

**ANNEX IV**

to Commission Implementing Decision on the financing of the annual action plan in favour of the Republic of North Macedonia for 2021

**Action Document for “EU for Environmental Standards and Clean Air”****1. SYNOPSIS****1.1. Action Summary Table**

|   |  |               |                          |                                     |
|---|--|---------------|--------------------------|-------------------------------------|
| <b>Title</b>                                    | <b>Action 04 - EU for Environmental Standards and Clean Air</b>  |               |                          |                                     |
|   | Annual Action Plan in favour of North Macedonia for 2021   |               |                          |                                     |
| <b>CRIS/OPSYS number</b>                        | 043-662/4  |               |                          |                                     |
| <b>Basic Act</b>                                | Financed under the Instrument for Pre-accession Assistance (IPA III)   |               |                          |                                     |
| <b>Team Europe Initiative</b>                   | No   |               |                          |                                     |
| <b>Zone benefiting from the action/location</b> | The action shall be carried out in North Macedonia   |               |                          |                                     |
| <b>Programming document</b>                     | IPA III Programming Framework  |               |                          |                                     |
| <b>PRIORITY AREAS AND SECTOR INFORMATION</b>    |  |               |                          |                                     |
| <b>Window and thematic priority</b>             | Window 3: Green agenda and sustainable connectivity<br>Thematic priority 1: Environment and climate change   |               |                          |                                     |
| <b>Sustainable Development Goals (SDGs)</b>     | Main SDG (1 only): 11: Sustainable cities and communities<br>Other significant SDGs (up to 9) and where appropriate, targets:<br>7: Affordable and Clean Energy<br>13: Climate Action<br>15: Life on land<br>17: Partnership for the Goals |               |                          |                                     |
| <b>DAC code(s)</b>                              | 41010 - Environmental policy and administrative management – 20%<br>41020 – Biosphere protection – 46%<br>14050 – Waste management – 34%   |               |                          |                                     |
| <b>Main Delivery Channel<sup>1</sup></b>        | 12000 - Recipient Government   |               |                          |                                     |
| <b>Markers (from CRIS DAC form)</b>             | <b>General objective</b>   | <b>policy</b> | <b>Not targeted</b>      | <b>Significant objective</b>        |
|   | Participation development/good governance  |               | <input type="checkbox"/> | <input type="checkbox"/>            |
|   | Aid to environment   |               | <input type="checkbox"/> | <input type="checkbox"/>            |
|   |  |               |                          | <input checked="" type="checkbox"/> |
|   |  |               |                          | <input checked="" type="checkbox"/> |

<sup>1</sup> <http://www.oecd.org/dac/stats/annex2.htm>.

|  |   |                                     |                                     |                                     |
|--|---|-------------------------------------|-------------------------------------|-------------------------------------|
|  | Gender equality and Women's and Girl's Empowerment  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | Trade Development   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | Reproductive, Maternal, New born and child health   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | Disaster Risk Reduction   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
|  | Inclusion of persons with disabilities  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | Nutrition   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | <b>RIO Convention markers</b>   | <b>Not targeted</b>                 | <b>Significant objective</b>        | <b>Principal objective</b>          |
|  | Biological diversity  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | Combat desertification  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | Climate change mitigation   | <input type="checkbox"/>            | <input type="checkbox"/>            | <input checked="" type="checkbox"/> |
|  | Climate change adaptation   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/>            |
| <b>Internal markers</b>  | <b>Policy objectives</b>  | <b>Not targeted</b>                 | <b>Significant objective</b>        | <b>Principal objective</b>          |
|  | Digitalisation  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | Migration   | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
|  | COVID-19  | <input checked="" type="checkbox"/> | <input type="checkbox"/>            | <input type="checkbox"/>            |
| <b>BUDGET INFORMATION</b>  |   |                                     |                                     |                                     |
| <b>Amounts concerned</b>   | Budget Line: 15.020201.02<br>Total estimated cost: EUR 26 000 000.00 <sup>2</sup><br>EU budget contribution: EUR 22 000 000.00  |                                     |                                     |                                     |
| <b>MANAGEMENT AND IMPLEMENTATION</b>   |   |                                     |                                     |                                     |
| <b>Type of financing and method(s) of implementation</b>   | Project Modality<br><b>Direct management</b> through<br>- Procurement<br><b>Indirect management</b> with entities to be selected in accordance with the criteria set out in section 4.3.4 |                                     |                                     |                                     |
| <b>Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans</b> | Priorities: "Green Agenda", Transport", "Energy", "Governance, Rule of Law, PAR"<br>Flagships: "V Coal Transition", "VI Renovation Wave", "VII Waste and Waste Water                      |                                     |                                     |                                     |
| <b>Final Date for conclusion of Financing Agreement</b>  | At the latest by 31 December 2022   |                                     |                                     |                                     |

<sup>2</sup> This action is financed in joint co-financing by UNOPS for an amount of EUR 4 000 000 (see point 4.3.4)

|  |  |
|--|--|
| <b>Final date for concluding contribution / delegation agreements, procurement and grant contracts</b> | 3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 114(2) of the Financial Regulation |
| <b>Indicative operational implementation period</b>  | 72 months following the conclusion of the Financing Agreement  |
| <b>Final date for implementing the Financing Agreement</b>   | 12 years following the conclusion of the Financing Agreement   |

## 1.2. Summary of the Action

The Action will support North Macedonia to align the national environment and climate change legislation with the EU *acquis*, and to ensure its implementation and enforcement in line with the national strategies and the international commitments of the country. The legal harmonisation will be accompanied by measures to strengthen the institutional framework and administrative capacities.

Focus will be put on enhancing the compliance with the EU standards for soil pollution and solid waste management. The action will clean up a small lindane pond in a former industrial site at the Organic Chemical Industry (OHIS) premises and will prepare a large scale investment for establishing a regional waste management centre for Skopje region.

The Action will also improve the air quality in Skopje, Kumanovo, Tetovo and Bitola through addressing the air pollution caused by heating and transport systems. EU funds will be channelled to the replacement of the heating systems in public buildings and to explore the possibility to extend and optimise the district heating in Skopje. The measure will be accompanied by increasing the fleet of less polluting buses and enlarging urban green belts.

## 2. RATIONALE

### 2.1. Context Analysis

The European Green Deal<sup>3</sup> aims at leading the EU into an ecological transition towards a modern, resource-efficient and competitive economy. This is translated regionally into the Economic and Investment Plan for the Western Balkans<sup>4</sup> and the Green Agenda for the Western Balkans<sup>5</sup> based on the existing political and technical cooperation frameworks. In this context, the government of North Macedonia announced that environmental protection and green development will be one of its six priorities for the period 2020-2024<sup>6</sup>. It is expected therefore a more strategic programming approach that will enable scaling up energy efficiency and renewable energy initiatives to decarbonise the country while renewing the efforts to reduce air, water and soil pollution.

North Macedonia invests significant efforts to align its legislation and systems to EU environmental and climate *acquis* and policies. Although it has already aligned with a significant share of the EU *acquis*, significant challenges remain. The current state of play is

<sup>3</sup> COM(2019) 640 final

<sup>4</sup> COM(2020) 641 final

<sup>5</sup> SWD(2020) 223 final

<sup>6</sup> Governmental programme, <https://vlada.mk/programa>

assessed at some level of preparedness in the Commission North Macedonia 2021 Report<sup>7</sup> with limited progress noted in the nature protection and climate change areas.

In addition to legislative alignment, North Macedonia has to build up the administrative capacity that will allow to ensure proper implementation and enforcement of EU legislation, as well as to meet the obligations arising from the European integration process. The main weaknesses identified include lack of strategic planning; underdeveloped infrastructure; lack of systematic integration of environment and climate action in all sectors' policies; and lack of systematic financing from the state budget in Environment and Climate Action Sector, especially for capacity building<sup>8</sup>.

This action supports the achievement of the specific objective of Window 3: Green agenda and sustainable connectivity, Thematic priority 1: Environment and climate change of the IPA III Programming Framework. It also addresses two out of the three recommendations of the North Macedonia 2021 Report, namely to increase efforts towards a green transition, by reducing air pollution at local and national level, and by setting up an integrated regional waste management system.

The sector institutional set up comprises the Ministry of Environment and Physical Planning, organised in nine departments/sectors, and three constituent bodies: the Administration for Environment, the State Environmental Inspectorate and the Office for Spatial Information System. They operate as separate entities within and under the supervision of the ministry. The Administration for Environment is the operative hand, and is responsible for the implementation of the national environment policy, as well as for environmental monitoring, while the State Environmental Inspectorate is responsible for enforcement measures.

Given the cross-cutting nature of the sector, other ministries (such as those in charge of finance, energy, transport, agriculture, industry, health) are involved in the planning and policy-making cycle.

At local level, the municipalities in North Macedonia deal with environmental issues like municipal waste management, water supply and waste water treatment by means of Public Utility Companies.

Finally, a National Investment Committee has been set up to prioritise the capital investments of the country. The Committee secretariat is provided by the Secretariat for European Affairs. It has reflected the investment priorities for environment in the recently adopted Single Project Pipeline that will serve as a basis for programming and blending of all available financial sources. North Macedonia is currently establishing an infrastructure task force to ensure ongoing monitoring and progress on the key capital investments.

The sector policy dialogue is channelled through the established sector working group on environment and climate change, which involves authorities, donors and civil society. The sector policy *budgeting* needs improvement. North Macedonia does not yet benefit from a robust medium-term expenditure framework to anchor the costs for the major reforms and ensure their credibility. The ongoing Public Finance Management reform programme aims at addressing this issue through the adoption by the government of the new organic budget law, which needs to be adopted by Parliament. Significant IPA support is already available to advance this process. In the absence of a solid medium-term expenditure framework, the country has a quasi-programme for Environment to back up the sector policy objectives. The budget for environment is constantly increasing – 150% from 2017 to 2021, which is a sign of increasing state commitment to the established sector priorities.

---

<sup>7</sup> SWD(2021) 294 final

<sup>8</sup> The 2021 state budget for the environment sector – 0,49% or M13,6 EUR – is virtually unchanged compared to preceding years and clearly not enough compared to estimated EUR 2.3 billion needed for compliance with the EU *acquis*, or 37% of GDP

## 2.2.Problem analysis by areas of support

### *Area of support #1: Legal harmonisation and implementation of the environmental standards*

Various assessments conducted by the European Commission (i.e. Chapter 27 of the North Macedonia Reports<sup>9</sup>; SIGMA 2015 Baseline Measurement on Public Administration Reform (PAR)) and UN bodies (i.e. The Western Balkans Environmental Programme: Review of Policy Integration and Capacity Development Need Assessment Studies – 2009) resulted with the finding that North Macedonia faces important challenges in terms of administrative capacity in this sector. Regular training on legislative drafting is not ensured. Real time data is often missing and statistical data (data from monitoring networks and administrative data) is rarely used in policy-making and monitoring. The coordination and communication among institutions responsible for different aspects of environmental policy is weak; particularly challenging is the coordination between central and local government. The employee turnover in the central institutions is high; the relative lack of expert skills in the administration hinders the proper implementation of sector polices, projects and reforms.

As a result, despite the progress made in the last years, the legislative alignment is not completed and the implementation and enforcement of the adopted legislation is not ensured. The planned measures are not clearly prioritised and the budgetary allocations make impossible the proper implementation of the existing legislation.

This situation affected also by the awareness of the businesses and citizens on their obligations and by the limited financial resources of the country to support the transition towards more sustainable practices. The focus on economic development at any cost coupled with limited control and sanctioning capacities impedes the implementation of the environmental legislation.

In general, the following measures need to be undertaken in North Macedonia in order to improve the situation with the Environment and Climate Action Sector:

- To complete the legal alignment with the EU *acquis* on environment and climate action and establish the necessary conditions for its implementation and enforcement.
- To optimise the institutional framework, redefine the responsibilities, reporting lines and coordination platforms, to build the necessary administrative capacity, including for enforcement, to strengthen the expertise and enlarge the body of knowledge.
- To ensure adequate and sustainable financing of the environment sector, both at central and local level.

The gaps that still need to be filled in, in terms of EU *acquis* alignment relate to: horizontal legislation (application of Environmental Impact Assessment/ Strategic Environmental Assessment, environmental inspection, liability and crime), coordination between central and local level and inter-sectors cooperation to ensure proper air quality, implementation of legislation in water and waste areas, mapping the natural habitats, alignment with the Seveso III EU directive, eco-label and Eco Management and Audit Scheme, noise and chemicals legislation.

On **waste management**, North Macedonia has adopted a set of waste management laws<sup>10</sup>, aligned with EU regulations, and implementing the principles of circular economy. Limited progress is noted in this area, due to limited recycling and waste generation prevention, to lack of relevant infrastructure, and to the overall performance of the waste management system.

---

<sup>9</sup> [https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/strategy-and-reports\\_en](https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/strategy-and-reports_en)

<sup>10</sup> The law on waste management, law on extended producer responsibility in waste management, law on management of electrical and electronic equipment and waste electrical and electronic equipment, law on waste management in the extended producer responsibility system, law on management of packaging and waste packaging, and law on management of batteries and accumulators and waste batteries and accumulators

Moreover, the adopted regional waste management plans need to be implemented, while the weak administrative capacities, low enforcement and limited inter-sectoral cooperation remain the main obstacles for progress in this sector. The establishment of the regional waste management system continues to face delays. Noncompliant landfills and illegal dumpings continue to represent an important environmental issue”<sup>11</sup>.

When it comes to remediation of historical **hotspots**, a strategic approach does not exist and the costs implied are extremely high. A number of field investigations, risk assessment studies and general remediation plans for the former Organic Chemical Industry (OHIS) have been developed in the past decade. All of these studies confirm that contamination levels detected in soils and groundwater at the site exceed maximum values, therefore representing an unacceptable health risk for workers within the plant site, agricultural workers in the nearby farms, and the population living in the surrounding residential districts. Lindane is an organochlorine pesticide, and it is classified by the World Health Organisation as "moderately hazardous". Thus, OHIS is considered to be among the highest priorities on the list of contaminated sites in the country. There are associated risks to human health and to the environment, as illustrated by the uncontrolled leakage of deposited methyl acrylate at former OHIS industrial site; cleaning up of the small pond in its premises is one of the measures foreseen under this action document.

### ***Area of support #2: Air pollution***

**Air pollution** in North Macedonia has been recognised as the major environmental and health challenge by the authorities, scientific communities, civil society and international partners, especially for the citizens living in Skopje and other large urban areas (such as Kumanovo, Bitola and Tetovo). For years Skopje has been considered as one of the world's most polluted cities with pollution levels often exceeding the European norms, especially in cold months. The rationale lies in a poor air pollution reduction policy, the widespread use of solid fuel<sup>12</sup> for heating and cooking, and the weak air quality monitoring, often fragmented and not regularly maintained. Residential heating has the dominant share of PM10 and PM2.5 emissions, while energy production is a source of lead (38%), mercury (45%) and cadmium (49%) emissions. Transport is another significant source of pollution, especially in Skopje<sup>13</sup>. End-of-life vehicles and the low rate of use of public transport versus passenger cars multiply significantly the negative impacts of transport on air quality.

The health and economic impact of the air pollution in North Macedonia is very high. The annual cost for health associated with air pollution in North Macedonia was estimated by the World Bank<sup>14</sup> at 3.2% of GDP. According to the World Health Organisation<sup>15</sup>, air pollution is responsible for about 2,600 deaths annually in North Macedonia. The PM pollution itself caused 1,600 deaths in 2016 and about half of the total number occurred in Skopje. Mortality attributed to PM pollution represents an economic cost of M750 US\$ annually<sup>16</sup>.

### ***Stakeholders***

The Action will involve different stakeholders:

- **The Ministry of Environment and Physical Planning** is responsible for implementation of the national policy and supervision of implementation over main environmental issues – air protection, water protection and management, waste management, soil protection and nature protection. It is the lead institution in terms of approximation of the

---

<sup>11</sup> SWD(2021) 294 final

<sup>12</sup> Very often not seasoned wood is used, which harms more the environment than the wood that has been seasoned for at least 24 months.

<sup>13</sup> In 2019, 77% of passenger transport vehicles has an average age above 19.3 years. The average estimated age of public transport buses in 2019 was 18.1 years.

<sup>14</sup> 2018 Country Diagnostics Report, Seizing brighter future for all

<sup>15</sup> World Health Organisation Global Ambient Air Quality Database (2018 update)

<sup>16</sup> Brody and Strukova (2018)

environmental *acquis* across the sector, and leads preparatory activities for negotiation of Chapter 27.

- **The Ministry of Economy** is the policy-making body for the competitiveness, goods and services sector and SMEs policy, as well as for the implementation of the industrial policy for encouraging investments and competitiveness of the economy. Ministry of Economy, being responsible for the implementation of the Energy Development Strategy until 2040, will play a crucial role in implementing activities under this action.
- **The Ministry of Health**, together with the **Health Insurance Fund**, are the bodies administrating the healthcare sector in the country. As long as the action will have an impact in the air quality of the country and consequently in the citizens' health, the Ministry of Health will be part of the institutions involved in the implementation of the action as a beneficiary.
- **The Ministry of Education and Science** has the responsibility for strategy formulation and planning in the field of education, science and technology. Under this action, the Ministry will be involved with regard to activities related to the improvement of heating systems in the selected schools.
- **The municipalities** that will benefit of the intervention, i.e. **Skopje, Bitola, Tetovo and Kumanovo**.
- **The United Nations Office for Project Services (UNOPS) / UNIDO** is the institution in charge of the first phase of cleaning of the OHIS industrial site.

### **2.3.Relevance and complementarity with strategies supported by key national stakeholders**

The Action supports the implementation of key national priorities, included in the Strategy on Environment and Climate Change 2014-2020; the National Strategy for Sustainable Development in North Macedonia 2010-2030; the Programme for reducing the air pollution in North Macedonia 2019-2020; the Waste Management Strategy 2008-2020; the Strategies for Energy Development of North Macedonia until 2030 and until 2040; the National Transport Strategy 2018-2030; the National Programme for Adoption of the *Acquis*.

The strategic framework in the area of Environment and Climate change is well established. The individual sub-sectors strategies are quite detailed and well describe the main priorities to be addressed in the environment sector and, despite being prepared several years ago, they continue to be relevant and coherent. Notwithstanding some updates are needed, especially when it comes to presentation of gaps and how to cover these gaps. While the priorities and needs are very much identified, it is needed to develop a pipeline of prioritised, mature projects. IPA assistance will substantially contribute to the preparation of such strategic documents that will be essential in conducting the negotiations for this sector.

The Ministry of Environment and Physical Planning is the lead institution responsible for environment sector. It cooperates closely with other line ministries and the other bodies and institutions active in the environment sector. These entities have their own roles and responsibilities. In addition to these, science institutions, professional associations, business sector as well as non-governmental sector have to be involved in various processes in order to fulfil the national environmental objectives. Raising the awareness and strengthening the capacity of all stakeholders remains an important priority, to which this action will contribute.

As of 2020 the country put in place a performance assessment framework streamlining the policy objectives, indicators and targets<sup>17</sup>, and the policy dialogue and coordination is conducted within the sector working group chaired by the Minister of Environment that includes donors and Civil Society Organisations. Regular monitoring of the environment

---

<sup>17</sup> <https://paf.vestelglobal.com/PAF/>

sector as a whole takes place yearly when the Sub-Committee on transport, energy, environment and regional policy and the IPA Joint Monitoring Committee are organised.

The national priority measures in environment sector have been identified, focusing in particular on investments in waste water treatment, water supply, waste management and air quality. The cost of implementing these measures are to be financed through a combination of public funds, loans, and grants from international donors, including the EU. The budget for the reforms in the environment sector has increased by 150% from 2017 to 2021 reaching EUR 15.5 million in 2021. This increase is a sign of strengthened state commitment to the established sector priorities. However, the state allocations for environment continue to be insufficient on the background of the estimated EUR 3.2 billion necessary to ensure the compliance of the country with the EU environmental standards. In 2019, the total investments in environment protection reached EUR 72 million while EUR 52 million were allocated for maintenance of the environment facilities. 72% of the invested funds are in the water sector (State Statistical Office, environmental statistics). Green loans are insignificant in the structure of the public debt (apart of the gas pipeline of EUR 55 million, which can be considered as a transition investments provided that it helps North Macedonia meet emission limits). Very few major capital investments in the environment sector were achieved with national funds; the key environment projects are implemented with foreign public or private funding. The country needs to encourage the green investments applying a balanced mix of incentives (regulatory, financial, and tax) and penalties (enhanced control on polluters and application of polluter pays principle), and creating a strong societal support for greener policies.

#### **2.4.Relevance and complementarity with EU policy and EU and other donors' assistance**

The proposed action is aligned to the IPA III Programming Framework, in particular with the EU priorities, under Window 3, targeting environment and climate change. It also addresses two of the immediate actions recommended in the North Macedonia 2021 Report<sup>18</sup>, namely to improve inter-sectoral coordination and increase financial resources for the reduction of air pollution at the local and national level and; make significant steps to establish a regional waste management system.

The Action contributes to the further approximation and practical implementation of the national legislation, with the EU *acquis* included in *Chapter 27: Environment and climate change*.

The action is fully in line with the Commission Communication on an **Economic and Investment Plan** for the Western Balkans<sup>19</sup> of 6 October 2020 and its Annex "Green Agenda for the Western Balkans"<sup>20</sup> in the area of decarbonisation, depollution of air, water and soil including reducing transport related pollution.

Recently, the Green Agenda for Western Balkans has been adopted and, as response, the government of North Macedonia made environment and climate change one of their declared priorities for the coming four years. More precisely, this action proposes measures in the area of de-carbonisation (clean energy and smart transport) and de-pollution of air. Through the preparatory activities, it will contribute to reaching the needed maturity of the future large investment in the regional waste system for Skopje, it also proposes measures that will contribute to the establishment of a circular economy in the country. All these measures are fully aligned to the principles and priorities highlighted by the Western Balkan Strategy<sup>21</sup>.

---

<sup>18</sup> SWD(2021) 294 final

<sup>19</sup> COM(2020) 641 final

<sup>20</sup> SWD(2020) 223 final

<sup>21</sup> COM(2018) 65 final



## **2.5.Lessons learned and links with previous financial assistance**

The environment and climate change sector in North Macedonia benefitted of significant EU financial support: over EUR 230 million from the national IPA strand, and more than EUR 120 million from WBIF. Various bilateral donors and international organisations have also contributed to different environmental priorities.

The main EU aid is channelled through the **Sectoral Operational Programme for Environment and Climate Action 2014-2020**, under IPA II. The Programme targets primarily the sub-sectors of waste water and solid waste management as well as the improvement of the administrative capacity of the country to align with and implement the EU standards in environmental and climate change area. The main conclusions from the analysis of the implementation of the EU aid include:

- The political vision has to be inclusive and backed by strong coordination and administrative capacity. Environment and climate change sector is very technical, large, difficult and challenging. It covers many areas and it inter-links with other topics. Therefore, the environment sector requires the involvement of numerous stakeholders, and it has to be treated as a cross-cutting sector.
- The need to work in parallel: environment protection measures have to be coupled with strong capacity building at different levels.
- The importance of involving stakeholders. Citizens and businesses must be partners in environmental protection activities, hence, active communication and information policy must exist.

## **3. DESCRIPTION OF THE ACTION**

### **3.1.Planned results and intervention logic**

The Action aims at decreasing the pollution-related risks to environment and human health. This overall objective will be achieved through:

#### **(1) Improving the application of the environmental legislation and standards in North Macedonia**

The action will fill in gaps that still exist in the overall environment legal system of the country, will prepare associated specific implementation plans, and will strengthen the enforcement capacity of the country. These activities, supplementing those under the on-going operational programme, will contribute and support the environmental authorities throughout the upcoming screening process and create a good basis for negotiations under Chapter 27. By bringing to maturity the future large investment for the regional waste management facility for Skopje and by cleaning the small pond in OHIS premises, these (pilot-type) measures will prove the usefulness and necessity of such activities, while coming closer to a clean and toxic-free environment. Their model can be replicated throughout the country for the establishment of the other regional waste management facilities, and to clean up the large pond in OHIS premises.

#### **(2) Improving the air quality in large cities in North Macedonia**

The action represents the start of a set of structural measures that will have to be implemented in the urban agglomerations. In the short term, the success of such approach depends on the capacity of the national Energy Efficiency Fund to complete the refurbishments of the public buildings for which EU support will provide new, performant boilers; and, on longer term, to roll out supporting schemes for the population in Skopje to stimulate the transition from individual heating based on solid fuel towards a central district heating. This measure will have an impact on reducing air pollution. Moreover, this will come in association with the development of a related feasibility study, based on which an information and awareness

campaigns will be prepared and conducted. To further contribute to cleaning the air in cities, green belts will be created, while Skopje will receive some new buses to improve its municipal transport fleet. This complex approach will, hopefully, foster the policy dialogue and introduces some major changes and substantially contribute to a better air quality in polluted towns.

### **3.2. Indicative type of activities**

**Outcome 1 – Improved application of environmental legislation and standards in North Macedonia** will be achieved through the following outputs:

#### **Output 1.1: Legislative framework better aligned with the EU *acquis* and institutional framework enforced**

The Action will support the adoption of several legal acts, in line with the EU requirements on industrial pollution (Eco Management and Audit Scheme, eco-label, Seveso III), noise, chemicals, horizontal legislation (environmental inspection, liability), air quality (programmes to reduce air pollution). The harmonisation process will encompass the development of directives-specific implementation plans, which will support the negotiations on Chapter 27, legislative drafting and consultations with stakeholders.

In parallel, the Action will invest in training, mentoring and coaching activities to improve the capacity, the methodological and the IT tools of the environmental inspection.

#### **Output 1.2: Planning and technical documentation for building the integrated waste management system for Skopje region prepared**

Establishing integrated regional systems for waste management represents the core of the waste hierarchy as required by the EU *acquis*, and supports the implementation of a circular economy. The fact that limited steps have been taken by the country in this direction is constantly mentioned in the North Macedonia Reports<sup>22</sup>. Despite the existence of regional waste management plans and of several projects planned under the operational programme, little progress has been noted, and little ownership over the process exists.

Skopje region is covering 29% of the population in North Macedonia. The current waste management system consists of waste collection, transportation and disposal, the services being provided by Public Utility Enterprises. Some of the rural areas of the region do not collect the waste in a constant and complete way, leading to proliferation of illegal dumpsites at the outskirts of settlements. A 3-phase investment programme will establish a modern solid waste management system for Skopje region by the end of the decade. The whole concept gravitates around the rehabilitation, updating and upgrading of Drisla landfill, along with the procurement of the necessary equipment for waste collection and building of additional facilities for material recovery, and closure of the illegal dump sites around Skopje region.

This Action will invest in a feasibility study<sup>23</sup> with the associated cost benefit analysis<sup>24</sup> and environmental impact assessment; an updated Regional Waste Management Plan for Skopje region and the related Strategic Environmental Assessment, along with conceptual and detailed designs and technical specifications for the planned investments under the works and supply contracts. Moreover, a capacity building programme to strengthen the municipalities and Public Utility Enterprises will be prepared and implemented, and an awareness programme and campaign will also be prepared and implemented for the people in Skopje region.

#### **Output 1.3: Small pond of OHIS industrial site cleaned-up**

---

<sup>22</sup> [https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/strategy-and-reports\\_en](https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/strategy-and-reports_en)

<sup>23</sup> Two studies are presently available: EuropeAid/136347/H/SER/MK, November 2017; and the IFC Drisla landfill site feasibility study, 2011. These will be merged and updated.

<sup>24</sup> CBA to be conducted in line with the Guide to cost benefit analysis for investment projects, DG Regio, December 2014

This activity involves the cleaning of a lindane-polluted site located in the area of the Organic Chemical Industry of Skopje AD (OHIS) at the south-eastern edge of Skopje, nearby Vardar River. The company used to produce lindane (1964-1977), an organochlorine pesticide classified by the World Health Organisation as "moderately hazardous". According to the data provided by OHIS, the total lindane production was around 2,800 tons resulting in a generation of around 25,000-30,000 tons of inactive isomers that were improperly dumped, causing secondary contamination of the soil and groundwater. According to the detailed site investigation performed during 2017-2018, the estimated total quantities of the lindane contaminated soil are around 60,000 tons (out of which 6,600 tons of lindane), located in two ponds: a small and a big one. This action aims to clean-up the small pond, where presently are 1,600 tons of lindane stored in barrels and approximately 4,000 tons of contaminated soil and clay.

**Outcome 2 – Improved air quality in large cities in North Macedonia** will be achieved through the following outputs:

### **Output 2.1: Pollution generated by the heating systems reduced**

The Action targets the four biggest municipalities: Skopje, Bitola, Tetovo and Kumanovo, where 70 public buildings' heating systems currently burning coal, wood and heavy oil will be replaced with high efficient boilers based on gas, consequently reducing CO<sub>2</sub> and PM emissions.

The intervention is complementary to the "renovation wave" under the European Green Deal. Preparations for such refurbishments already started in 2019. As a result, a large number of buildings and sites were assessed and investment plans were prepared. On-going discussions with the national Energy Efficiency Fund will hopefully lead to ensuring the necessary additional funds for full rehabilitation of the selected buildings, to maximise the effects of the supplied boilers. Under the multi-country envelope, the Energy Efficiency Fund will receive significant allocations, and the two initiatives will be coordinated to complement each other.

The Action will support recipient municipalities, Ministry of Health and Ministry of Education and Science, as beneficiaries.

### **Output 2.2: Pollution generated by the public transport reduced**

Skopje has developed a Green City Action Plan to identify its most pressing environmental challenges and to develop targeted investment and policy actions to address those issues. Within this plan, transport is recognised as one of the main sources of air pollution (20% of the total), with a transport modal split dominated by fossil fuelled private vehicles. To address this challenge, Skopje identified the need to continue renewing its existing, aged bus fleet.

EBRD approved the Skopje Bus Rapid Transit Project (Under Regional: Green Cities Framework II), and is about to lend the municipality up to EUR 70 million. Among others, low emission buses will be procured, using Compressed natural gas or Compressed natural gas hybrid technology, along with the preparation and implementation of a Sustainable Urban Mobility Plan. Procurement of 30 such buses is on going.

The Action will provide 6 more buses, with the same specifications as the ones procured within the framework of the EBRD loan. According to the EBRD estimates, as immediate effect of renewing the bus fleet, a significant reduction in PM, CO, and NO<sub>x</sub> coming from public transport will be noted.

### **Output 2.3: Green belts created**

Urban areas are responsible for an estimated 75% of CO<sub>2</sub> emissions worldwide, making city-level action critical for global efforts to address the climate emergency. One single

tree can transform up to 150 kg CO<sub>2</sub> in a year and trees can limit the effects of urban heat islands, reducing air conditioning needs. On this background, the UN Economic Council for Europe launched the initiative “The Trees in Cities Challenge”.

The Action will allow the four biggest cities in North Macedonia join this challenge, as around 6,000 3 to 4 year old trees (primarily evergreen ones) will be planted, as part of response measures to the air pollution. Besides its effect on reducing the amount of CO<sub>2</sub> in the atmosphere, the planted trees will also absorb some of the PM, while the greening of certain locations in towns will make the surroundings much pleasant and more attractive for leisure activities, such as the Vardar river banks, where most of the trees dedicated to Skopje will be planted. Kumanovo will be the biggest beneficiary under this measure.

#### **Output 2.4: Preconditions for expansion of the central district heating in Skopje established**

Skopje is one of the most polluted cities in Europe. Air pollution continues to take a toll on the health of all residents of Skopje and particularly affecting the most vulnerable populations – people with chronic diseases, children and elderly. Household heating is one of the main culprits, accounting for at least 32% of total harmful emissions. The city administration proposed some 50 measures to reduce air pollution, one of which is the expansion and the increased use of the district heating network.

A 2018 UNDP survey<sup>25</sup> of 5,044 households revealed that only 21% of Skopje residents are connected to the central heating system, whereas 45% heat their houses with wood. Wood burning is one of the most polluting forms of heating. Poorer families burn even more hazardous materials, which can trigger respiratory ailments. Identifying alternative heating solutions is thus key to reducing pollution and protecting public health.

To date it has not been possible for North Macedonia to achieve significant development and expansion in the use of gas, not even in the greater Skopje area, which – owing to its population density and large industrial base – would represent one of the most likely geographical candidates for increasing the use of gas. The municipality of Karposh (population: 60,000; surface area 35 km<sup>2</sup>) is one of the ten Skopje municipalities with 12 urban and 2 rural units, which is mostly covered by the district heating network and can be considered as the pioneering municipality in the area of local sustainable energy development<sup>26</sup>.

The Skopje district heating system is characterised by outdated boilers (for oil and natural gas) and considerable technical losses in distribution. The new cogeneration plants are of a better quality. Within apartment blocks, the heating costs are divided according to heated area of the individual apartments. There is no individual metering per household. The system was expanded during 1990-2000 because many new apartment blocks were constructed and suitable for district heating connections (60% increase in 2008), but then the connections have slowed down and even decreased due to increased price. Balkan Energy Group – the heating supplier – noted that more recently, once the prices were reduced and the connection costs were removed, it was a growing interest from households to use its heating services.

According to a study conducted by the Faculty of Mechanical Engineering in Skopje and the Centre for energy efficiency, district heating is the optimal solution for the city’s densely populated areas. The study suggests that a growing use of the heating system would contribute to further decrease of the heating prices, and would significantly contribute to reducing the air pollution, given that the heating plants use natural gas for generating heating power.

---

<sup>25</sup> <https://skopjesezagreva.mk/home-heating-in-skopje/>

<sup>26</sup> [www.coolheating.eu](http://www.coolheating.eu)

In this overall setting, IPA plans to finance the preparation of a complete feasibility study for further extension of the district heating network. This is to be performed in close connection to strengthening the Energy Efficiency Fund to support (possible revolving fund) the households refurbishments in order to accommodate the connections and to improve energy efficiency of their homes<sup>27</sup>. Moreover, these measures will be coupled with an intense and comprehensive public awareness and information campaign on the benefits of district heating. The activity will feed the policy dialogue in Skopje and will support the formation of a common vision on the city priorities.

The Action will also install three mobile monitoring stations in the cities of Tetovo, Skopje and Kumanovo. The activity will include the necessary training for the staff responsible for the use of the new equipment.

### 3.3.Risks and assumptions

| <b>Risks</b>  | <b>Risk level (H/M/L)</b> | <b>Mitigating measures</b>  |
|---|---------------------------|---|
| Risk 1: The harmonisation with the EU legislation is not fully considered as a priority in the next years which may cause delays with the implementation of some activities   | L                         | National programme for the adoption of the EU <i>acquis</i> proposes a time frame for EU <i>acquis</i> transposition that should be respected; opening of negotiations will speed up this process |
| Risk 2: Lack of adequate number and quality staffing  | M                         | Public Administration Reform programme identifies shortages and puts in place corrective measures   |
| Risk 3: Lack of sufficient coordination between all parties involved in the project that could result in delays and poor implementation of the activities   | H                         | The environment sector working group will ensure proper coordination among the stakeholders   |
| Risk 4: Insufficient support from the municipalities  | M                         | Structured and regular coordination meetings with the involved municipalities   |
| Risk 5: The availability of natural gas in North Macedonia  | M                         | At present, the available gas is imported from Bulgaria and there are plans to import from Greece as well, in the near future   |
| <b>Assumptions</b>  |                           |   |
| <i>Assumptions linked to the achievement of Outcomes:</i>   |                           |   |
| <ul style="list-style-type: none"> <li>• The methodology of the enlargement package remains unchanged.</li> <li>• Continued political will and commitment of government and public administration to the accession process and to the application of the EU standards for environment</li> <li>• Institutional adjustment measures are implemented and increased financial resources from the state budget are allocated to the environment sector (for staffing, monitoring, inspections, etc.)</li> </ul> |                           |   |

<sup>27</sup> According to the 2018 UNDP survey, most of the respondents stated that they would welcome the opportunity of taking up favourable soft loans from the banks if such were provided to improve the insulation and implement other measures that will improve the energy efficiency of their homes. This would help them reduce the amount of energy needed for heating and reduce pollution.

- Local communities are supportive to long-term plans for decreasing air pollution despite the costs

*Assumptions linked to the achievement of Outputs:*

- The outputs delivered through past projects in this field are in place and utilised
- Legal and institutional proposals and results of these projects are implemented in a consequent manner
- The on-going cleaning-up of OHIS provides enough elements to avoid any risks to human health and environment during removal of hazardous substances
- The gas pipeline network is improved and gas delivery ensured
- The price of the district heating is reduced

### 3.4. Mainstreaming

#### **How does this Action contribute to Gender Equality and Women’s and Girls’ Empowerment (in line with the EU gender equality strategy 2020-2025)?**

The Action is gender-sensitive. It aims to decrease the air pollution, which affects primarily children and women. Further on, the action will invests in the heating systems of 70 public buildings, including many hospitals and schools, in ecological public transport, in parks and gardens. These facilities are largely used by women, children and vulnerable people. The planned infrastructure is designed to reflect their specific needs. By that, the Action will turn into a pilot exercise for introducing a gender approach in infrastructure planning.

#### **How does this Action address Environment and Climate change?**

The action directly relates to environment and climate issues at national and local levels. It will improve the technical capacities and quality of information necessary for the further progress in the implementation of EU legislation and thus directly contribute to improved air quality and reduced CO2 emission in the larger cities. The action will contribute to the improvement of environmental legislation in North Macedonia. It will also support future investments into regional solid waste treatment plants through the elaboration of planning and technical documents. It is important to mention that the future investments in solid waste will address the methane emissions, a greenhouse gas 84 times worse than CO2. Besides promoting a better environment, the action also hints at a better economic perspective, by promoting circular economy around the solid waste management and addressing the GDP lost due to the air pollution. Green belts will contribute to air pollution reduction, mitigate GHG emissions and create a healthier urban living environment.

#### **How does this Action address the Rights Based Approach?**

This Action takes into consideration the country’s commitment to advance the human rights agenda in practice. It will support North Macedonia in enforcing the right of the citizens to a clean environment. All projects activities are focused on this objective and they have the potential to prevent further pollution of the air and soils, which are a life resource.

#### **How does this Action promote the systematic engagement with Civil Society?**

This Action has been developed in an inclusive process involving civil society as a part of the established sector policy dialogue. This approach will further apply in the implementation stage, which will continue to engage civil society. Particularly important will be involvement of the civil society in the harmonisation of the national legislation, which involves a wide range of consultations and an open dialogue, allowing stakeholders and those potentially affected to be involved into the process. Further on, the engagement of the Civil Society Organisations will be ensured in the extension of the urban green belts and in the policy

dialogue on the Skopje district heating. Civil society is considered a vital element for the vision on the Skopje air strategy.

**Others (such as Resilience and Conflict Sensitivity, Roma, people with disabilities and other vulnerable groups)**

North Macedonia is one of the countries most affected by air pollution in the world and the rate of premature deaths is higher than in most EU Member States. According to the World Health Organisation, in North Macedonia, every year 2,574 people die prematurely as a direct result of air pollution. Particularly vulnerable are the children and people with chronic diseases. The Action seeks to decrease the air and soil pollution, which affects the most vulnerable people, thus implementing in practice the “no-one left behind” principle.

Further on, the Action will invest in the preparation of the solid waste treatment systems in Skopje region. Not only the system will decrease the environmental pollution (air, waste, hotspots) but it will support new businesses and will create new jobs in the circular economy.

**3.5. Conditions for implementation**

No special condition has been identified for the implementation of this action.

### 3.6 Logical Framework for PROJECT MODALITY

| Results          | Results chain:<br>Main expected results (maximum 10)                               | Indicators<br>(at least one indicator per expected result)  | Baselines<br>(2020)                     | Targets<br>(year)                         | Sources of data<br>(1 per indicator)   | Assumptions   |
|------------------|--|---|---|---|--|---|
| <b>Impact</b>    | To decrease the pollution-related risks to environment and human health            | Kilograms of produced particulate PM2.5 in the targeted locations                                     | 2 181 (2020)                            | ≤ 27 (2027)                               | Reports to European Environment Agency   | <i>Not applicable</i>   |
|                  |  | Kilograms of produced particulate PM10 in the targeted locations                                      | 2 617 (2020)                            | ≤ 71 (2027)                               | Reports to European Environment Agency   |   |
|                  |  | Variation of CO2 production in the targeted investment in tons  | 6 700 (2020)                            | ≤ 2 700 (2027)                            | Emission inventories   |   |
| <b>Outcome 1</b> | Improved application of environmental legislation and standards in North Macedonia | Level of the progress in implementation and enforcement of environment and climate change legislation | ‘Some progress’ under Chapter 27 (2020) | ≥ ‘Some Progress’ under Chapter 27 (2024) | Commission Reports <sup>28</sup>   | The methodology of the enlargement package remains unchanged.   |
| <b>Outcome 2</b> | Improved air quality in large cities in North Macedonia                            | Number of air pollutants exceeding the norms  | 4 (2020)                                | ≤ 2 (2027)                                | National programme for the adoption of the EU <i>acquis</i> and the Environment and Climate Action Sector Strategy | Continued political will and commitment of government and public administration to the accession process and to the application of the EU |

<sup>28</sup> [https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/strategy-and-reports\\_en](https://ec.europa.eu/neighbourhood-enlargement/enlargement-policy/strategy-and-reports_en)



| Results            | Results chain:<br>Main expected results (maximum 10)               | Indicators<br>(at least one indicator per expected result) | Baselines<br>(2020)                | Targets<br>(year)          | Sources of data<br>(1 per indicator)                   | Assumptions  |
|--------------------|--|--|------------------------------------|----------------------------|--|--|
|                    |  |  |                                    |                            |  | <p>standards for environment.</p> <p>Institutional adjustment measures are implemented and increased financial resources from the state budget are allocated to the environment sector (for staffing, monitoring, inspections, etc.).</p> <p>Local communities are supportive to long-term plans for decreasing air pollution despite the costs.</p> |
| <b>Output 1.1.</b> | Legislative framework better aligned with the <i>EU acquis</i> and | Number of legal acts prepared                              | 0 (2020)<br>0 (2020) <sup>29</sup> | ≥ 10 (2027)<br>≥ 10 (2024) | Official Journal<br>Project reports<br>Project reports | The outputs delivered through past projects  |

<sup>29</sup> 7 DSIPs are to be prepared under the operational programme

| Results           | Results chain:<br>Main expected results (maximum 10)  | Indicators<br>(at least one indicator per expected result)   | Baselines<br>(2020)        | Targets<br>(year)  | Sources of data<br>(1 per indicator)                                   | Assumptions  |
|-------------------|---|--|----------------------------|--|--|--|
|                   | institutional framework enforced  | Number of new directive specific implementing provisions put in place<br><br>Number of staff trained | 0 (2020)                   | ≥ 30 (2027)  |  | <p>in this field are in place and utilised.</p> <p>Legal and institutional proposals and results of these projects are implemented in a consequent manner.</p> <p>The on-going cleaning-up of OHIS provides enough elements to avoid any risks to human health and environment during removal of hazardous substances.</p> |
| <b>Output 1.2</b> | Planning and technical documentation for building the integrated waste management system for Skopje region prepared | Number of large investments prepared, ready for implementation                                       | 0 (2020)                   | 1 (2024) <sup>30</sup>                                       | Approved major project application form                                |  |
| <b>Output 1.3</b> | Small pond of OHIS industrial site cleaned-up   | Number of hotspots cleaned-up<br><br>Amount of lindane waste and contaminated soil disposed of       | 0 (2020)<br><br>0 t (2020) | 1 (2024)<br><br>≥ 1 600 t lindane and approx. ≥ 4,000 t soil | Hot spots inventory<br><br>Project reports                             |  |
| <b>Output 2.1</b> | Pollution generated by the heating systems reduced  | Number of buildings (and total sq. m) receiving new heating systems                                  | 0 (2020)                   | ≥ 70 / ≥ 200 000 m <sup>2</sup> (2027)                       | Skopje municipal report on connections to the district heating systems |  |

<sup>30</sup> At least 3 more are under preparation under operational programme

| <b>Results</b>    | <b>Results chain:<br/>Main expected results (maximum 10)</b>                      | <b>Indicators<br/>(at least one indicator per expected result)</b>         | <b>Baselines<br/>(2020)</b> | <b>Targets<br/>(year)</b> | <b>Sources of data<br/>(1 per indicator)</b> | <b>Assumptions</b>   |
|-------------------|---|--|-----------------------------|---------------------------|--|--|
| <b>Output 2.2</b> | Pollution generated by the public transport reduced                               | Number of buses with Compressed natural gas system                         | 0 (2020)                    | ≥ 6 (2024)                | Municipal acceptance protocols               | and gas delivery ensured.<br><br>The price of the district heating is reduced. |
| <b>Output 2.3</b> | Green belts created   | Number of new 3 to 4-year-old trees planted in urban areas                 | 0 (2020)                    | ≥ 6,000 (2024)            | Municipal acceptance protocols               |  |
| <b>Output 2.4</b> | Preconditions for expansion of the central district heating in Skopje established | Number of feasibility studies for expansion of the district heating system | 0 (2020) <sup>a</sup>       | 1 (2027)                  | Project reports                              |  |
|                   |   | Number of affordability studies  | 0 (2020)                    | 1 (2027)                  | Project reports                              |  |
|                   |   | Number of new air pollution measuring stations installed                   | 0 (2020)                    | ≥ 3 (2024)                | Municipal acceptance protocols               |  |

## 4. IMPLEMENTATION ARRANGEMENTS

### 4.1. Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with North Macedonia.

### 4.2. For budget support only - NA

### 4.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>31</sup>.

#### 4.3.1. Direct Management (Grants) - NA

#### 4.3.2. Direct Management (Prizes) - NA

#### 4.3.3. Direct Management (Procurement)

Procurement will be used for the implementation of the following outputs:

- Output 1.1. Legislative framework better aligned with the EU *acquis* and institutional framework enforced
- Output 1.2. Planning and technical documentation for building the integrated waste management system for Skopje region prepared

| Subject   | Indicative type (works, supplies, services) | Indicative trimester of launch of the procedure |
|---|---|---|
| Output 1.1. Legislative framework better aligned with the EU <i>acquis</i> and institutional framework enforced                 | Service                                     | Q1 2022   |
| Output 1.2. Planning and technical documentation for building the integrated waste management system for Skopje region prepared | Service                                     | Q2 2022   |

#### 4.3.4. Indirect management with entrusted entities

*(1). A part of this action may be implemented in indirect management with UNOPS.*

This implementation entails **Contract “Cleaning of lindane-polluted site”** which will support achieving *Output 1.3: Small pond of OHIS industrial site cleaned-up*. The contract involves the cleaning of a lindane-polluted site located in the area of the Organic Chemical Industry of Skopje AD (OHIS) at the south-eastern edge of Skopje, nearby Vardar River.

<sup>31</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu) Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

*The envisaged entity has been selected on the grounds of professional and financial criteria.* UNOPS is an UN body with solid experience in project management in various areas and different complexity. UNOPS has been supporting North Macedonia in the efforts to progress on the EU accession criteria and align with the international standards in the areas of environmental protection since its establishment in the country. In 2020, UNOPS has established a Multi-Partner Environmental Fund, which collected EUR 2 million dedicated to the cleaning-up of the small OHIS pond and put in place a cleaning operation, which is expected to result in the removal and neutralisation of 450 tonnes of lindane. The EU-funded contract will allow UNOPS to complete the cleaning of the remaining amount of hazardous materials to ensure the full clean-up of the small pond. UNOPS is a pillar assessed International Organisation meeting the EU requirements for sound financial management.

***(2) A part of this action may be implemented in indirect management with an entity selected by the Commission's services.***

This implementation entails ***Contract "EU for Clean Air"*** for achieving Outcome 2, which includes Output 2.1 Pollution generated by the heating systems reduced; Output 2.2 Pollution generated by the public transport reduced; Output 2.3 Green belts created; and Output 2.4 Preconditions for expansion of the central district heating in Skopje established.

*The following criteria will be used for the selection of the entity:*

**a) Administrative and financial capacity**

- Permanent country office or permanent regional office in another Western Balkan country;
- In-country experience of project management and in-house technical expertise in the relevant sectors;
- In-country administrative capacity;
- Stable and sufficient sources of finance to maintain and steer the programme activities throughout its implementation (minimum: EUR 3 000 000 per annum).

**b) Technical capacity**

- Proven experience in the implementation of donor-funded projects, including:
- Experience in preparing and implementing infrastructure projects for environmental protection and modernisation of municipal services, and their promotion;
  - Operational experience in the Western Balkan region is an advantage.

**c) Quality of the Concept Note**

- Relevance of the proposal to the particular needs and constraints of solving the complex issues associated with air pollution in the four selected municipalities, with particular attention to Skopje; possible particular added-value elements in terms of innovation and best practice in implementing the Green Agenda for the Western Balkans in the target municipalities.
- Consistency of the implementation approach with the objectives, results and activities of the call for expression of interest, in terms of clarity of the action plan for implementing the activity, proposed timeline, effectiveness and efficiency of the monitoring and evaluation system, planned level of involvement and participation in the activities of local stakeholders.

- Expected impact in terms of delivering capacity and sustainability beyond donor contributions to the programme, in particular awareness raised among citizens of Skopje in relation to benefits of district heating.
- Sustainability including sources of revenue for covering all future operating and maintenance costs; local ‘ownership’ of the results of the activities; likelihood of having multiplier effects, including scope for replication, extension, capitalisation on experience and knowledge sharing.
- Cost-effectiveness in terms of ratio between the estimated costs and the results for each activity and leverage of EU grant with own funds and contributions.

#### **4.3.5 Indirect management with an IPA III beneficiary – NA**

#### **4.3.6 Contribution to Regional Blending Facility/Platform – NA**

#### **4.3.7 EFSD+ operations covered by budgetary guarantees – NA**

#### **4.3.8 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)**

→ If the procedures for selection of an entrusted entity for *Contract “Cleaning of lindane-polluted site”* fails, this part of the action may be implemented through direct management by the EU Delegation with a grant contract to a public body with relevant mandate, administrative authority and competence.

→ If the procedures for selection of an entrusted entity for *Contract “EU for Clean Air”* fails, this part of the action may be implemented as follows:

- 1) Direct management by the EU Delegation, involving procurement - for Output 2.2 Pollution generated by the public transport reduced; Output 2.3 Green belts created; and Output 2.4 Preconditions for expansion of the central district heating in Skopje established.
- 2) Direct management by the EU Delegation, involving a grant to a public body, having mandate, administrative authority and competence to implement renovations in public buildings.

#### **4.4. Scope of geographical eligibility for procurement and grants**

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

#### **4.5. Indicative budget**

| <b>Implementation modalities</b>  | <b>EU contribution<br/>(amount in EUR)</b> | <b>Indicative<br/>third party<br/>contribution,<br/>in EUR</b> |
|---|--|--|
| <b>Output 1.1. Legislative framework better aligned with the EU <i>acquis</i> and institutional framework enforced, composed of</b> | <b>4 450 000</b>                           | <b>0</b>   |

|   |                                     |                  |
|---|-------------------------------------|------------------|
| Direct management (Procurement) – cf. section 4.3.3   | N.A.                                |                  |
| <b>Output 1.2: Planning and technical documentation for building the integrated waste management system for Skopje region prepared, composed of</b> | <b>5 000 000</b>                    | <b>0</b>         |
| Direct management (Procurement) – cf. section 4.3.3   | N.A.                                |                  |
| <b>Output 1.3: Small pond of OHIS industrial site cleaned-up, composed of</b>   | <b>2 500 000</b>                    | <b>4 000 000</b> |
| Indirect Management with UNOPS - cf section 4.3.4.  | N.A.                                |                  |
| <b>Output 2.1: Pollution generated by the heating systems reduced, composed of</b>  | <b>6 000 000</b>                    | <b>0</b>         |
| Indirect Management with international organisation - cf section 4.3.4.   | N.A.                                |                  |
| <b>Output 2.2: Pollution generated by the public transport reduced, composed of</b>   | <b>1 600 000</b>                    | <b>0</b>         |
| Indirect Management with international organisation - cf section 4.3.4.   | N.A.                                |                  |
| <b>Output 2.3: Green belts created, composed of</b>   | <b>400 000</b>                      | <b>0</b>         |
| Indirect Management with international organisation - cf section 4.3.4.   | N.A.                                |                  |
| <b>Output 2.4: Preconditions for expansion of the central district heating in Skopje established, composed of</b>                                   | <b>2 000 000</b>                    | <b>0</b>         |
| Indirect Management with international organisation - cf section 4.3.4.   | N.A.                                |                  |
| <b>Evaluation</b> (cf. section 5.3)   | will be covered by another decision | N.A              |
| <b>Audit/Expenditure verification</b> (cf. section 6)   | will be covered by another decision | N.A              |
| <b>Communication and visibility</b> (cf. section 7)   | N.A                                 | N.A              |
| <b>Contingencies</b>  | <b>50 000</b>                       | N.A.             |
| <b>TOTAL</b>  | <b>22 000 000</b>                   | <b>4 000 000</b> |

of which:

|  |           |   |
|--|-----------|---|
| Direct management                                | 9 450 000 | 0 |
| Procurement – total envelope under section 4.3.3 | 9 450 000 | 0 |

|                     |            |           |
|---------------------|------------|-----------|
| Indirect Management | 12 500 000 | 4 000 000 |
|---------------------|------------|-----------|

|  |            |           |
|--|------------|-----------|
| with INTERNATIONAL ORGANISATION - total envelope under section 4.3.4 | 12 500 000 | 4 000 000 |
|--|------------|-----------|

#### **4.6. Organisational set-up and responsibilities**

The Delegation of the European Union to North Macedonia will be taking all needed measures to ensure that contractors produce the required deliverables.

On behalf of the authorities, the main counterparts are the Ministry of Environment and Physical Planning, and the Skopje municipality as well as municipal authorities in Kumanovo, Tetovo and Bitola.

Ministry of Environment and Physical Planning shall assume a key role as regards the overall coordination of the activities to be implemented, as main coordinator of the stakeholders, and also as organiser of the sector policy dialogue.

The National IPA Coordinator (NIPAC) and his office (Secretariat for European Affairs) are responsible for the overall coordination of the IPA assistance which includes also for the provision of the national co-financing, monitoring of the actions and taking the necessary measures in case of problems.

The bilateral policy dialogue on the implementation of the action is channelled through the IPA Monitoring Committee and the sector Monitoring Committee on Environment.

The multilateral policy dialogue is focused in the Sector Working Group on Environment and Climate change, chaired by the Minister of Environment.

## **5. PERFORMANCE/RESULT MONITORING AND REPORTING**

### **5.1. Internal monitoring**

The ongoing monitoring of the specific contracts will be a responsibility of the EU Delegation and the Ministry of Environment and Physical Planning, as well as the NIPAC office. The monitoring will be based on the action activities, results (outputs, outcomes and impact), indicators and targets.

### **5.2. Roles & responsibilities for data collection, analysis & reporting**

At macro/sector-level the progress in the implementation of the Action will be monitored through the established in 2020 Performance Assessment Framework, which includes outcome and impact indicators, targets and baseline data. The assessment has been established as a web-based application (to be backed up by a Government decision on responsibilities and deadlines) allowing regular electronic input of data, data processing and data analytics. Performance Assessment Framework data will be used in the Sector Working Groups on Environment, which is also the inclusive platform of all stakeholders to monitor the implementation of the sector priorities.

At output level, data about the implementation of each project and contract will be collected by the project implementers (through OPSYS) and will be based on the action logframe and the data from official documents such as reports, acceptance certificates or equivalent documents. The contract documents will describe the roles and responsibilities for each contract implementer, will define the number, frequency and content of the reports. All the results achieved during the implementation will be reported to the Steering Committees organised for each contract. Data will be conveyed through the IPA coordinator of the Ministry



of Environment and Physical Planning to the NIPAC office and included in the IPA annual report.

Also, the achievements as well as deficiencies will be presented and discussed during the IPA monitoring committees, as well as during the association subcommittee for energy, transport, environment and climate action, and regional development.

### **5.3. Evaluation**

Having regard to the importance of the action, a final evaluation will be carried out for this action or its components via independent consultants. It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least 2 months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation report shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

The financing of the evaluation shall be covered by another measure constituting a financing Decision.

## **6. AUDIT**

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

The financing of the audit shall be covered by another measure constituting a financing Decision.

## **7. COMMUNICATION AND VISIBILITY**

Visibility of EU funding and communication about objectives and impact of Actions are a legal obligation for all Actions funded by the EU, as set out in the EU communication and visibility requirements in force.

In particular, the recipients of EU funding shall acknowledge the origin of the EU funding and ensure its proper visibility by:

- providing a statement highlighting the support received from the EU in a visible manner on all documents and communication material relating to the implementation of the funds, including on an official website and social media accounts, where these exist; and
- promoting the actions and their results by providing coherent, effective and proportionate targeted information to multiple audiences, including the media.

Visibility and communication measures shall be implemented, as relevant, by the national administrations (for instance, concerning the reforms linked to EU budget support), entrusted entities, contractors and grant beneficiaries. Appropriate contractual obligations shall be

included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

The measures shall be based on a specific Communication and Visibility Plan, established and implemented in line with the EU communication and visibility requirements in force. The plan shall include, inter alia, a communication narrative and master messages for the Action, customised for the various target audiences (stakeholders, civil society, general public, etc.).

Visibility and communication measures specific to this Action shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegation. The European Commission and the EU Delegation should be fully informed of the planning and implementation of the specific visibility and communication activities, notably with respect to the communication narrative and master messages.

At the level of the action, the communication policy will be based on few activities with high media potential, and able to create media events allowing the Commission and the EU Delegation to promote the relevant EU values, policy and investments. Cooperation with the NIPAC office and the other beneficiaries will be very important to ensure one-voice communication to citizens.

At contract level, all contractors and grantees shall develop communication and visibility activities in line with the EU communication and visibility requirements in force. Moreover, the two Action components aim at raising the public awareness on pollution, which requires creative and "out-of-the-box" communication having the potential to attract the attention of media and citizens and allow passing important messages. The communication and visibility plan of contractors will be approved by the EU Delegation. They are expected to show a good communication reflex and the ability to exploit unexpected opportunities to promote the activities and the EU support. The opportunities provided by the digital communication and social media shall be used at large. It is the responsibility of the contractors and beneficiaries to keep the EU Delegation and the Commission fully informed of the planning and implementation of the specific visibility and communication activities. The beneficiary shall also report on the visibility and communication actions in the relevant reports. The implementation of the communication activities shall be funded from the budgets of the separate contracts.

Visibility and communication shall focus on results and changes achieved and shall demonstrate how the EU support brings the country closer to the EU standards. The objective is to improve the awareness on the EU funding of the general public and not only of target specific audiences. The communication policy applied must ensure that the added value and impact of the EU's interventions are understood by the citizens and that EU funds are managed and used in a transparent, efficient and effective way for the benefit of the country as a whole.

## **8. SUSTAINABILITY**

North Macedonia has a responsibility to ensure the outputs of this action are fully used and allocates the necessary resources to ensure the sustainability of the action.

The harmonisation of the legal framework with the EU acquis and the establishment of the institutional mechanisms and administrative capacity for implementation represent the prerequisites for the full enforcement of the aligned legislation. North Macedonia will allocate the necessary resources for the implementation of the EU acquis, as well as the maintenance and operation of the equipment purchased. An important element of sustainability is the political commitment for improvement in the environment sector, since the country is perfectly

aware of the importance of improving this sector in the framework of the negotiations for the EU integration. In this sense, the action will contribute to progress in the implementation and enforcement of environment and climate change legislation. The investment into harmonisation/integration with the environmental legislation creates a good sustainability prospect since it will shape and support the EU accession process.

Sustainability of the investment is guaranteed by technical and financial capacity of the beneficiary responsible for its operation and maintenance. Cost-Benefit analysis will be carried out where appropriate, in order to assess the projects' economic and financial sustainability. Affordability analysis is an aspect to improve for the future programmes; in some cases, is not well estimated the end user's capacity to afford paying the important operation plus amortisation costs for some infrastructure. Related to this, establishment of a financial mechanism for the functioning of Energy Efficiency Fund will be of utmost importance for guaranteeing financial sustainability of the district heating infrastructure.