



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 14-Nov-2019 | Report No: PIDA27721

**BASIC INFORMATION****A. Basic Project Data**

Country North Macedonia	Project ID P170267	Project Name North Macedonia: Local Roads Connectivity Project	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 14-Nov-2019	Estimated Board Date 18-Dec-2019	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Transport and Communications	

Proposed Development Objective(s)

The project development objectives are to improve government capacity to manage local roads and improve access to markets and services.

Components

- Component 1: Capacity Enhancement
- Component 2: Rehabilitation of Local Roads and Community Facilities
- Component 3: Project Implementation Support
- Component 4: Contingent Emergency Response Component

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	77.78
Total Financing	77.78
of which IBRD/IDA	77.78
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Bank for Reconstruction and Development (IBRD)	77.78
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Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

- 1. North Macedonia is a landlocked country at the heart of the Balkans characterized by mountainous terrain intersected by valleys and lowlands.** It is a transit region that sits on two of the ten Pan-European transport corridors, Corridor VIII and Corridor X. Its proximity to the European Union (EU) potentially provides the country with access to a large export market of 650 million customers. According to the last census of 2002, the population is about two million, of which 25 percent live in the capital Skopje, 40 percent reside in rural areas, and the remaining share live in smaller urban centers.
- 2. An aging population and a long tradition of emigration pose challenges to productivity.** The projected population growth is nearly zero, and estimates based on census data from destination countries (mostly Western European countries and North America) suggest that more than 500,000 citizens reside abroad, one of the largest diasporas in the world as a percentage of the total population. Considering the small size of the workforce and low birth rates, the loss of even a small number of workers affects the overall pool of skills in the economy.
- 3. The Prespa Agreement, signed on June 12, 2018, marks an important milestone in the country's long-standing dispute with Greece over the country's name and marks a turning point in North Macedonia's history as an independent nation.** The Parliament in Skopje endorsed the necessary constitutional changes introducing the new name 'Republic of North Macedonia' on January 11, 2019. The use of the new name entered into force in February 2019, after ratification of the Prespa Agreement by the Greek Parliament. In parallel, North Macedonia signed the North Atlantic Treaty Organization accession protocol, a process that was stalled for years due to the name dispute. In April 2018, the European Commission recommended the opening of accession negotiations with North Macedonia, but on October 17, 2019, the Council of the EU failed to reach a decision on opening negotiations. The Council will revert to the issue before the EU-Western Balkans summit in Zagreb in May 2020.¹ Following the European Council's decision, the Prime Minister announced early elections, which all political parties agreed to hold on April 12, 2020.
- 4. Growth and fiscal measures have helped increase employment and reduce poverty since 2009.** The employment rate increased by 10 percentage points, to above 45 percent, in 2018. Job creation was supported mainly by public spending for large-scale public projects, new active labor market policies, and Government support for employment in Special Economic Zones. Growth has also been pro-poor. Between 2009 and 2018,

¹ Council of European Union, <https://www.consilium.europa.eu/en/meetings/european-council/2019/10/17-18/>.



poverty fell by about 14 percentage points, from 35 percent to 21 percent.² It is estimated that during these nine years, 287,000 people were lifted out of poverty. Nonetheless, unemployment is still high at 17.5 percent as of June 2019³, and labor-force participation is low, especially for those younger than 25 years old or older than 55, and for women. In addition, poverty remains high in rural areas, and progress against poverty since 2009 has not been sufficient to close rural-urban gaps in living conditions. While the urban poverty headcount rate is 17 percent, the rural poverty headcount rate remains far higher at nearly 30 percent.

5. **North Macedonia is highly vulnerable to natural hazards, including floods, droughts, forest fires, landslides, earthquakes, and extreme temperatures that are amplified by climate change.** North Macedonia faces the highest flood risk in the Europe and Central Asia region. A major flood disaster could derail economic growth, damage or destroy critical infrastructure, cause widespread agricultural losses, and severely disrupt rural livelihoods and welfare.⁴ Agriculture is the most vulnerable sector to climate change. The annual damage to critical infrastructure from climate-related hazards is expected to increase fivefold by 2080.

Sectoral and Institutional Context

6. Infrastructure investment levels in North Macedonia have been low over the past 10 years. The Government's infrastructure plan, the National Program 2017–2020, focuses on providing infrastructure in support of a modern economy. The main goals for the transport sector are to improve connectivity so that travel between economic centers takes less than 90 minutes, tackle accident blackspots, and achieve a local road network that is 'without mud'. The Government's vision also anticipates that large investment projects will be developed transparently and through consultation with citizens.

7. The road network in North Macedonia comprises about 14,000 km of roads, which includes about 5,000 km of primary roads and 9,000 km of local roads. The primary network consists of roads of national significance, including expressways and national and regional roads, and is managed by the Public Enterprise for State Roads (PESR). As of October 2019, the PESR reported that 87 percent of the primary network is in good or fair condition. The World Bank supported rehabilitation of national and regional roads and introduction of a Road Asset Management System (RAMS) for primary roads, through the recently closed National and Regional Roads Rehabilitation Project (NRRRP) (P148023). The RAMS enables the Government to develop five-year rolling programs for road preservation works to address sustainability of the project investments. The ongoing Road Upgrading and Development Project (RUDP) (P149955) will reconstruct sections of Corridor VIII between Skopje and Deve Bair and continue to support PESR to enhance its capacity to manage primary roads with a focus on bridge management.

8. Governance of the 9,000 km local road network is fully decentralized to municipalities, most of which have limited capacity to manage and preserve road assets. Local roads consist of a mixture of rural roads connecting villages and towns and streets within urban areas and villages. The local road networks suffer from a lack of systematic planning, neglected maintenance, and insufficient funding. The poor quality of municipal infrastructure is considered a major factor preventing people from regularly accessing social and educational services and employment opportunities outside their immediate communities. Minimal central government support for the

² Poverty is measured as absolute poverty using the poverty line for upper-middle-income countries (UMICs), estimated at US\$5.5 per day in 2011 purchasing power parity—the cost in UMICs of satisfying a minimum caloric requirement and typical non-food consumption.

³ State Statistical Office, http://www.stat.gov.mk/pdf/2019/2.1.19.30_mk.pdf.

⁴ World Bank. 2018. *North Macedonia Systematic Country Diagnostic*, Report No. 121840.



strategic development of local roads and local government resistance to inter-municipal cooperation also limits the potential to develop synergies that could be achieved through a more coordinated approach. The main body lobbying on behalf of the municipalities is the Association of the Units of Self Government (ZELS), which represents their interests and may provide a convening forum for more integrated planning and policy development.

9. While there is limited data on the condition and extent of the local road networks, it is thought that most of the main links are in place, but the network requires renewal, improvement, and climate proofing. Local governments have varying capacities to plan maintenance works and generally lack the capacity to collect road condition data and utilize it for systematic maintenance and rehabilitation planning. There is a need to introduce simple asset management tools to keep track of the inventory of roads and facilitate planning and prioritizing of rehabilitation and maintenance activities. Improving the network of unpaved rural roads and urban streets to an 'all-season' condition is a priority and will improve the quality of life for rural and urban dwellers.

10. Only a few of the 80 municipalities in North Macedonia can sustain a dedicated local roads department, and local roads programs are often criticized for lacking transparency. Most municipalities do not have formal asset management systems and instead rely on committees to prioritize road rehabilitation and maintenance expenditure and rely on staff trained in other disciplines for roadworks execution. For instance, urban planning staff will generally plan and prioritize the annual maintenance program, public works department staff will assume design and supervision responsibilities, and the municipal financial and/or procurement staff generally lead the implementation of road contracts. While management of small-scale road networks does not require complex asset management methods, the committees are often criticized for the lack of transparency. Some municipalities, in recent years, have piloted citizen engagement in the process of prioritizing capital investment. There is a need to roll this out more systematically and think how complementary investments can be used to maximize the social impact on communities. These complementary investments may include investments in public transport, sidewalks and lighting, and other community facilities.

11. Maintenance is carried out in a variety of ways and most municipalities have a system of execution in place, even though underfunded. Small rural municipalities use public multisectoral communal enterprises to carry out routine maintenance, while large municipalities, such as Gostivar, Tetovo, and Bitola, outsource routine maintenance to private contractors using call-down contracts. Municipalities such as Negotino, Kavadarci, Skopje, Debar, and Resen adopt a mix of both arrangements. Other methods include 'lengthman' or 'villageman' type contracts where a person is responsible for a specific section of the network. While municipalities currently have limited appetite to enter into intermunicipal cooperation agreements for maintenance contracts, this approach offers considerable benefits and should be further explored.

12. Insufficient and insecure funding accelerates deterioration of the local road network. Funding for local roads comes primarily from municipal revenues and a budget transferred to municipalities each year from the central government through the PESR. The annual fund transfer by the PESR amounts to Macedonian denar 300 million from 2012 to 2019 (equivalent to EUR 5 million) and could be used for construction, reconstruction, maintenance, and protection of local roads and streets. In reality, this amount does not even cover the basic maintenance needs of the municipalities. The formula for allocating these funds to each municipality was established in 2008 with the support of the closed Regional and Local Roads Program Support Project (RLRSP) (P107840). The formula, which has been adopted in the law of public roads considers population, geographic area, number of vehicle registrations, and length of local roads. The underlying data for the formula now need to be updated and the allocation criteria reviewed. Furthermore, although the PESR transfers annual funds to each municipality, neither the PESR nor the Ministry of Transport and Communication (MoTC) monitors municipalities'



use of those resources or maintains an updated inventory of local roads and their condition, which would be beneficial for adjusting future funding levels.

13. The Ministry of Agriculture and EU pre-accession assistance provide additional support to local roads. This includes an annual budget of EUR 500,000 that focuses on support to rural municipalities, specifically unpaved field access roads. The Instrument for Pre-accession Assistance for Rural Development can provide up to EUR 10 million per year for asphalt roads that connect two villages (up to 1 km), asphalt roads that connect two towns (up to 5 kms), and water supply schemes. There is a major problem of absorption of pre-accession resources, however, not only because there is a lack of ready and eligible projects but also because the municipalities cannot afford their counterpart contributions in the form of value added tax payments.

14. There is also project-specific financing for local roads from development partners, including World Bank projects. The World Bank has financed several programs for municipal roads including the RLRSP and the ongoing Municipal Services Improvement Project (MSIP) (P096481) and Second Municipal Services Improvement Project (MSIP2) (P154464). The European Bank for Reconstruction and Development provided parallel financing to the RLRSP. The MSIP is aiming to improve the transparency, financial sustainability, and delivery of targeted services under the responsibility of competitively selected municipalities and their communal service enterprises. Though rehabilitation of local roads was just one of numerous types of possible municipal infrastructure and service improvements, the MSIP has rehabilitated 146 km of local roads with 415,000 direct beneficiaries.

15. The overall governance for delivery of municipal services, including transport services, needs to be improved. A recent World Bank interim white paper on the financial sustainability of municipalities in North Macedonia highlighted debt sustainability, revenue raising capabilities, and consistency of funding as important issues affecting sustainable service delivery. For report indicated that the quality and transparency of public expenditures on transport could be improved. The system of oversight is not as developed for small municipal projects as it is for large-scale infrastructure. More emphasis should be given to improving the quality of design and supervision of roadworks, ensuring effective competition in the procurement process, disclosing maintenance plans, and ensuring consistency in the reporting of expenditures and outcomes. This project will seek to enhance the national framework for governance of the sector and help build the systems and capacity to implement it, leading to more effective use of not only project investments but also domestic funds and support from other development partners.

16. There is also a need for a more effective and transparent mechanism for the prioritization of domestic and development partner funds to subproject selection. Priorities, in part, should be determined based on road characteristics such as traffic and road conditions. However, for local roads it is also important that other issues should be addressed including the link with other investment projects such as those in agriculture, energy, or education; projects that enhance connectivity between municipalities; projects identified through community consultation; and finding the right balance between prioritizing lagging regions while not overinvesting in areas that are depopulating.

17. The transport sector faces ongoing stresses related to climate change. Major flooding in 2015 drew attention to the risks to the primary road network in North Macedonia. Through support of the NRRRP, the PESR developed a Climate Resilient Design Guidelines in 2019, which recommended engineering and non-engineering measures focusing on institutional and legal arrangements, to enhance consideration of climate resilience in the planning, operation, and management of the primary road network. However, little effort was paid to development of measures to enhance resilience of local roads. The existing maintenance contracts pay insufficient



attention to off-road measures such as slope stability and drainage. Similarly, the design of improvement works needs to take more account of the topography of the area surrounding the road, local knowledge on flood data, and the need to design for sufficient side and cross drainage.

18. While there is limited research into gender and ethnicity in the transport sector in North Macedonia, significant gaps exist along gender and ethnicity lines. For instance, research in the Western Balkans region and stakeholder discussions in North Macedonia indicate that the transport needs and preferences of Roma often differ from those of non-Roma and likewise differ among women and men. Roma and women (regardless of ethnicity) are less likely to rely on private automobiles and more likely to walk or use public transportation, and Roma as a group are less likely to use the transport system than the population overall. The preliminary findings of focus groups undertaken with Roma women, Roma men and non-Roma women in Sveti Nikole and Kumanovo municipalities confirmed that road users, regardless of their socio-economic status face mobility challenges due to inadequate road and public transport infrastructure and services. However, as women have greater reliance on public transport and bear disproportionately more childcare responsibilities than men, they are more affected by inadequate transport systems. Labor statistics also reveal large gender and ethnic gaps in access to employment across the economy, and particularly large gender gaps exist in participation in employment in the transport and construction sectors: only 12.8 percent of women are employed in transport and storage and only 6.6 percent of women are engaged in construction.⁵ Annex 5 provides further details.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objectives (PDOs) are to improve government capacity to manage local roads and improve access to markets and services.

Key Results

19. The PDOs will be measured by the following indicators:
- (a) Number of markets and services connected by improved safe and resilient local roads
 - (b) Percentage of project beneficiaries (gender disaggregated) expressing satisfaction with the project roads
 - (c) Municipalities utilizing simple asset management methods developed under the project
 - (d) National policy adopted for local roads

D. Project Description

20. The project will be supported by a EUR 70 million (US\$77.78 million equivalent) IBRD loan. The project will include the following four components: (a) Capacity Enhancement, (b) Rehabilitation of Local Roads and Community Facilities, (c) Project Implementation Support, and (d) Contingent Emergency Response Component (CERC).

⁵ Republic of North Macedonia State Statistical Office. 2019. *Women and Men in North Macedonia*. 2017 figures, ages 15 and above.



Component 1: Capacity Enhancement (EUR 2.7 million)

21. This component will finance technical assistance and capacity-building activities that will build local and central government capacity to manage local roads by introducing a sound planning and governance framework and improved contracting approaches. This component will include the following two subcomponents.

Subcomponent 1.1: Strengthening municipalities' planning and implementation capacity (EUR 2.0 million)

22. This subcomponent will finance a municipal capacity assessment to assess the strengths and weaknesses of the current system for the management of local roads and propose a program for enhancing capacity, where appropriate. It will also finance development of a range of simple road maintenance contracts that could be adapted to municipalities' diverse needs and encourage adoption of these contracts to improve utilization of their maintenance expenditures; assess how smaller municipalities can benefit from the economies of scale afforded by larger contracts, such as area-based maintenance contracts; and develop a simple Excel-based RAMS for maintenance and rehabilitation planning and support some of its data collection needs. Capacity building will be geared toward the existing capacity and human resources in municipalities and will focus on (a) collecting road inventory data, (b) using the simple RAMS to monitor road conditions and program road maintenance and rehabilitation, (c) redressing citizen grievances, (d) promoting transparency in decision making, and (e) executing road maintenance activities more efficiently through improved contracting methods and inter-municipal cooperation where appropriate. The support will be streamlined by establishing working groups based on each municipality's willingness to implement the institutional reforms suggested in this project. Specific activities financed under this subcomponent include trainings, technical assistance consultancies, and establishment and financing routine outreach to municipalities.

Subcomponent 1.2: Capacity support to MoTC (EUR 0.7 million)

23. This subcomponent will finance technical assistance and capacity building to help the MoTC assume a stronger role in overseeing the development and quality of local roads. This subcomponent will provide technical assistance support for (a) developing a central government policy for municipal roads; (b) defining a sustainable source of financing for both capital investment and maintenance; (c) reviewing and or updating the allocation formula used to transfer funding to municipalities through PESR; (d) developing a central government mechanism for monitoring municipal road conditions; (e) conducting road safety capacity review and providing recommendations for institutional change; (f) developing climate-resilient design guidelines for local and low-volume roads; and (g) coordinating with other stakeholders, including ZELS and regional development agencies.

Component 2: Rehabilitation of Local Roads and Community Facilities (EUR 65.3 million)

24. This component will finance infrastructure investments in municipal roads and streets and related consultative and preparatory processes. It will be implemented through two subcomponents.

Subcomponent 2.1: Road rehabilitation and improvement (EUR 62.8 million)

25. This subcomponent will finance rehabilitation of municipal roads and streets to improve their quality, safety, and resilience. No greenfield construction will be financed. Loan proceeds will be allocated among 80 municipalities on a grant basis according to a criterion agreed among the MoTC, the municipalities, and the World Bank. The funds allocation criterion has been agreed that provides for a minimum allocation per municipality (EUR



500,000) with the remaining funds allocated based on a modified European Investment Bank (EIB) Project formula previously agreed with municipalities, which considers the size of the population, the number of settlements, the area of the municipality, and the number of registered vehicles. All municipalities were consulted during the development of this formula. The formula provides transparency, technical soundness, and good geographic coverage through the country. The cost of subprojects in each municipality should be equal to or below its allocated loan proceeds.

26. The project will finance about 450 km of roads, or 5 percent of the local roads in the country. The loan will also finance supervision consulting services. The technical designs could be prepared by municipalities, through MSIP technical assistance, or by consultants financed through the loan. Project designs will address vulnerability to climate change and other natural relevant hazard risks and undergo road safety audits. Where appropriate the roads will also be designed with empty communication ducts installed along the roads to support the country's digitalization agenda as supported through the North Macedonia Digital Economy Project (NODE) (P170993). Annex 1 provides a more detailed description of the allocation formula and selection of project roads.

27. To accelerate project implementation, the first-year road rehabilitation works were selected from a pool of existing high-priority road rehabilitation designs prepared by municipalities. The MoTC gave municipalities clear guidance to prioritize roads that link to services, for example, schools and hospitals, and markets. Municipalities submitted stamped engineering designs and statements describing the social and economic rationale for selection of each road section. The MoTC screened these proposals to verify technical adequacy of the civil works designs and readiness for implementation, eventually narrowing the list of first-year works to 83 km, at an estimate cost of EUR 14 million.

28. For subsequent phases, municipalities will use a systematic planning process and a participatory needs assessment that engages all groups in the community to identify the remaining local roads to be supported by the project. As municipalities develop their capacity to use simple asset management methods, they will be expected to use the RAMS to aid in identification of project roads. The municipalities will also use a participatory process to identify the specific challenges to be addressed in civil works designs (for example, sidewalk is missing). These proposed interventions will be subject to the MoTC's and World Bank's oversight and economic cost-benefit analysis. Municipalities will be encouraged to select roads that connect to other World Bank projects, including buildings benefitting from the Public Sector Energy Efficiency Project (P149990) and agricultural value chain facilities developed under the Agriculture Modernization Project (P168014).

29. To receive support from Subcomponent 2.1, each participating municipality will be required to sign a Memorandum of Understanding (MoU) with the MoTC before commencement of procurement of subprojects. The MoU will outline the responsibilities of the MoTC and municipalities during and after project implementation and will commit municipalities to undertake certain actions that support the PDOs.

Subcomponent 2.2: Community-driven infrastructure pilot (EUR 2.5 million)

30. Under this subcomponent, financing will be provided to selected municipalities to pilot and support priority investments identified by the communities to enhance their mobility and road safety. This will help ensure that the road investments (financed under Subcomponent 2.1) optimize local mobility. As the projects will be demand driven, it is not known what the specific supplemental investment will support but, in conjunction with the communities, mobility plans will be developed to prioritize interventions. The mobility plans will identify solutions for the community's broader mobility needs in relation to public transport services, active mobility,



resilience, security, and safety. Specific measures may include measures to improve safety such as sidewalks, bike paths, supplementary street lighting, bus shelters, junction improvement, road calming, and pedestrian crossings; to improve climate resilience such as slope stabilization and spot drainage works; and for improved public transportation and school bus services. Some funding will be dedicated to vulnerable groups including Roma. Municipalities selected to participate in the pilot will have a demonstrated need for, and commitment to, community-driven projects that serve the needs of vulnerable groups. The findings of the ongoing Roma and Gender Assessment⁶ will inform interventions needed in this subcomponent to better serve Roma and Woman’s mobility needs.

Component 3: Project Implementation Support (EUR 2.0 million)

31. This component will support project costs of the Project Implementation Unit (PIU) under the MoTC. The PIU has already been jointly established for this project and the Western Balkans Trade and Transport Facilitation Project (TTFP) (P162043). Expenses that may be financed by this activity include, but are not limited to, staff positions such as the PIU director, procurement consultant, financial management (FM) consultant, social and environmental consultant, and civil engineers. Although project implementation is centralized at this PIU, close collaboration with 80 municipalities is required. This component will also finance appointment of independent technical auditors who will assess a random sample (5 to 10 percent) of roads to ensure that the quality of the planning, design, and construction process is in accordance with agreed procedures. The independent audits will also provide lessons that will support continuous improvement to the institutional elements of the project.

Component 4: Contingent Emergency Response Component (CERC) (EUR 0 million)

32. Following an eligible crisis or emergency, the borrower may request the World Bank to reallocate project funds to support emergency response and reconstruction. In such an event, this component would finance emergency response and reconstruction by drawing from the uncommitted loan resources of the other project components.

Legal Operational Policies	
	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

33. Potential environmental risks and impacts are predictable, expected to be temporary and reversible, low in magnitude, and site specific. These impacts most commonly include possible temporary disruption of current traffic circulation, traffic safety, damage to access roads, dust nuisance, and gaseous emissions, potential pollution of soil and water resources, brief disturbance to biotope, and momentary interference to neighboring settlements through various operation activities. Off-site activities include quarry, burrow pit and asphalt plant operations,

⁶ This technical assistance is funded by a World Bank Europe and Central Asia inclusion grant.



which if not managed properly, may cause localized adverse impacts. The contractor's site offices and possibly but highly unlikely workers' camp can be potential sources of temporary adverse impacts.

34. Potential social issues would mostly be related to small scale land take impacts. Because of rehabilitation and reconstruction nature of the investments there will be no resettlement nor any impact on any business or residency related structure. There will be project related traffic especially for the interventions in rural streets as the works will be done inside settlements and thus affected communities will be exposed to higher frequency and heavier traffic

E. Implementation

Institutional and Implementation Arrangements

35. **Project implementation will be centralized in the MoTC.** This strategy manages risks associated with the complexity of working with 80 municipalities and builds on lessons learned from other projects involving local roads. The MoTC is also the Government's preferred implementing agency given its oversight role of local roads. The MoTC is currently implementing an EIB-financed project on municipal water supply systems, which is also implemented at the municipal level. The proposed project and the Western Balkans TTFP (P162043) will be the first World Bank project implemented by the MoTC and will use a joint PIU. While this arrangement may reduce ownership and capacity building at the municipal level, centralizing these functions is vital to reducing the transaction costs of working with 80 municipalities. It is also expected that the PIU staff will closely work with municipalities to support institutional capacity building at the municipal level.

36. **The MoTC has established a joint PIU that is currently staffed with a director, two procurement specialists, one financial specialist, and four transport infrastructure engineers.** The PIU will report directly to the MoTC and is located on the MoTC's premises. The appointment of social and environmental PIU staff is pending.⁷ The PIU will manage day-to-day activities under the proposed project and would be responsible for overall project coordination and supervision, procurement and contract management, FM, monitoring and evaluation, coordination with municipalities and ZELS, and capacity-building activities.

37. **As the ultimate owners of the roads, all the participating municipalities will also take an active role in the project.** The municipalities will be responsible for subproject selection in accordance with agreed criteria, will provide supervisory staff during the implementation phase, and will commit to maintaining the road following handover of the project. The municipalities will be expected to disclose prioritized annual and multiannual investment and maintenance plans and adopt the various maintenance tools developed under the project. To receive support from the project, municipalities will be required to sign an MoU with the MoTC before the commencement of procurement of subprojects. The MoU will outline the responsibilities of the MoTC and municipalities during and after project implementation and commit municipalities to undertake certain actions that support the PDOs. The MoU will commit the municipalities to undertake various activities including the following: (a) participate in project training opportunities and reform activities, (b) use simple road asset management methods and a transparent budget planning process, (c) maintain a road inventory, (d) adopt use of

⁷ Currently, the MoTC and the participating municipalities do not have environmental or social specialists. Given the lack of capacity, an environmental and social consultant has been engaged to help the MoTC prepare the project in accordance with requirements of the World Bank's Environmental and Social Framework. The MoTC will hire environmental and social specialists who will provide full-time project implementation support and support capacity building to municipalities before the start of project implementation.



improved contracts for maintenance, (e) ensure project approval by Municipal Council and by the mayor and availability of necessary construction permits, (f) participate in informal works supervision, (g) issue opinion about completed works before final payment, and (h) maintain project roads after handover.

38. **A Project Operations Manual (POM) will be prepared for the project.** The POM will outline the internal procedures to be followed by the PIU in relation to FM, procurement management, and safeguards policy. The POM will clearly define selection criteria for subprojects for Subcomponent 2.1, community-driven infrastructure pilots for Subcomponent 2.2, and the processes for the MoTC oversight of subproject selection. The POM will also include the MoU template, requirements for road design standards, and need for inclusion of interventions to improve climate resilience.

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