable SDC to make a fact-based decision on the way forward.

Main conclusions from the evaluation are:

- **Project context was difficult.** The concept of Balanced Regional Development policy is not uniformly understood or accepted by stakeholders, resulting in divergent interpretations and pursuits of the BRD policy's objectives. This then led to distinct viewpoints among stakeholders regarding the intended outcomes of BRD policy resulting with distinct viewpoints among stakeholders regarding the intended outcomes of BRD policy. With such a diversity of views on loosely defined goals and objectives, it is difficult for any project like SIBRD to support government effectively and efficiently, unless the project focused on refining and concretizing the policy, and assist government define what is meant by balanced regional development. The difficulties in implementation were further challenged

by the frequent change of leadership (both minister of local self-government and deputy prime minister for economic affairs), blockage of the functioning of the parliament, coupled with polarization in the overall society, and budgetary constraints resulting from the perpetual crisis that occurred since 2019 and are still ongoing.

- **Capacities of the MLSG** and its leadership are weak added to the lack of continuity in the management of the ministry negatively affected the project and jeopardize the state readiness to review and improve the BRD policy.
- **BRD policy became a rather generic development agenda for all regions**, which put the Swiss funded SIBRD project in a very difficult starting position; as it is very difficult to support and achieve results while working on something that is not clearly defined, yet complex and involving many stakeholders.
- This was also reflected in the **relevance and effectiveness of the investment grants supported by SIBRD**, most being characterised as either ‘good’ or ‘nice to have’. They often can be classified as either municipal mandates (playgrounds, walking tracks, skate court, etc.) or national mandate, and as such not directly related to a regional mandate.
- **The PIU is weak**, does not have the capacity to overcome the challenges and make progress, or engage in policy dialogue focused on first 2 points.

Out of the 5 recommendations, 1 is ‘fully agreed’ (green), 3 are ‘partially agreed’ (orange) and one is not agreed (‘disagree’ - red) – see table below. The SDC agrees to seize this opportunity to improve its results by taking specific measures in line with the recommendation.

1. Few quick-win investment or other projects, preferably in the 2 or 3 least developed regions and with a direct link to inter-municipal cooperation, to absorb any balance resources, whereby the procedure for project identification and project selection is to be mutually agreed upon between SDC and MLS;	
2. Following a dedicated study, preparation of a high level and high-quality discussion paper on the relations between regional development, municipal mandates, inter-municipal cooperation and intergovernmental fiscal transfers, whereby MLS and PIU may call upon the Embassy to identify suitable consultants;	
3. A study on the role, functions and funding of CRDs, as they suffer from the lack of a clear mandate and institutional position;	
4. One or more high level round tables to start a dialogue on the relations between Municipal mandates, intergovernmental fiscal transfers, inter-municipal cooperation and regional development; and	

5. PIU to complete priority activities and winding up		
Fully agree	Partially agree	Disagree

Overview of recommendations, management response and measures

Recommendation 1		
Few quick-win investment or other projects, preferably in the 2 or 3 least developed regions and with a direct link to inter-municipal cooperation, to absorb any balance resources, whereby the procedure for project identification and project selection is to be mutually agreed upon between SDC and MLS;		
Management response		
Fully agree	Partially agree	Disagree
The remaining funds according the log frame and budget are allocated under specific outcomes 1-3 which tackle capacity development of SiReRa, RCs and CRDs. Hence re-allocating remaining funds for quick wins (grant scheme) would not contribute to achieve the outcomes of the project. In addition, the experience so far has shown that the process of identifying solid project proposals that can be implemented within a relatively short period of time is not possible. Furthermore, the capacities of the CRDs from the least developed regions remain very weak, increasing the burden on the PIU and on the Swiss Embassy. The risks of political instrumentalization and corruption remain very high and require very strong monitoring of grants' allocations and implementation. The Swiss Embassy has limited capacities to manage this risk properly and because the capacities and reputation of the PIU are weak, the efforts to guide and manage this process would be too high.		
Measures	Responsibility	Timing

Recommendation 2		
Following a dedicated study, preparation of a high level and high-quality discussion paper on the relations between regional development, municipal mandates, inter-municipal cooperation and intergovernmental fiscal transfers, whereby MLS and PIU may call upon the Embassy to identify suitable consultants;		
Management response		
Fully agree	Partially agree	Disagree
While we deem this recommendation as reasonable and tend to find it acceptable, we still would put one conditionality on it, and that is the openness and wiliness of the Government to prioritise this topic in the upcoming 12 months, to justify spending funds for a high-quality study. With the current political situation, upcoming parliamentary and presidential elections, and the expected change of government in Spring 2024, it is uncertain if the new Government will have this topic among their priorities to actively engage in the reform process.. However, if the development of the regions and decentralization are high of the reform process related to EU accession, this study could be considered.		
Measures	Responsibility	Timing
Buy-in from the Government/National Council/Development partners (in particular the EU)	NPO	January 2024

Discuss with EU their plans for further involvement on the topic of BRD, and if they do intend to be more active in following years, join forces with them to commission the study and follow up with the policy dialogue.		
Recommendation 3		
A study on the role, functions and funding of CRDs, as they suffer from the lack of a clear mandate and institutional position;		
Management response		
Fully agree	Partially agree	Disagree
Similar to recommendation 2, while this is of utmost importance, and we acknowledge that there is lack of a clear mandate and institutional position of the CRDs, a study will not help much if the government does not put the BRD topic as a priority for next 12 months.		
Measures	Responsibility	Timing
If conditionalities under measure 2 are fulfilled in due time, a study on the CRD can be commissioned.	<u>NPO/HoM</u>	January 2024

Recommendation 4		
One or more high level round tables to start a dialogue on the relations between Municipal mandates, intergovernmental fiscal transfers, inter-municipal cooperation and regional development.		
Management response		
Fully agree	Partially agree	Disagree
As with comments under recommendation 2 and 3, this would also be conditioned upon successful realization of the conditions under recommendation 2. Furthermore, other projects such as EMC are working on inter-municipal cooperation and complementary would be required.		
Measures	Responsibility	Timing
If conditionalities under measure 2 and 3 are fulfilled in due time (by January 2024), this recommendation can be accepted. Also assess jointly with UNDP and the Ministry progress in regards to intermunicipal cooperation and proposals for change.	<u>NPO/HoM</u>	January 2024

Recommendation 5		
PIU to complete priority activities and winding up		
Management response		
Fully agree	Partially agree	Disagree
We agree that the project should end earlier, however instead of June 2024, we propose to have end date September 2024 (original date September 2025). This will provide sufficient time for the PIU to finalize activities under the grant scheme with the 8 Regional Development Centres. In addition, downscaling of PIU to be discussed with Ministry of Local Self-Government based on the changed level of effort.		
Measures	Responsibility	Timing

Discuss and agree with the Ministry about the early closure of the project. Closely monitor the progress of the activities in 8 regions in order to be able to react in timely manner if there is the risk of further delays with the implementation beyond the new end date.	<u>NPO/HOM</u>	October 2023 Monthly basis
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