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**ANNEX I**

of the Financing Agreement for the multiannual Operational Programme on environment in favour of the Republic of North Macedonia for 2024–2027

**MULTIANNUAL OPERATIONAL PROGRAMME**

This document constitutes the multiannual work programme in the sense of Article 110(2) of the Financial Regulation, and multiannual action plan in the sense of Article 9 of IPA III Regulation and Article 23 of NDICI-Global Europe Regulation

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## List of Abbreviations

AA	Audit Authority
AD	Action Document
AE	Administration for Environment
AP	Action Programme
BWD	Bathing Water Directive
CBA	Cost Benefit Analysis
CDPRs	Centres for Development of Planning Regions
CFCD	Central Financing and Contracting Department
CHP	Combined Heat and Power
CSOs	Civil Society Organisations
DAC	Development Assistance Committee of the OECD
DSIPs	Directive Specific Implementation Plans
DWD	Drinking Water Directive
EBRD	European Bank for Reconstruction and Development
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIP	Economic Investment Plan
EPPA	EU Environment Partnership Programme for Accession
EPR	Extended Producer Responsibility
ERC	Regulatory Commission for Energy and Water Services
ERI	Economic Resilience Initiative
ESF	European Social Fund
EU	European Union
EUR	Euro currency
FOLU	Forestry and other Land Use
FS	Feasibility Study
FWD	Framework Water Directive
GDP	Gross Domestic Product
GHG	Green House Gas
HRBA	Human Rights-Based Approach
IB	Intermediate Body
IFIs	International Financial Institutions
IMF	International Monetary Fund
IMWMBs	Inter-Municipal Waste Management Boards
IPA	Instrument for Pre-accession Assistance
LD	Landfill Directive
LEI	Law on Environmental Inspection
LoE	Law on Environment
LSGUs	Local Self Government Units

LSPWS	Law on Setting the Prices on Water Services
LW	Law on Waters
LWM	Law on Waste Management
LTSCA	Long-Term Strategy on Climate Action
MA	Managing Authority
MBT	Mechanical Biological Treatment plants
MH	Ministry of Health
MLSG	Ministry of Local Self-Government
MoEPP	Ministry of Environment and Physical Planning
MTC	Ministry of Transport and Communication
MTEF	Medium-Term Expenditure Framework
NAO	National Authorising Officer
NbS	Natural-based solutions
ND	Directive on the Protection of Waters from Nitrate Pollution
NGOs	Non-Governmental Organisations
NIPAC	National IPA Coordinator
NPAA	National Programme for Adoption of the <i>Acquis</i>
NSPP	National Single Project Pipeline
NWMP	National Waste Management Plan
NWPP	National Waste Prevention Plan
OJ	Official Journal
OP	Operational Programme
OS	Operational Structure
OPECA	Sector Operational Programme for Environment and Climate Action 2014-2020
OPRD	Operational Programme for Regional Development 2007-2013
OPSYS	EU Operational System
PAF	Performance Assessment Framework
PCEs	Public Communal Enterprises
P.E.	population equivalents
PIU	Project Implementation Unit
NWPP	National Waste Prevention Plan
PV	Photo Voltaic
PUC	Public Utility Company
“PSW region”	Pelagonia and Southwest regions
RBMCs	River Basin Management Councils
RBMPs	River Basin Management Plans
RWMPs	Regional Waste Management Plans
SAA	Stabilisation and Association Agreement
SDGs	Sustainable Development Goals
SEA	Strategic Environmental Assessment

SECO	Swiss State Secretariat for Economic Affairs
SEI	State Environmental Inspectorate
SIDA	Swedish International Development Cooperation Agency
SSD	Sewage Sludge Directive
SWD	Staff Working Document
SWGs	Sector Working Groups
SWGECA	Sector Working Group for Environment and Climate Action
SWGECC	Sector Working Group of Environment and Climate Change
TS	Transfer Stations
UWWT	Urban Wastewater Treatment
UWWTD	Urban Wastewater Treatment Directive
“VSE region”	Vardar and the Southeast regions
Waste FD	Waste Framework Directive
WBIF	Western Balkans Investment Framework
WEEE	Waste from Electrical and Electronic Equipment
WFD	Water Framework Directive
WSR	Waste Shipment Regulation
WWTP	Waste Water Treatment Plant

## 1. Programme synopsis

### 1.1 Programme Summary Table

Title	Multiannual Operational Programme on environment in favour of the Republic of North Macedonia for 2024–2027
OPSYs	ACT-62459, JAD.1391961
ABAC	ABAC Commitment level 1 number: JAD.1391961
Basic Act	Financed under the Instrument for Pre-accession Assistance (IPA III)
Team Europe	No
IPA III beneficiaries	North Macedonia
Programming document	IPA III Programming Framework

### PRIORITY AREAS AND SECTOR(S) INFORMATION

Window and thematic priority	Window 3: Green Agenda and Sustainable Connectivity Thematic Priority 1: Environment and climate change			
Sustainable Development Goals (SDGs)	Main SDG 06 – Clean Water and Sanitation. Other significant SDGs: -SDG 03 – Good Health and Wellbeing -SDG 11 – Sustainable Cities and Economies -SDG 12 – Responsible Consumption and Production			
DAC code(s)	<b>140 Water Supply and Sanitation (90,82 %)</b> 14010 Water sector policy and administrative management (9,52 %) 14022 Sanitation-large systems (40,87 %) 14050 Waste management/disposal (40,43 %) <b>151 Government &amp; Civil Society-general (9,18 %)</b> 15110 Public sector policy and administrative management (9,18 %)			
Main Delivery Channel	12000 Recipient Government			
Targets	<input checked="" type="checkbox"/> Climate <input type="checkbox"/> Gender <input type="checkbox"/> Biodiversity			
Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<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 checked="" type="checkbox"/>	<input 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>	Not targeted	Significant objective	Principal objective	
	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 checked="" type="checkbox"/>	<input type="checkbox"/>	
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Internal markers and Tags</b>	<b>Policy objectives</b>	Not targeted	Significant objective	Principal objective	
	Digitalisation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Tags	YES		NO	
	digital connectivity	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	digital governance	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	digital entrepreneurship	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	digital skills/literacy	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	digital services	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	Connectivity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Tags	YES		NO	
	digital connectivity	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	energy	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	transport	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	health	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	education and research	<input type="checkbox"/>		<input checked="" type="checkbox"/>	
	Migration	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	Reduction of Inequalities	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
	COVID-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

#### BUDGET INFORMATION

<b>Amounts concerned</b>	<p>Budget line: 15.020201</p> <p>Total estimated cost for 2024 – 2027: EUR 89 300 000</p> <p>Total amount of EU budget contribution for 2024 – 2027: EUR 70 000 000</p> <p>The contribution from the general budget of the European Union is split per year as follows:</p> <ul style="list-style-type: none"> <li>- For 2024 – EUR 7 300 000</li> <li>- For 2025 – EUR 11 593 978</li> <li>- For 2026 – EUR 17 530 400</li> <li>- For 2027 – EUR 33 575 622</li> </ul>
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	The contribution from the general budget of the European Union for the subsequent years is subject to the availability of appropriations for the respective financial years following the adoption of the relevant annual budget, or as provided for in the system of provisional twelfths.
<b>MANAGEMENT AND IMPLEMENTATION</b>	
<b>Implementation modalities (management mode and delivery methods)</b>	<b>Indirect management with North Macedonia</b>
<b>Relevant priorities and flagships from Economic and Investment Plan for the Western Balkans [only for the Western Balkans]</b>	Priority: Green Agenda Flagship: VII Waste and Wastewater
<b>Final Date for conclusion of Financing Agreement</b>	At the latest by 31 December 2025
<b>Decommitment deadline for each budgetary commitment</b>	Budgetary commitment 2024: by 31/12/2029 Budgetary commitment 2025: by 31/12/ 2030 Budgetary commitment 2026: by 31/12/ 2031 Budgetary commitment 2027: by 31/12/ 2032
<b>Indicative eligibility period</b>	31/12/2033
<b>Final date for implementing the Financing Agreement</b>	12 years following the conclusion of the Financing Agreement

## 1.2 Summary of the programme

The Multiannual Operational Programme (OP) on environment aims to intensify and accelerate the implementation of the Green Agenda<sup>1</sup> in North Macedonia. This will be achieved through further investments in the wastewater and waste management infrastructure and the strengthening of institutional capacities for environmental investment programming and management. The programme focuses on wastewater and waste as the most urgent priorities, considering other investments related to the Green Agenda in the country. Thus, the proposed activities align with the Economic Investment Plan (EIP) priorities for the Western Balkans<sup>2</sup> and with the WBIF's Flagship VII Waste and Wastewater Management.

In the wastewater subsector, the programme will focus primarily on improving wastewater management in the Municipality of Veles by enhancing wastewater collection and treatment. This will be achieved by expanding the sewerage network and constructing a new wastewater treatment plant (WWTP). The new WWTP shall comply with the new rules on carbon neutrality included in the proposal for a revision of the EU Urban Wastewater Treatment Directive (UWWTD). Secondly, the OP will support public communal enterprises (PCEs) in several municipalities by providing them with the appropriate equipment, which should help improve the operation and maintenance of the already constructed WWTPs (funded mainly by the EU through IPA I and IPA II) and their

<sup>1</sup> SWD (2020) 223 final of 6.10.2020

<sup>2</sup> COM (2020) 641 final of 6.10.2020

sewerage networks. Also, support in the approximation process in the water sector and further improvement of the water tariff system shall be provided both to national and local authorities and the respective PCEs. Such interventions shall ensure better efficiency and sustainability of the already constructed WWTPs, higher protection for water resources and the environment, and improved service performance. Lastly, depending on the availability of funds, e.g. by considering increasing national co-financing and other donors' financial support or blending with International Financial Institutions (IFIs) loans, support under the OP may also be foreseen for the municipalities of Kavadarci and Tetovo. In the Municipality of Kavadarci, interventions shall cover expanding the sewerage network and the construction of a new WWTP. In contrast, in the Municipality of Tetovo, interventions shall cover the upgrading of the existing WWTP, including but not necessarily limited to the extension of the sewerage network. All the above-discussed interventions are fully aligned with the water sector reforms in North Macedonia that started in 2016 with the development of the National Water Study<sup>3</sup> and the introduction of a water tariff regulatory body that, among other issues, highlighted the need of increasing the wastewater and treatment infrastructure and improving the PCEs with maintenance equipment and increasing the PCEs' performance.

In the waste subsector, the programme will support establishing and improving integrated waste management systems in the East and Northeast regions of the country. The activities of the regional integrated waste management schemes will include closing non-compliant landfills, providing waste collection equipment and equipping both regions' central waste facilities and transfer stations. Implementing these measures shall ensure that all the necessary conditions for self-financing and sustainable management of the regional waste management systems are in place and that their operation is secured. The intervention shall be complemented with activities related to improving approximation in the waste sector and assessing the cost related to meeting the EU's waste *acquis* requirements and further support in implementation of the waste tariffs.

The implementation of the OP requires skills, especially in managing works contracts, which need reinforcement especially at the public administration level, and at central and at local/regional level. Additionally, the operation of investments is challenged by high staff turnover, which calls for implementing retention policy measures to ensure a stable and committed public administration. Therefore, a set of capacity-building measures will be developed to support the IPA structure of the Ministry of Environment and Physical Planning (MoEPP), other national authorities (NIPAC and CFCD) and targeted municipalities, enabling the sound implementation of the OP and its infrastructure projects while facilitating the transfer of knowledge, skills and information. Overall, this will contribute to the capacity development of the relevant human resources in the country for programming and managing infrastructure projects in the environmental sector and ensuring the sustainability of built investments. In addition, the MoEPP and relevant national authorities shall be supported in regard to the EU accession negotiations process for Chapter 27.

The successful implementation of the OP will address the alignment of North Macedonia with the EU norms on environment and climate change (Chapter 27). This will ensure compliance with the EU's environmental *acquis* and at the same time tackle the environmental deterioration caused by improper water and waste management in the country.

## 2 Sector(s) analysis

### 2.1 National sectoral policies and context

The environmental sector in the country presents significant demands, encompassing a range of challenges such as air and water pollution, deforestation, waste management, soil erosion, and biodiversity loss. Over the years, the sector has experienced gradual development, primarily supported by the EU, other donors, and as a result of the growing public awareness regarding the environment and climate change. However, environmental protection continues to be a challenge for North Macedonia, particularly concerning fulfilling the requirements related to EU integration. In response to these critical needs, the country has formulated an environmental policy that addresses the key environmental challenges and has made considerable efforts to strengthen the regulatory and institutional framework.

As a candidate country for EU membership, North Macedonia must timely and effectively implement the entire body of EU *acquis*, which encompasses EU laws, policies, and regulations. The process commenced in 2002 and is ongoing. Despite the existing regulatory reforms, significant efforts are still required to implement the policy, which includes making the necessary investments and improving the administrative capacity for full alignment with the EU *acquis* in this sector. During the accession process, long-term strategic planning is essential. The

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<sup>3</sup> IPA Project: Development of National Water Study, EuropeAid/136505/IH/SER/MK

Government has adopted several important policy strategic documents in various environmental areas, demonstrating its commitment to the necessary reforms within the environmental sector.

The **National Programme for Adoption of the *Acquis* (NPAA)** is a roadmap for North Macedonia's gradual adoption and implementation of the *acquis*. This comprehensive long-term document defines the dynamic process of harmonisation, strategic guidelines, policies, reforms, and measures for implementing the legislation, structures, resources, and deadlines to be realised by North Macedonia to fulfil the requirements for EU accession. The first NPAA was prepared and adopted by the Government in 2005/2006. Almost every year since then, annual/biannual revisions have been carried out based on the European Commission's Reports for the country<sup>4</sup>. The last revision was conducted in June 2021. Chapter 27, dealing with environmental and climate actions, represents a crucial part of the NPAA, drawing the short-term and mid-term priorities towards required reforms within the sector. The National Working Group within the NPAA for Chapter 27 is considered the largest, with members from all relevant national institutions, business communities and Civil Society Organisations' representatives.

### Water Management

The national strategic and key planning documents in the **water management sub-sector** include the National Water Strategy, the draft River Basin Management Plans, the Urban Wastewater Treatment Directive Specific Implementation Plans and the National Programme for Water Supply and Wastewater Collection and Treatment.

The **National Water Strategy 2012-2042** is a long-term water management strategy which aims to address water-related challenges and ensure sustainable use of water resources for 30 years. In collaboration with other government agencies and stakeholders, the MoEPP developed this strategic document to ensure overall sustainable water management in the country, improve access to safe and reliable water supply and sanitation services, enhance wastewater management, including collection and treatment, as well as to protect and preserve the country's natural water ecosystems. The strategy sets out a range of specific objectives and actions in the following areas:

- Water governance and institutional capacity building
- Water resources management and protection
- Water supply and sanitation services
- Water infrastructure development
- Water quality monitoring and management
- Climate change adaptation and mitigation
- Public awareness and stakeholder engagement

The strategy recognises that achieving its goals relies heavily on collaboration and coordination among various stakeholders, including government agencies, local communities, NGOs and the private sector. Additionally, it emphasises the need for robust legal and regulatory frameworks, including financial resources for infrastructure development, to support sustainable water management practices. The National Water Strategy highlights that the main problem remains the outdated water infrastructure, particularly the wastewater collection and shortage of treatment infrastructure. As water service providers, local authorities and their public communal enterprises (PCEs) are responsible for establishing infrastructure for water supply, wastewater collection and treatment but need more capacity to manage the water resources in North Macedonia properly.

The MoEPP, with the EU's and other donors' support, is working on developing **River Basin Management Plans (RBMPs)** for each river basin, except for Juzna Morava, in North Macedonia (Vardar, Crn Drim and Strumica<sup>5</sup>) following the Water Framework Directive and the Water Law requirements. However, none of the draft RBMPs has been formally adopted (as of November 2023), though they are followed when activities and measures are planned for implementation in the river basins. River Basin Management Councils (RBMCs) with a new composition for each river basin (except for Juzna Morava) were established in 2021. The Vardar RBMC is the largest one having 44 members, while the Crn Drim and Strumica councils have 25 and 20 members respectively. The RBMCs comprise representatives from national and local administration, chambers of commerce, NGOs, water users' associations and the Consumer protection organisation. The RBMCs have had one inauguration meeting where the leading roles and methods of work were presented concerning preparation, public participation, and adoption of the RBMP. In 2022, the MoEPP distributed a questionnaire to the RBMC members to obtain information about their capacity and training needs. In 2022, another meeting was held where the public consultation procedure for the RBMP preparation and adoption was presented.

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<sup>4</sup> [https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/strategy-and-reports\\_en](https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/strategy-and-reports_en)

<sup>5</sup> Vardar RB 80.35%; Strumica RB 6.41%, Crn Drim 13.6 % and Juzna Morava 0.17 % of the country's territory

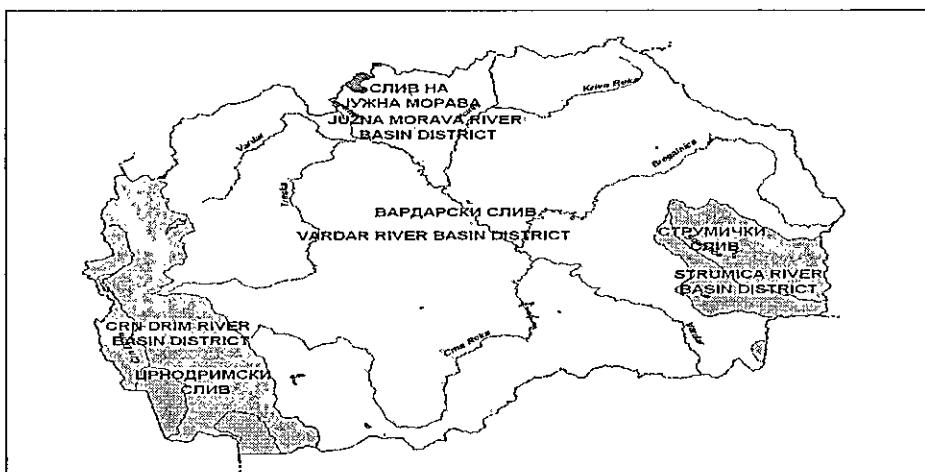


Figure 1: River Basins in North Macedonia

In 2017, as part of an EU-funded project<sup>6</sup>, Urban Wastewater Treatment Directive Specific Implementation Plans (DSIPs) were developed, which provided an estimation of the costs, financial plans and time needed for the full implementation of this directive in North Macedonia. Based on the DSIPs, the **National Programme for Water Supply and Wastewater Collection and Treatment** was developed, outlining the investments in the water subsector and prioritising agglomerations with the highest pollution. The selected projects were included in the National Single Project Pipeline (NSPP) for Environment that, after consultation with the Sector Working Group on Environment and Climate Change, was approved by the Government for the first time in 2017 and lastly was revised in 2022<sup>7</sup>. The DSIPs and consequently the NSPP should be revised in the future in order to reflect the current proposal for recasting the UWWT Directive<sup>8</sup>.

#### Waste Management

The national strategic and key planning documents relevant to the **waste management sub-sector** include the National Waste Management Plan (NWMP), the National Waste Prevention Plan (NWPP), and the Regional Waste Management Plans (RWMPs).

The **National Waste Management Plan (NWMP) (2021-2031)** sets out several objectives, including the development of waste infrastructure, the promotion of separate collection of waste streams, the improvement of waste treatment and disposal practices, the reduction of hazardous waste, and the development of a monitoring and reporting system. Overall, the NWMP is a comprehensive framework serving as a roadmap for the country's waste management system. It focuses on many key enablers for sustainable waste management, including clear and effective legislation, strong institutional capacity and infrastructure delivery, high-quality waste data and ambitious extended producer responsibility schemes. The NWMP also addresses specific issues relevant to the national level, such as hazardous waste management, waste import and export, and the remediation of historical hotspots. It also sets national waste recycling targets for reducing biodegradable waste in landfills. Chapter 20 of the NWMP elaborates on a separate programme for education and public awareness of waste management for individuals, educational institutions, and the private sector in waste management. With the implementation of the NWMP, it is expected to achieve a sustainable and circular economy, to improve citizens' quality of life, and to protect the environment. The lack of local and regional waste infrastructure and management systems is the main obstacle to self-sustainable waste management in the country. The waste management system is mainly traditionally based on waste collection and disposal. The plan recognises that the PCEs providing waste services in the municipalities are not properly equipped and do not have separate waste collection infrastructure, which results in almost 99% of the collected communal waste being disposed of on non-compliant landfills.

The recent adoption of the **National Waste Prevention Plan (2022-2028)** in North Macedonia followed the requirements of the new Law on Waste Management (adopted in 2021). The PPWG foresees a range of regulatory, political, and practical activities that aim to minimise waste generation, promote recycling and reuse, and ensure proper waste disposal in line with the EU Waste Framework Directive (2008/98/EC). The plan includes measures

<sup>6</sup> IPA Project: Development of National Water Study, EuropeAid/136505/IH/SER/MK

<sup>7</sup><https://www.sep.gov.mk/data/file/WBIF/SPP%202022-revised.pdf>

<sup>8</sup> [EUR-Lex – 52022PC0541 – EN – EUR-Lex \(europa.eu\)](https://eur-lex.europa.eu/eli/leg/2022/52022PC0541/cons/en)

for involving the private sector and improving waste management at the local level, for separate waste collection and raising public awareness and involvement of local citizens.

The **Regional Waste Management Plans (RWMPs)** in North Macedonia are strategic documents that outline waste management practices and objectives at the regional level. The country is organised into eight waste management regions (as shown in Figure 2), each with a RWMP developed that directly contributes to meeting national waste management objectives. The development and implementation of RWMPs involve collaboration between regional authorities, municipalities, and relevant stakeholders. The plans consider population size, waste generation rates, cost-efficiency, available infrastructure, and environmental considerations. They also consider the requirements and guidelines set by the national waste management legislation, particularly the Law on Waste Management. The main objectives of the RWMPs are to establish waste management targets at the regional level and to estimate the financial resources needed for contributing to the implementation of the national waste targets, as well as to outline the administrative set-up for waste management at the regional level. The specific details of the RWMPs vary across different regions, as they are tailored to each area's unique circumstances and needs. These plans typically include strategies for waste prevention, recycling, and recovery, the establishment of appropriate waste treatment and disposal facilities, as well as for the coordination of waste management activities and optimisation of financial resources. The plans also address issues related to hazardous waste, landfill management, construction, demolition, and biodegradable waste by proposing measures to reduce waste generation, increase recycling and recovery rates, and to ensure safe disposal.

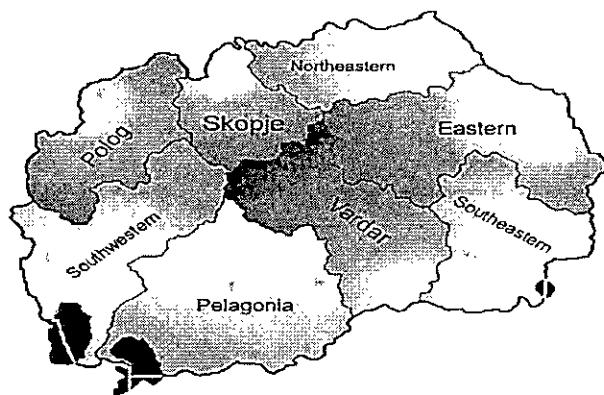


Figure 2: Waste management regions in North Macedonia

Municipalities are obliged by law to develop Biannual Waste Management Programmes that should contain actions and measures to improve waste management at the local level, mainly related to the separation and collection of municipal waste and prevention of waste generation. However, only a few municipalities (about 30 of the country's 80 municipalities) have developed and adopted waste management programmes. In addition, following Article 27 of the Law on Waste Management, private companies that generate more than 200 kg of hazardous waste and more than 100 tons of non-hazardous waste should develop a 3-year programme for waste management.

The waste management planning structure is presented in Figure 3 as follows:

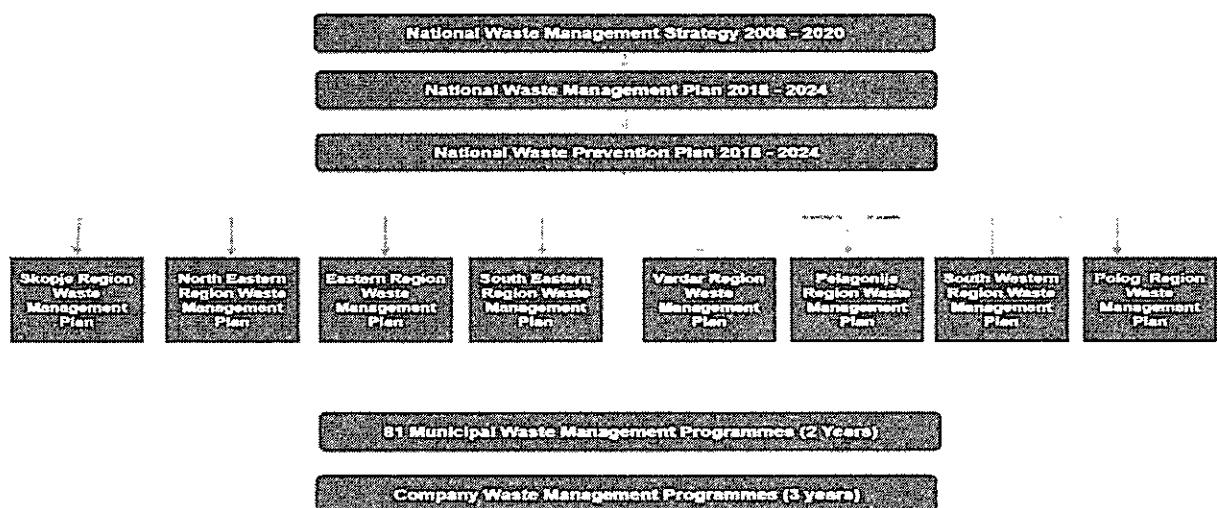


Figure 3: Waste management planning structure in North Macedonia

Considering the urgency and importance of addressing climate change, North Macedonia has been actively working on formulating and implementing a long-term strategy for climate action. This is particularly important to the environment sector and waste and wastewater. The **Long-Term Strategy on Climate Action (LTSCA)** was adopted in 2021. The LTSCA defines the country's contribution to the global effort through a range of measures towards green, low-carbon and climate-resilient development based on the best available information and in the context of the country's accession to the EU. The global objective of the LTSCA is to reduce national net GHG emissions (*including Forestry and other Land Use and excluding MEMO items<sup>6</sup>*) by 72% by 2050 compared to 1990 levels (or GHG emission reduction of 42% by 2050 compared to 1990, excluding FOLU and MEMO items) and increase resilience of North Macedonia's society, economy, and ecosystems to the impacts of climate change. The long-term vision of the LTSCA is that North Macedonia will be a prosperous, low-carbon economy by 2050, following sustainable and climate-resilient development measures that enhance competitiveness and promote social cohesion action to combat climate change and its impacts. In practice, reduction of GHG emissions in the waste sector will take place through the implementation of the measures contained in the current waste policy framework which is already to some extent aligned with the EU *acquis*. Increased separate collection and recycling of waste shall have a direct impact on GHG emissions by reducing the waste landfilling. Nonetheless, based on the assessment of the current situation, the implementation of the current existing measures is lagging behind and requires an important effort up to 2030 and beyond. While the measures to achieve emissions reduction such as green procurements will take place in the waste sector, introduction of more advanced technologies and implementation will take place in the wastewater sector.

North Macedonia has adopted the country's IPA III Strategic Response 2021-2027 document. Under Window 3 – Sustainable Connectivity and Green Agenda, Thematic Priority 1: Environment and climate change, it addresses the following objective and areas of intervention that are relevant to this OP:

**Objective 1.1: To optimise the water cycle and reduce the impact of solid waste on the environment**, with the areas of intervention as follows:

- Investments in wastewater collection and treatments using the best available technologies do not entail high costs to reduce GHG emissions.
- Investments in integrated waste management systems at the local and regional levels align with the most modern technologies to avoid increasing emissions of GHG.
- Building the capacity of the authorities of North Macedonia to design investment projects addressing climate risk assessment and proofing.
- Building the capacity of the national authorities to implement the legislation and ensure the protection of the environment effectively.
- Building the capabilities of the public utility companies in the water and waste sectors.

## 2.2 Legal framework

The **Constitution** is the fundamental legal document in the hierarchy of North Macedonia's legal system. The Constitution contains provisions dedicated to environmental protection (*Articles 8 and 43*). Namely, Article 43 provides the basis for the country's other legal frameworks for environmental protection. Furthermore, the constitutional provisions are supplemented by primary (*laws*) and secondary legislation (*rulebooks, ordinances, decrees and decisions*) that govern the environmental protection sector in the country.

The **Law on Environment (LoE)** (*Official Gazette No. 53/2005, 81/2005, 24/2007, 159/2008, 83/2009, 48/10, 124/10, 52/11, 51/11, 93/13, 187/13, 42/14, 44/15, 129/15, 192/15, 39/16, 99/18 and "Official" no. 89/22 and 171/22*) represents the critical law within the sector. Adopted in 2005, the LoE lays down the basic principles of environmental protection to establish and manage all environment sub-sectors and climate change.

Moreover, the LoE regulates the issues of access to environmental information, public participation in environmental decision-making, plans for industrial accident control, and control mechanisms available to environmental inspectors. The LoE emphasises integrated environmental permits and regulates the Environmental Impact Assessment (EIA) and Strategic Environmental Assessment (SEA) procedures. In addition, it establishes the basic principles and legal base for implementing obligations related to global environmental protection issues, including the country's legal obligation to Climate Action.

<sup>6</sup> MEMO items include emissions from aviation and electricity import.

The provisions in the LoE, to a large extent, are harmonised with those in the EU *Acquis*, such as:

- **Horizontal legislation** (*Directive 2011/92/EU EIA, Directive 2001/42/EC SEA, Directive 2003/4/EC Access to information, Directive 2003/35/EC Public Participation, Directive 2004/35/EC Environmental Liability, Directive 2007/2/EC INSPIRE, Directive 2008/99/EC Environmental Crime*), and
- **Industrial pollution control** (*Directive 2012/182/EU Seveso III, 2010/75/EU IED*).

Nevertheless, specific provisions related to integrated environmental permits and climate change actions will no longer be covered by the LoE. These provisions will be subject to and regulated by the Law on Climate Action and the Law on Industrial Emissions. The drafts of these two laws are currently being finalised and expected to be adopted in the short term. They are expected to be in force and applicable during the implementation of this OP.

Since the signing of the **Stabilisation and Association Agreement (SAA)**<sup>10</sup> in 2002, the country has started harmonising its legislation with the EU *Acquis Communautaire*, including in the area of environmental protection. Since 2005, North Macedonia is a candidate country for EU membership. The country established the National Programme for Adoption of *Acquis* (NPAA) to guide and supervise the entire alignment process with the *acquis*. Thus, a separate part of the NPAA is fully dedicated to this process. For *Chapter 27: Environment and Climate Action*, the MoEPP regularly monitors the level of alignment of the national legislation with the relevant *acquis* and, proposes the adoption of necessary measures. Based on the last progress monitoring exercise conducted within the EU Environment Partnership Programme for Accession (EPPA) for 2020, North Macedonia has a medium average level of alignment of the EU Chapter 27 Environment and Climate *Acquis*.

#### Water management

The management, protection, and use of water as a natural resource within North Macedonia are regulated by the **Law on Waters (LW)** (*Official Gazette No. 87/08, 6/09, 161/09, 83/10, 51/11, 44/12, 23/13, 163/13, 180/14, 146/15 and 52/16 and Official Gazette No. 151/21*). The LW provides a comprehensive regulatory framework for water management based on EU policies and legislation, which covers all aspects of water management, water use, water protection, the quality of water, and the protection of harmful effects of water.

The Law on Waters regulates issues about surface and groundwater; land and coastal wetlands; water management facilities and services; organisational structure and financing of water management, as well as the provisions for the protection and conservation of water resources, including measures to prevent pollution, regulate wastewater discharge, and manage potential risks to water ecosystems, including monitoring and reporting obligations, as well as provisions related to international cooperation, mainly transboundary water resources and cooperation that North Macedonia shares with neighbouring countries to manage shared water bodies and address water-related challenges collectively. In addition, the Law on Waters regulates the planning structure in water management and the adoption of planning and strategic documents, such as the Water Management Strategy, the River Basin Management Plans and the Programmes for water infrastructure development.

Adopted in 2008 and entering into force on January 1<sup>st</sup>, 2011, the **Law on Waters** introduced a new water management regulatory framework with a focus on aligning with the EU principles and legislation and the aim to address the shortcomings of the previous water management systems, by focusing not only dominantly on water use but also broader water resource management, protection, and sustainability. Thus, the LW directly aligns with the requirements of the following EU directives in the field of water resources management:

- Water Framework Directive (WFD),
- Drinking Water Directive (DWD),
- Bathing Water Directive (BWD),
- Sewage Sludge Directive (SSD),
- Urban Wastewater Directive (UWWTD), and
- Directive on the Protection of Waters from Nitrate Pollution (ND).

The Law on Waters and several secondary legislation documents have been aligned with the WFD (2000/60/EC), the UWWTD (91/271/EEC) and the Sewage Sludge Directive (86/278/EEC), which are crucial for the OP. In addition, all national legislation is in place for safe sludge usage. Apart from the Bathing Water Directive, which has a low level of alignment, all the other directives have high alignment levels in the Law on Waters and complementary secondary legislation. However, the Law on Waters is not aligned with the latest amendments to

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<sup>10</sup>Article 68 from Stabilization and Association Agreement

the Drinking Water Directive. Moreover, considering that the EU is recasting the UWWT<sup>11</sup> Directive, further efforts will be needed to ensure alignment with EU *acquis*.

Furthermore, the legal framework for water management in North Macedonia is complemented by two additional laws, the **Law on Setting the Prices on Water Services (LSPWS)** (*Official Gazette* No. 7/2016) and the **Law on Drinking Water Supply and Urban Wastewater Drainage** (*Official Gazette* No. 68/04, 28/06, 103/08, 117/11, 54/11, 163/13, 10/15, 147/15 and 31/16).

The LSPWS adopted in 2016 as part of the water sector reform supported by three IPA I funded projects, is a key to the overall water management sector. As per the law, the regulatory authority for determining water service prices was established within the Regulatory Commission for Energy and Water Service of North Macedonia. The three water services included under the regulatory price approval are related to i) water supply, ii) water collection and discharge, and iii) wastewater treatment. As per the provision of the LSPWS, a PCE can only apply a price for water service if it has a prior approved price range by the Regulatory Commission and then a precise price is approved by the Municipality Council of the respective municipality.

### Waste Management

The new **Law on Waste Management (LWM)** ("Official" No. 216/2021) was adopted in 2021. As a successor of the old law from 2004, it represents the country's efforts to further align the national legal framework with the EU *Waste Framework Directive 2008/98/EC*. The Law on Waste Management provides rules for adequately managing all types of waste and provides a solid ground for secondary legislation to ensure further alignment with EU *acquis* provisions. Apart from the rules for proper waste management, the Law on Waste Management provides the legal basis for the country's comprehensive policy and planning framework for waste management. Consequently, the Law on Waste Management regulates the preparation and adoption of the Waste Management Strategy, the Waste Management Plan, the Regional Waste Management Plans, the Waste Prevention Plan and the National Strategy on Sludge Management.

As a novelty, the new LWM introduced a new tariff-setting system for waste services, which is to be established in the upcoming period. The new tariff-setting system is designed to enable cost recovery, which is expected to lead to a self-sustainable regional waste management system in the country. The Regulatory Commission for Energy and Water Services is designated as a regulatory body to set prices for waste management services based on a separate methodology for establishing waste management services.

The LWM directly aligns with the requirements of the following EU directives in the field of waste management:

- Waste Framework Directive (Waste FD)
- Landfill Directive (LD)
- Waste Shipment Regulation (WSR)

The LWM and accompanied secondary legislation is with high level aligned with the above mentioned directives. National targets concerning biodegradable waste to be disposed on landfills are established. The system of waste shipment is well regulated, and good cooperation is in place with neighbouring countries regarding the control of waste shipment forms. Also, the Basel Convention requirements are applied to the transboundary movement of hazardous waste.

Apart from the LWM, in 2021, several new laws were adopted for the management of special waste streams, such as:

- Law on Packaging and Packaging Waste Management (*Official Gazette* No. 215/2021)
- Law on Batteries and Accumulators and Waste from Batteries and Accumulators (*Official Gazette* No. 176/2021)
- Law on Electrical and Electronic Equipment and Waste from Electrical and Electronic Equipment (*Official Gazette* No. 176/2021)
- Law on Additional Waste Streams (*Official Gazette* No. 216/2021)
- Law on Extended Producer Responsibility for Managing Various Waste Streams (*Official Gazette* No. 215/2021).

<sup>11</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022PC0541&from=EN> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52022PC0541&from=EN>

The management of special waste streams in the country is set based on the *extended producer responsibility* principle and fully aligned with relevant EU *acquis* (*Directive 94/62/EC – Packaging Waste, Directive 2006/66/EC – Batteries, Directive 2012/19/EU – WEEE, and Directive 2000/53/EC – End-of-Life Vehicles*). The primary obligation of achieving the targets for proper management of special waste streams is with the producers, whose products contribute to waste stream generation.

Lastly, in April 2022, for the first time in North Macedonia, the **Law on Environmental Inspection (LEI)** (*Official Gazette No. 99/2022*) was adopted. The main objective of this law is to establish an effective system of inspection, including powers and responsibilities for conducting environmental inspections within North Macedonia. The law foresees provisions for establishing coordinated inspections at the central and local levels, assessing the impacts that legal entities' subjects of supervision have on the environment, detecting the source and extent of environmental pollution and taking measures to prevent, reduce or eliminate pollution. The law is aligned with the provisions related to inspection from the *EU Seveso III Directive*, the *Industrial Emission Directive*, and the *Regulation (EU) N° 910/2014* on electronic identification and trust services for electronic transactions in the internal market (eIDAS Regulation).

### 2.3 Institutional setting, leadership, and capacity

The institutional setup relating to the water and waste management subsectors in North Macedonia is fragmented into different institutions at the central and local levels. The structure and competencies are as follows:

**The Ministry of Environment and Physical Planning (MoEPP)** is the leading institution for developing and implementing North Macedonia's national environmental and climate change policy, including the country's water and waste management policies. It is responsible for developing environmental and climate change legislation in compliance with the EU, the sustainable use of natural resources, soil protection, nature and biodiversity, and environmental monitoring and reporting. The MoEPP is responsible for Chapter 27 – Environment and Climate Change, with the devoted task to mobilise all resources necessary to achieve compliance with the requirements of EU membership.

The MoEPP is organised into nine departments, two units, and two constituent bodies within the MoEPP, i.e., the **Administration for Environment (AE)** and the **Office for Spatial Information System**. These bodies operate as subordinate entities, within and under the supervision of the MoEPP, and their scope of work is regulated through legal acts governing issues in the environmental area. In addition, the **State Environmental Inspectorate (SEI)** is part of the MoEPP structure as a separate legal entity that reports to the MoEPP but acts independently.

The AE is organised into five (5) departments and is responsible for implementing national environmental policy and legislation and for monitoring the implementation of main environmental issues, including air protection, water protection and management, waste management, soil protection and nature protection. It is responsible for the application of the main instruments of environmental protection, such as environmental impact assessment, integrated permits, elaborates for environmental protection, etc. The AE is responsible for issuing water and waste-related permits. Competencies for water management are under the Water Department, while the waste is under the Waste Department within the AE. These departments will be the main end-beneficiaries of the OP on Environment.

The **State Environmental Inspectorate (SEI)** is a separate legal entity under the MoEPP that is in charge of inspection and supervision of the implementation of the entire range of national environmental legislation. In addition, the SEI is also responsible for approving the inspection plans prepared by the local authorised environmental inspectors.

Limited human resources capacities, in terms of number and knowledge, to cover all the environmental sector responsibilities in the MoEPP and its subordinate authorities are noted in several assessments (mainly completed as part of EU-supported projects). The main issue remains the frequent staff turnover, affecting institutional memory loss. There is a persistent need to strengthen and improve the knowledge and capabilities of the existing human resources, as well as to plan for their further increase in number to cope with the sector's requirements.

**The Ministry of Transport and Communication (MTC)**, even though primarily responsible for transportation and communication sectors, is involved in the supervision of municipal infrastructure at the local level, mostly water supply and sewerage networks. Consequently, the MTC primarily works in constructing water supply and sewerage networks, thus supporting mainly the municipalities in rural or less developed areas. Support for water supply and sewerage network projects is provided by granting state subsidies to municipalities applying for such assistance. The Ministry of Transport and Communication is also responsible for managing water infrastructure programmes supported by international donors. The MTC will mainly ensure appropriate construction permits for the infrastructure works financed by this OP. In addition, the MTC through its Communal Inspectorate, is responsible for inspecting the Public Communal Enterprises (PCEs), which provide water supply and waste

collection services at the local level. The Communal Inspectorate ensures that the PCEs' services follow legislative requirements, including public hygienic standards. Nevertheless, like other institutions the Communal Inspectorate has limited capacity to perform its duties; therefore, it must be included in some of the OP capacity-building activities.

In North Macedonia, the **Ministry of Health (MH)** ensures the control and monitoring of drinking water quality. The Institute for Public Health, which operates under the auspices of the MH, is responsible for overseeing and implementing programmes related to public health, including the control of drinking water quality and safety.

Following the decentralisation process, the Local Self Government Units (LSGUs) – i,e, the **municipalities**, are critical in implementing the environmental policy and legislation in the water and waste management sub-sectors. Their basic tasks relate mainly to the following:

- Development of local programmes for environmental protection.
- Construction, maintenance and operation of water supply systems, sewerage systems, WWTPs, and communal waste collection and disposal.
- Providing public information regarding the state of the environment at the local level.

The ownership and management of the water and waste infrastructure are primarily the responsibility of the municipalities. The municipalities establish Public Communal Enterprises (PCEs) to oversee and manage these essential services. The PCEs perform water supply, wastewater collection and treatment and waste management. Almost all of the PCEs encounter human resources issues and have capacity issues. Often, they are understaffed not only in human resources numbers but also in terms of employees with the necessary skills and expertise. In addition, they need updated or proper equipment to enable them to provide high-quality and efficient services to the citizens. As a result of the establishment of the public regulatory body for water price services, the improvement in PCEs performance is noticed, particularly in managing the assets and cost efficiency for water services. However, more efforts are needed to decrease water losses, improve wastewater collection and treatment facilities, and improve overall performance. Concerning waste management, the PCEs mainly collect and dispose of waste at non-compliant landfills designated as official sites for disposal until new landfills are constructed per EU legislative requirements.

The **Regulatory Commission for Energy and Water Services (ERC)** was appointed as the water service price regulator in 2017 by the Law on Setting Prices for Water Service. The ERC is tasked with establishing tariffs (price) on water services for water supply to the population, collection and discharge of urban wastewater, and wastewater treatment. To achieve a cost-recovery system and to ensure a self-sustainable regional waste management system in North Macedonia, in line with the provisions in the new Law on Waste Management, the ERC is also designated as a regulatory body to set waste management tariffs in the country. However, the waste tariff assessment methodology still needs to be prepared.

To ensure the implementation of regional waste management and RWMPs documents, **Inter-Municipal Waste Management Boards (IMWMBs)** are formally established in each waste management region (*in total, eight waste management IMWMBs*). Members of the IMWMBs are the mayors of the municipalities and the mayor of the city of Skopje, depending on the region they belong to, or other persons authorised by the municipalities and the city of Skopje. The IMWMBs oversee regional waste management in the corresponding region and, among others, are responsible for formally endorsing the draft RWMPs, supervising the activities for the RWMPs' implementation, approving proposed interventions for the RWMPs' implementation, approving contracts for public-private-partnerships, etc. Though the IMWMBs are established formally, they meet rarely and mainly upon the MoEPP's requests, primarily for project-related activities. The IWMBs for the East and Northeast regions have performed better, mainly due to the EU's long-term support in these two regions.

In North Macedonia, regional development planning and coordination is under the responsibility of the **Centres for Development of Planning Regions (CDPRs)**, which operate under the Ministry of Local Self-Government (MLSG) (*in total 8 Centres, one for each planning region*). Established in 2009, the CDPRs aim to promote balanced regional development and enhance collaboration between different levels of government and stakeholders from the public and private sectors. Each Centre has established an Organisational Unit for Regional Waste Management (from now on Organisational Unit). The Organisational Units are operational bodies that support the RWMP implementation and oversee the overall functioning of the waste management systems. Such units have been selected for the East and Northeast regions; the salaries of the staff working under these Organisational Units are covered by the Municipalities' budget, whereas their activities largely depend on the financial support provided by projects implemented through the CDPR. Such constraints have impacted the Organisational Units' work and responsibilities. To ensure sound regional waste management, under the Law on Waste Management, mayors in a respective region are obliged to sign an agreement to establish a joint regional waste management system where mutual obligations and rights are stipulated concerning waste collection, transfer,

and disposal. Also, the agreement envisages the establishment of a joint inter-municipal public utility company; the company will manage the operation of the transfer stations, the central waste facility – landfill, and management rights concerning the company.

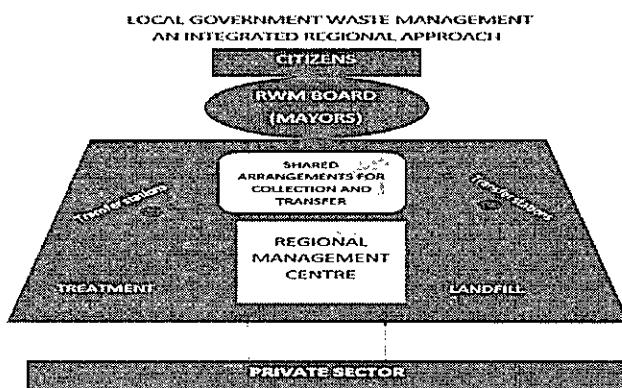


Figure 4: Administrative structure for waste management at the regional level

#### 2.4 Sector(s) and donor coordination

As the leading environmental sector institution for EU accession negotiations, sector coordination duties are assigned within the MoEPP. These responsibilities include developing and implementing the environmental policy and coordinating different institutions and activities under the NPAA for Chapter 27 – Environment and Climate Change (Chapter 27 Working Group). The MoEPP is responsible for Chapter 27 coordination and acts as the Secretariat for Chapter 27 Working Group. The Working Group is the main structure for EU accession negotiations for Chapter 27 and is organised to cover all main subsectors within Chapter 27 and ensures overall horizontal coordination of the sector within the Stabilisation and Association Agreement (SAA); it comprises more than 100 members, representing not only the national public entities with competencies in the environmental sector but also the private sector interests through Chambers of Commerce representatives, as well as civil society interests with CSOs representatives active in environmental issues.

Within the MoEPP, donors' coordination is managed mainly by the **Department for Implementing the Instrument for Pre-accession Assistance (IPA)** and the **Department for Sustainable Development and Investment**. The Department for Implementing the Instrument for Pre-accession Assistance (IPA) coordinates IPA funds. It is organised into three units i) Unit for Programming and Monitoring the Implementation of IPA, ii) Unit for Technical Implementation of the IPA, and iii) Unit for Internal Control and Coordination in IPA Implementation. The IPA department is directly involved in the environmental sector's coordination process in planning, implementing, and monitoring environmental projects financed through the EU's IPA funds. The Department for Sustainable Development and Investment is responsible for coordinating investments in the environment sector from the national budget, bilateral donors, and investments from IFIs' (EIB, EBRD, World Bank, etc.) support through development loans.

In the area of donor coordination, the environment sector also benefits from a well-established policy dialogue channelled through the **Sector Working Group for Environment and Climate Action (SWGEC)**, chaired by the Minister of Environment and Physical Planning. The main aim of the SWGEC is to ensure efficient coordination of activities related to programming and monitoring of EU funds and other bilateral and multilateral assistance and proposing measures and activities in the environment and climate sectors to support different reforms in the country relevant for the EU integration. The SWGEC includes representatives from the main national institutions and leading donors in the sector, such as the EU Delegation, IFIs, other international organisations, bilateral donors and representatives from CSOs.

#### 2.5 Mid-term budgetary perspectives

In North Macedonia, the medium-term budget comprises the Fiscal Strategy and the detailed budget. The Fiscal Strategy includes a medium-term fiscal plan covering three years, including aggregate revenue, expenditures, and borrowing. The detailed budget is prepared based on the Fiscal Strategy. The detailed budget covers one year for operating expenditures (the Special Budget) and three years for capital expenditures (the Development Budget). The medium-term expenditure framework (MTEF) as a budgetary planning and management tool has yet to be that robust in North Macedonia. The annual budget presents an expenditure estimate for the budget year and the

two following fiscal years allocated by administrative and economic classification, but not programme (or functional) classification.<sup>12</sup>

Within the regular annual planning and execution of the national budget, the MoEPP and other central-level bodies foresee activities and financial resources for areas that various programmes will cover. Namely, in the national budget, the year 2023 main allocations for water and waste are within the MoEPP and the Ministry of Transport and Communication. In that respect, the overall financial allocations defined in the national budget (including EIB/EBRD loans) are as follows:

- For the sub-sector water management, approximately EUR 25 877 245 for 2023, EUR 27 000 000 for 2024 and EUR 13 270 000 for 2025 are projected.
- For sub-sector waste management, approximately EUR 3 058 536 for 2023, EUR 26 100 for 2024 and EUR 22 560 for 2025 are projected.

Nevertheless, the annual estimation of total funds allocated for water and waste management in the country remains difficult because the municipalities and the PCEs also undertake investments in these sectors through their budgets, which implement similar interventions at the local level as competent institutions for water and waste management in the country. Most of the interventions are related to rehabilitation and investment for extending the sewerage and water supply network coverage at the respective municipalities. Limited municipality funds are devoted to waste management.

## 2.6 Performance assessment framework

North Macedonia, since 2020, has put in place a **Performance Assessment Framework (PAF)**<sup>13</sup>, streamlining the policy objectives; based on a set of impact and outcome indicators, targets, and baseline data. Considering environmental protection, the Performance Assessment Framework is measured under clearly defined indicators in five (5) sub-sectors/pillars: Air Pollution, Climate Change, Waste, Water and Natural Resources.

Indicators for measuring the achievement of the sub-sector results for water and waste management in the country will be monitored following indicators and targets presented as follows:

*Table 1: Performance Assessment Framework – Water*

Indicator	Elaboration	Baseline	Target
Water exploitation index	Annual total abstraction of freshwater divided by the mean annual total renewable freshwater resource at the country level, expressed in percentage terms.	/	Target for 2027 ≤ 7 %
Quantity freshwater resources used	Exploitation of freshwater resources according to their use in individual sectors, such as: public water supply, irrigation, and electricity production (cooling), losses of water in water supply systems of legal persons registered for water abstraction for manufacturing or distribution of water in millions of m <sup>3</sup> .	/	Target for 2027 ≤ 600 million m <sup>3</sup>
Concentration of nitrates in freshwater	Concentrations of nitrate in rivers and groundwater bodies. The indicator can be used to illustrate geographical variations in current nutrient concentrations and temporal trends.	1.14 mg NO <sub>3</sub> /l – 2015	Target for 2027 ≤ 0.60 mg NO <sub>3</sub> /l
Concentration of orthophosphate in freshwater	Concentrations of orthophosphate in rivers and groundwater bodies. The indicator can be used to illustrate geographical variations in current nutrient concentrations and temporal trends.	0.26 mg P/l – 2015	Target for 2027 ≤ 0.20 mg P/l
Drinking water quality	This indicator shows the exceedance of limit values of pollutants according to the legislation. EU and North Macedonia.	94,40 % of safe samples – 2017	Target for 2027 ≥ 98 % of safe samples

<sup>12</sup>IMF Country Report No. 22/219 "North Macedonia Technical Assistance Report – Public Expenditure and Financial Accountability Performance Assessment", July 2022

<sup>13</sup><https://pafnorthmacedonia.mk/PAF/>

Table 2: Performance Assessment Framework – Waste

Indicator	Elaboration	Baseline	Target
Municipal waste generation	Tons of municipal waste, i.e. non-hazardous waste generated by natural persons in households and commercial waste	768,000 t - 2017	Target for 2027 ≤ 940,000 t
Final municipal waste generation	Final management of the overall amount of municipal waste through the processes of: Incineration (with and without energy recovery) Landfilling (controlled or uncontrolled landfills) Composting Reuse or recycling other manner of management.	635,870 t - 2017	Target for 2027 ≤ 846,000
Quantity of generated medical waste	This indicator shows the final management of the overall amount of municipal waste through the processes of: Incineration (with and without energy recovery) Landfilling (controlled or uncontrolled landfills) Composting Reuse or recycling other manner of management.	704,61 t - 2015	/
Collected municipal waste generation	Amount of the collected municipal waste	635,870 t – 2017	Target for 2027 ≥ 893,000 t
Tons of recycled paper, glass and plastic waste	The amount of paper, glass and plastic waste, which is recycled.	0 t – 2017	Target for 2027 ≥ 10,000 t

## 2.7 Socio-economic analysis (including SWOT analysis)

North Macedonia is a landlocked country on the Balkan Peninsula with an area of 25,713 km<sup>2</sup> and a population of 2,097,319 inhabitants, out of which 1,836,713 resident population.<sup>14</sup> The Local Self-Government Units (LSGU) perform the executive authority at the local level. North Macedonia is administratively divided into 80 municipalities, plus the City of Skopje, as a separate entity composed of ten (10) municipalities. As of 2003, the LSGU's role and competencies have expanded since the decentralisation process.

North Macedonia is a lower-middle-income country with a gross domestic product (GDP), according to the European Commission<sup>15</sup>, of EUR 12 billion in 2021. Its economy is highly dependent on the service sector, which accounts for more than 60% of its GDP. The agriculture and manufacturing sectors are also significant contributors to the economy, with agriculture accounting for approximately 10% of the GDP and manufacturing accounting for around 20%. The IMF<sup>16</sup> forecast that the country's GDP will grow by 3.6% in 2024, driven primarily by a rebound in domestic demand and an uptick in exports.

The country faces a range of socio-economic challenges that impact the well-being of its citizens and the development of its economy. Some of the main challenges include i) high poverty levels and inequality, with a poverty rate of 21.5% and one of the highest levels of income inequality in Europe; ii) high level of unemployment, which reached 17.6% in 2020, significantly higher than the EU average; iii) brain drain phenomenon, which has significantly increased in recent years, with many educated and skilled citizens leaving the country searching for better opportunities elsewhere; iv) corruption is a persistent problem in North Macedonia, which can hinder economic growth and discourage foreign investments. The country has implemented reforms to address the latter, but more work is needed to strengthen transparency and accountability.

The strategic orientation of North Macedonia is the accession to the European Union. It holds a candidate country status for EU membership and started the EU accession negotiations after approval by the Council on 18 July 2022 of the Negotiating Framework for the negotiations with North Macedonia, in accordance with the revised enlargement methodology and the Council's conclusions.

## Water Management

### Drinking water

<sup>14</sup> Census 2021

<sup>15</sup> [https://webgate.ec.europa.eu/isdb\\_results/factsheets/country/overview\\_north-macedonia\\_en.pdf](https://webgate.ec.europa.eu/isdb_results/factsheets/country/overview_north-macedonia_en.pdf)

<sup>16</sup> <https://www.imf.org/external/datamapper/profile/MKD>

Based on the hydrographical conditions of the country, there are four river basin areas<sup>17</sup> and three major natural lakes<sup>18</sup>. While river basin management plans (RBMPs) for Lake Prespa and the Bregalnica River have been prepared, the RBMPs for the Strumica and Vardar River Basins are under preparation. However, none of the RBMPs prepared so far have been officially adopted. No RBMP shall be made for the Juzna Morava due to its small size, occupying only 0.17 % of the country's territory.

The Local Self Government Units (LSGUs) are responsible for undertaking infrastructure investments for water service providers such as water supply, wastewater collection, and wastewater treatment in their respective territories, except for municipalities within the City of Skopje, where this responsibility falls to the city.

The LSGUs have generally established Public Communal Enterprises (PCEs) to provide water services. In rare cases, inter-municipal cooperation has been utilised to provide water services. LSGUs may delegate the responsibility to another organisation to ensure adequate water services. There are three modalities for water service provisions in North Macedonia: i) PCEs established by the municipalities, ii) PCEs established by the Government, and iii) private operators.

Currently, 81 water service providers are operating, and population coverage varies in size from over 500,000 in the case of the City of Skopje to less than 10,000 inhabitants in several rural municipalities. With EU support<sup>19</sup>, a Directive Specific Implementation Plan (DSIP) was developed for the Drinking Water Directive delineating 706 water supply zones.

Around 1.71 million inhabitants (82% of the country's total population), have access to a centralised drinking water supply managed and operated by public water utility enterprises (PCEs). Another 0.25 million inhabitants (12%) receive their water supply through local, rural water supply schemes managed by their respective communities. The remaining 0.12 million inhabitants (6%) obtain their water supply independently. There are noticeable regional differences in the current coverage of drinking water. The Skopje Region has the highest coverage of regularly managed and monitored centralised supply, around 96%, while the Polog, Northeast and Southwest Regions have the lowest coverage, ranging from 60 to 78%.

Groundwater is the dominant source of drinking water supply for the population and other users (>85%). However, there are significant concerns regarding the water supply, including the loss of water in drinking water supply network systems, leakage from degraded irrigation systems, the need for awareness of technical devices for saving water resources and the lack of sanitary protection at the sources. In North Macedonia, solely monitoring the aspects of the quality and quantity of surface water and groundwater resources is not sufficient in order to provide a holistic picture of the overall state of water resources.

#### *Wastewater collection and treatment*

Although the Law on Waters and the related secondary legislation as of 2011 is aligned with the UWWT Directive (91/271/EEC), still significant delays are encountered in its practical implementation. The country is facing water pollution issues, with the primary cause of this pollution coming from untreated wastewater. Only 25 municipalities are serviced by a wastewater treatment plant, covering 24.5% of the population. Consequently, most receiving water bodies – lakes and rivers - are polluted, and it will be challenging for these water bodies to meet the EU Water Framework Directive (WFD) criteria for “good” status soon. Many large cities do not have separate storm and sewage collection systems, while rural areas predominantly have combined sewage and storm wastewater collection systems.

The responsibility for collecting and treating wastewater in North Macedonia is shared between the Government and the Local Self-Government Units (LSGUs). The LSGUs have exclusive responsibility for wastewater management, except in the perimeter of the City of Skopje, where the City of Skopje Administration is responsible. The PCEs are responsible for operating and maintaining the wastewater systems and are owned and controlled by the LSGUs. As of 2017, the PCEs must adopt annual development programmes and prepare business and tariff adjustment plans in compliance with the provisions of the Law on Setting the Prices for Water Services as a precondition for obtaining approval by the Regulatory Commission for Energy and Water Services of their water services price.

To meet EU requirements for wastewater, vast investments are needed. The country must be able to absorb and efficiently implement capital-intensive infrastructure projects with EU assistance. To have good planning and efficient use of resources, in 2017, within an EU-funded project under IPA I, the National Water Study was

<sup>17</sup>Rivers Vardar, Crn Drim, Strumica and Juzna Morava

<sup>18</sup>Ohrid Lake, Prespa Lake and Dojran Lake

<sup>19</sup>IPA Project: Development of National Water Study. EuropeAid/136505/IH/SER/MK

developed, containing several documents relevant to the overall water sector management in the country. Relevant to the wastewater are the following generated documents:

- Institutional Development Plan for Water Management.
- Water Supply and Wastewater Collection and Treatment Policy.
- Report on Identified Agglomerations and Sensitive Areas.
- Directive Specific Implementation Plan (DSIP) for Urban Wastewater Treatment Directive (UWWTD).
- Strategic Framework for Sludge Management.
- Programme for Water Supply and Wastewater Collection and Treatment.

The DSIP for the UWWTD has identified 123 agglomerations throughout the territory of North Macedonia, out of which 120 are agglomerations above 2000 p.e. and are considered Category 1 agglomerations.

*Table 3: Distribution of Agglomerations between regions*

Region	No. of Agglomerations	2030 Population	2030 % Total Population	2030 Population Equivalent
Southwest	20	164,585	77%	198,215
Skopje	19	627,563	95%	860,485
East	10	126,510	77%	154,157
Pelagonia	12	171,510	80%	214,216
Southeast	15	115,099	67%	138,966
Polog	25	285,003	85%	352,446
Vardar	10	119,332	81%	145,579
Northeast	12	154,609	87%	193,101
<b>North Macedonia Total</b>	<b>123</b>	<b>1,764,463</b>	<b>84%</b>	<b>2,257,165</b>

Also, the levels of coverage with wastewater collection systems within all agglomerations have been determined based on the data from 2016. The following information focuses only on the Category 1 agglomerations, i.e. those with an estimated p.e. of more than 1,900.

Overall, in the DSIP for the UWWTD prepared in 2016 it was calculated that about 1.33 million people<sup>20</sup> were connected to sewer systems which represent approximately 77.3% of the population in Category 1 agglomerations (Category 1 agglomerations with more than 2,000 population), that is about 64% of the total population in the country).

*Table 4: Connection to Wastewater Collection; Regional Summary*

Region	Population Connected	Population in Connectivity	Category 1 Agglomerations
Skopje	495,840	589,639	84.1%
East	114,573	130,854	87.6%
Pelagonia	165,145	178,023	92.8%
Southeast	84,528	111,411	75.9%
Polog	145,157	270,076	53.7%
Southwest	112,037	167,006	67.1%
Vardar	111,702	121,690	91.8%
Northeast	98,481	149,803	65.7%

<sup>20</sup> Data are calculated on the number of populations from 2002 census that has estimated about 2.1 million population

Region	Population Connected	Population in Connectivity	Category 1 Agglomerations
North Macedonia Total	1,327,463	1,718,504	77.3%

Additional sewerage connection needs to be provided to approximately 400,000 people, representing 23% of the population in Category 1 agglomeration and about 19% of the national population.

There is a substantial variation in the connection rate found in the different regions, with the lowest level of connection being in Polog (53.7% of the region's population) and the highest being in Pelagonia (92.8% of the region's population).

However, the Statistical Office of North Macedonia for 2022 reported that the total number of households connected to the wastewater collection system is 528,835, 88% of the existing households based on the 2021 population Census.

Currently, 25 wastewater treatment plants operate with a total capacity of 590,000 p.e., as summarised in Table 5.

Table 5: Wastewater Treatment Plants (Functional)

No	WWTP Name	Municipality	Design p.e.	Treatment	Built
1	Nov Dojran	Dojran	12,000	No Data	1988
2	Miravtsi, Gevgelija	Gevgelija	3,000	Secondary	2000
3	Bogoroditsa, Gevgelija	Gevgelija	2,500	Secondary	2005
4	Lozovo	Lozovo	2,200	Primary	2006
5	Argulitsa, Karbintsi	Karbintsi		Tertiary	2016
6	Tarintsi, Karbintsi	Karbintsi	600	Tertiary	2005
7	Kukurechani	Bitola		Primary	2008
8	Krivogashtani	Krivogashtani	3,200	Primary	2007
9	Berovo	Berovo	14,000	Secondary	2010
10	Kumanovo	Kumanovo	91,000	Secondary	2006
11	Chucher Sandevo	Chucher – Sandevo	3,000	Secondary	2007
12	Ilinden	Ilinden	1,250	Secondary	2016
13	Marino, Ilinden	Ilinden	1,250	Secondary	2011
14	Kadino, Ilinden	Ilinden	1,250	Secondary	2015
15	Makedonski Brod	Makedonski Brod	5,000	Secondary	2000
16	Volkovo	Gjorche Petrov	19,500	Secondary	2016
17	Ezerani, Resen	Resen	12,000	Secondary	2004
18	Vranishta, Struga	Struga	120,000	Secondary	1988
19	Belchishta, Debartsa	Debartsa	500	Secondary	2006
20	Gevgelija	Gevgelija	30,000	Secondary	2018
21	Kichevo	Kichevo	48,000	Tertiary	2018
22	Prilep	Prilep	95,000	Secondary	2018
23	Radovish	Radovish	25,000	Secondary	2018
24	Strumica	Strumitsa	53,491	Secondary	2018
25	Kochani	Kochani	65,000	Secondary	2019
	Total		590,000		

The current capacity of the wastewater treatment plants in North Macedonia is approximately 590,000 population equivalents (p.e.), which represents about 24.5% of the required capacity of 2.1 million p.e. However, it should be noted that the construction works for building the central wastewater treatment plant (WWTP) for the capital city

of Skopje, with a capacity of 625,000 p.e., will soon begin. The investment works have been supported through an EU grant, EIB (leading lender), and EBRD loan. Upon completion of this project, North Macedonia's wastewater treatment capacity will increase to around 1.15 million p.e., about 55% of the required treatment capacity for the entire country.

Moreover, it is worth mentioning that the EU-funded Sector Operational Programme for Environment and Climate Action (2014-2020) – IPA II proposes the construction of at least two more WWTPs. These include the WWTP in Bitola with a capacity of 112,474 p.e. and the WWTP in Tetovo with a capacity of 95,000 p.e. Upon completion of these projects, wastewater treatment capacity in the country will be raised by an additional 207,000 p.e., bringing the total capacity to 1.43 million p.e. This would represent approximately 67% of the required secondary treatment capacity in North Macedonia.

The DSIP for the UWWT Directive has indicated that 87 WWTPs are needed, of which 17 WWTPs should be with tertiary treatment. The total needed investment to meet the requirements of the UWWT Directive is estimated at EUR 1.2 billion in 2017; with the current investment rate, full compliance is foreseen in the year 2041.

Currently, coverage of wastewater collection and treatment investments remains a substantial challenge for national and local authorities. Therefore, the available national, EU and other donors' funds must be planned strategically. Also, the continuing burden of operating and maintaining the wastewater collection and treatment systems cannot be subject to external support, meaning that the PCEs will need to be able to generate revenues to cover these costs. In that direction, the Government, supported by the EU, undertook some actions to set up an appropriate water pricing system by adopting the new Law on Setting the Prices for Water Services and gradually introducing the "polluters pay" principle. The Regulatory Commission for Energy and Water Services (ERC) was appointed to set water service prices.

In its 2022 Annual Report<sup>21</sup>, the ERC lists 87 water service providers in North Macedonia, of which 81 are PCEs that provide water supply and wastewater collection and treatment services locally. The other six are in charge of water accumulation drainage systems. Introducing a water price regulatory body in the country has positively contributed to gradually improving water usage efficiency. Though there is still significant water loss (non-revenue) at about 62.42%, it is recorded that water loss decreased by 13.11% and water efficiency in 2022 increased by 9.58% compared to 2021.

To ensure proper improvements in the wastewater sector management, there are several issues related to sewage collection and wastewater treatment which need to be addressed, which include the following:

- Extending wastewater treatment capacities.
- Extending and rehabilitating sewerage networks and separating stormwater systems from the sewerage system.
- Improving the economic setup of the PCEs to ensure cost recovery and sustainability of operations through better tariff-setting practices and increased revenue collection rates.
- Improving human resource capabilities to incorporate relevant sector knowledge.
- Increasing the efficiency of the PCEs' operations.
- Establishing and performing regular monitoring of urban wastewater quantities and quality and improving the information system on wastewater collection, treatment, and discharge.
- Raising public awareness about wastewater as a source of pollution and environmental degradation.

The OP will address the problems mentioned above for the WWTPs of the Municipalities of Veles (as primary intervention), Tetovo and Kavadarci (as reserve interventions). It will provide equipment for the PCE in eight municipalities.

### **Waste Management**

The legal and policy framework governing the waste sub-sector in the country aligns with the European Union. However, the implementation of this framework has been delayed due to insufficient investments in waste management.

The waste management system in North Macedonia relies on the Public Communal Enterprises (PCEs) for waste collection, transportation, and disposal. However, these entities need more funds to invest in waste separation and treatment infrastructure, resulting in mainly mixed communal waste collected and disposed of in non-compliant

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<sup>21</sup> [https://www.erc.org.mk/odluki/2023.04.26\\_RKE%20GI%202022-FINAL.pdf](https://www.erc.org.mk/odluki/2023.04.26_RKE%20GI%202022-FINAL.pdf)

landfills. Municipalities lack the administrative capacity to oversee and adequately support the PCEs. The Regional Waste Management Centres, as per the provisions of the new Law on Waste Management, were established within the Centres for Development of Planning Regions (*in total, 8 Centres, one for each planning region*). Even though such an organisation was done to increase their financial sustainability, the centres still have limited personnel and financial resources that impede them from becoming fully operational and performing their duties.

Mixed communal (municipal) waste is the most significant type, accounting for 522,914 tonnes or 82.7% of the total collected. The total generated waste in North Macedonia in 2021 was 896,066 tonnes. The annual amount of generated municipal waste per person in 2021 was 452 kg per person, the same as in 2020. Most of the collected communal waste (99.8%) is disposed of in landfills.

In 2021, 82% of the total population in North Macedonia had access to waste collection services according to the State Statistical Office.

In North Macedonia, only the Skopje landfill "Drisla" meets the minimum criteria set by the EU Directive on landfills. Thus, most municipalities use their own non-compliant landfills for waste disposal, or jointly share one landfill with other municipalities, resulting in 54 municipal non-compliant landfills, where 14 of the non-compliant landfills occupy an area of 0-5000 m<sup>2</sup> each. In 2020, 630,086 tonnes of waste were deposited in all landfills. In 2021, 632,087 tonnes of municipal waste were collected, representing a 0.3% increase from 2020, according to the State Statistical Office. The Skopje Region registered the highest amount of collected municipal waste at 176,917 tonnes, accounting for 28% of the total accumulated amount in the country. Of the municipal waste collected, 84% or 528,261 tonnes, came from households, while the remaining 16% originated from legal and natural persons, including commercial waste.

Closure of non-compliant landfills remains challenging for North Macedonia as substantial financial resources are needed. There are 54 identified "official" non-compliant landfills, classified based on their risk, as 16 with "high risk" (7 being in East and Northeast regions), 16 with "medium risk", and 22 with "low risk".

Extended Producer Responsibility (EPR) schemes have been implemented for packaging, waste from electrical and electronic equipment (WEEE), and batteries resulting in significantly higher recycling rates. For example, out of the products placed on the market that are part of the EPR packaging scheme, 68% of paper and cardboard, 39% of plastics, and 23% of glass have been recycled, which shows the country's potential for recycling, provided that appropriate infrastructure is in place.

Efforts to introduce regional self-sustainable waste management systems have been intensified, with EU IPA funds financing the preparation of necessary projects' technical documentation (FS, Regional plans, EIA, SEA, and Tender Documentation) which shall ensure the financial works of waste infrastructure in six regions. The Swiss Government is supporting similar types of activities in the Polog region.

The EU's infrastructure investment focuses on two regions, namely the East and Northeast. The first two projects in these regions developed planning and technical documentation to address non-compliant landfills and dumpsites. They financed their partial closure and supplied essential waste management equipment for both regions, including trucks and waste street containers. A significant project under IPA II related to establishing self-sustainable waste management infrastructure is also in the project pipeline for both regions. The project associated with the supply of trucks and waste street containers was completed. One project for the closure of some of the non-compliant landfills in the East region is under implementation. The project related to the establishment of one central waste management facility - landfill and related MBT plants – and six transfer stations experienced delays in implementation. This was due to the challenges in preparation of urban planning documentation that led to the necessity to change some of the previously agreed locations for the transfer stations. Additionally, the EIA consent for the project expired, leading to a repetition of the EIA procedure. These factors contributed to the postponement of the procurement procedure, which is now expected to commence at the second half of 2024. Also, several other technical assistance projects are planned to facilitate the process in both regions.

To enhance the waste management system and achieve its strategic objectives, the Government of North Macedonia has requested financial assistance from the European Bank for Reconstruction and Development (EBRD) to establish and develop waste management systems in five administrative regions in the country (the Polog region, the Vardar and the Southeast regions ("VSE region") and the Pelagonia and Southwest regions ("PSW region")).. At the beginning of 2023, the loan has been complemented with an investment grant from the Western Balkan Investment Framework (WBIF) in the amount of EUR 22.5 million.

As part of this initiative, the EBRD has approved the financing of the following components:

- In the PSW region, the construction of a sanitary landfill in Novaci and five transfer stations (TS), and the procurement of waste collection trucks and bins/containers for mixed waste and recyclables.

- In the Polog region, the upgrading of the disposal site Rusino, including associated equipment, the construction of two new composting plants and two TS with the required equipment, and the procurement of waste collection trucks and bins/containers for mixed waste and recyclables.
- In the VSE region, the construction of a sanitary landfill in Dobrosinci and four TS, and the procurement of waste collection trucks and bins/containers for mixed waste and recyclables.

The borrower for this project is the Ministry of Finance, while the MoEPP will be responsible for implementing the project. The loan will be disbursed in two tranches. Tranche 1 will cover investments in the Polog Region and will also be co-financed (grant) by the Swiss State Secretariat for Economic Affairs (SECO) and will include: i) all above-listed activities, ii) waste collection and transport equipment for the Vardar and Southeast (VSE) and Polog and Southwest (PSW) regions; and iii) landfill and TS for the PSW region. With the Swiss support, technical assistance shall be provided to the PCEs and will support the development of the Waste Tariff Methodology for the set waste management services. Tranche 2 will finance the landfill and TS in the VSE region and the waste collection and transport equipment for PSW and VSE regions.

In summary, to improve the situation, several measures need to be implemented:

1. Source and secondary separation infrastructure must be extended to comply with the Waste Framework Directive targets.
2. Waste collection service coverage has to be extended, and collection efficiency improved.
3. Waste composting facilities and a system for diverting biodegradable waste from the general waste stream have to be established.
4. Collection system of waste from electric and electronic equipment, batteries and other unique waste streams has to be extended.
5. Landfills compliant with the Landfills Directive requirements have to be constructed.
6. A system for hazardous waste separation and treatment has to be established.
7. The efficiency of PCEs responsible for waste collection has to be improved, and institutional capacities strengthened.
8. Human resource capability has to be improved with relevant sector knowledge.
9. A newly set tariff system guaranteeing the sustainability of waste management operations has to be implemented.
10. Information on all streams of waste has to be improved.
11. Public awareness must be raised, particularly for separation at source and recycling.

Except for measures 4 and 6, this OP will support all the other measures mentioned above in the East and Northeast regions.

#### SWOT analysis

A SWOT analysis is performed for the water and waste management sub-sectors to justify selecting the specific interventions intended to be financed in this OP. The results of the SWOT analysis were extensively discussed and consulted to a particular meeting held on May 11, 2023, with representatives from departments within the MoEPP that are the main beneficiaries of this OP (i.e., the Department for Water, the Department for Waste, and the IPA Implementation Department that will have the role of a Managing Authority for the OP).

#### *Strengths*

The EU support has been essential in enhancing waste and water management in the Western Balkans region. One of the fundamental strengths is that the key national policy documents for waste and water management (see Section Error! Reference source not found. 2.1-above) have been approved by the relevant national authorities, considering their importance in providing the strategic framework and guidance for the sub-sectors development. The key policy documents provide a clear framework and direction for developing waste and wastewater management systems, enabling consistent and cohesive actions in both sub-sectors.

In addition, the regulatory framework is already established, and the Law on Setting Prices for Water Services provides the ground for improving the performance of the PCEs and enhancing their sustainability over the years by ensuring that water service prices will secure sufficient funds for covering all their operational costs. The legal setup provides and strengthens the financial sustainability of the water management systems, allowing them to be maintained over the long term.

The commitment and engagement of both the national authorities and the relevant municipal authorities in the East and Northeast regions, and the experience and lessons learned that they have gained during the development of the integrated waste management systems in these regions is a significant strength that will be used during the implementation of similar projects in other regions financed under the OP. Sharing lessons learned for promoting the importance of local engagement among municipalities is crucial for the success of the waste management

initiatives, especially for ensuring the participation of the communities in the decision-making process, promoting a partnership approach and having a stake in the outcomes.

Furthermore, the feasibility studies, detailed designs, and other related project documents for the investment projects being in the preparation stage indicate that the portfolio of projects is maturing. Also, the commitment of the national authorities to developing a solid pipeline of investment projects that will be ready for implementation is another proof of overall progress in both sub-sectors. This shows that there is a focus towards appropriate prioritisation by the Government and planning of the portfolio of investments in waste and wastewater management for fulfilling the EU requirements in the pre-accession period. The strategic approach towards prioritisation and maturing the portfolio of the investments is also evident from the fact that the selected priorities under the OP are consistent with the priorities in the National Single Project Pipeline. Moreover, such an approach provides ground for strengthening the synergy of the use of EU funds and the national and donors' funds in the two sub-sectors, thereby maximising the results of all interventions aimed at modernising and improving the wastewater and waste management systems in the country.

Finally, a major strength is the high awareness of the relevant stakeholders and the general public of the importance of the environment and, thereby, waste and water management issues. The continuous support that the EU has provided in the two sub-sectors for many years, and the proper level of awareness create a receptive and friendly environment among the broader public for implementing waste and water management initiatives, ensuring that these initiatives are considered regional priorities.

Overall, the identified strengths are a positive factor created by the country and the national authorities, providing a solid foundation for successfully implementing the interventions planned under the OP.

### ***Opportunities***

The requirements of the EU accession process allow North Macedonia, as a candidate country for EU membership, to further strengthen its efforts to fully align with the EU's environmental *acquis*. The prospective membership offers a framework for development and provides concrete targets to be achieved that further encourage the country's commitment towards implementing the interventions under the OP. The EU strongly emphasises the Green Agenda in the Western Balkan Countries, making it a top priority that captures the attention of national authorities. Therefore, in the context of better implementation of the OP, the intensification of the EU accession process that brought the relations between North Macedonia and the EU to another level is seen as an important opportunity. The continuously intensifying dialogue creates the necessary environment for boosting the commitment on both the EU and national levels to supporting the sustainable waste and water management systems in North Macedonia. This provides a platform for collaboration and knowledge-sharing between the EU and the national authorities, but also wider with representatives from the Western Balkans.

One of the major opportunities is the great potential of both sub-sectors to improve the quality and efficiency of wastewater services and in helping to protect natural resources. Water and waste planning documents allow for the identification of priority areas and the establishment of measures to improve waste and water services for citizens in view of achieving a cleaner environment with reduced pollution. All planned measures will be implemented per the Green Agenda and in a timely fashion.

Furthermore, adequate water and waste management can contribute to economic development by improving the landscape and supporting sustainable development practices. The positive economic effects caused by acceptable wastewater and waste management policies create an opportunity for promoting the interventions, a better life for citizens in those municipalities and a basis for better tourism development and other economic activities.

The climate vulnerability and risk assessment are being conducted in the context of the (re)elaboration of the environmental impact assessment of the Veles major wastewater project. The adaptation measures are planned to consider the climate projection of the country in general and particularly the area where the WWTP will be located. The Hydrology Study will be developed to propose flood risks measures for safe WWTP operation in the periods with high precipitations. The mitigation measures are focus on energy independence of the WWTP and reduction of CO2 emissions planning the construction and operation of PV plant and utilization of the biogas to produce heat and electrical energy.

By taking advantage of these opportunities, the country can make significant progress in promoting sustainable development and environmental protection while improving citizens' quality of life and ensuring that the region's natural resources are protected for future generations.

### ***Weakness***

One of the main challenges is the limited capacity of the PCEs, which may hinder the successful management of the planned interventions. The lack of adequate administrative capacities is coupled with poor management at the

level of local authorities and the lack of proper control mechanisms of the municipalities over the PCE's performance, which can result in ineffective project implementation, delays and other deficiencies.

In addition, limited human resources and skilled personnel in both sub-sectors, also including the sector of designing and construction of infrastructure in the two sub-sectors, can further exacerbate these issues. The need for more funds for investments in water and waste management is another critical issue that needs to be addressed, along with the lack of funds for implementing waste and waste management plans.

Another area of concern is the low capacity to enforce environmental legislation due to the limited administrative capacity and need for more expertise in the relevant institutions in charge of implementing the legislation.

Furthermore, low institutional capacities for establishing and implementing monitoring and reporting processes pose a significant challenge, as do weak databases and information systems and poor equipment to perform these tasks. These challenges must be addressed to improve the country's overall water and waste management effectiveness. The EU can support the government in addressing these weaknesses through technical assistance and financial support, working closely with national and local authorities to develop and implement effective strategies and policies for the sector.

#### ***Threats***

Several significant threats to wastewater and waste management sub-sectors must be considered to avoid their potential impact on the OP implementation. The first threat is the expected increasing prices for water and waste services. This could lead to decreased collection rate due to the unwillingness of the citizens to pay increased tariff for the wastewater and waste services. Such circumstances may impact the financial resources that the PCEs need for proper operation and maintenance of the infrastructure. It is crucial to strike a balance between the level of the tariffs and securing sustainable financing for wastewater and waste infrastructure.

The weather conditions frequently changing due to climate change are seriously threatening and negatively affecting the wastewater and waste management sector. Changing weather patterns could cause droughts, flooding, and severe weather events, making it challenging to manage and maintain the wastewater and waste infrastructure mainly due to increased running costs or the need to implement additional protective measures such as flood protection. Therefore, when planning and designing infrastructure in the wastewater and waste management sector, for the relevant authorities it is essential to consider climate change adaptation and mitigation measures to neutralise those threats and improve the feasibility of the planned interventions. As landscapes have changed, technologies for water pollution control have become more finessed to treat higher loads of wastewater. This led to the increase in conventional wastewater treatment plants, which tend to be carried out as an 'end of the pipe' solution, using a combination of physical, chemical and biological processes and operations to remove solids, organic matter and, when needed, nutrients (tertiary treatment) from wastewater to protect against contamination of downstream water bodies. Natural-based solutions (NbS) can be integrated into the water sector taking into account local conditions (climate, precipitation patterns, etc.). These benefits from using NbS include improvement of water quality, as well as benefits beyond this for people and nature, such as: increasing biodiversity; providing social co-benefits, such as recreational areas and wellbeing through green spaces; improving urban microclimates; flood and storm peak mitigation; biomass production; and enabling water reuse. Nature-based Solutions should be applied to actions designed to work with and enhance natural habitats to take advantage of the ability of healthy natural and managed ecosystems to sequester carbon and support biodiversity recovery. Dumping waste in landfills without considering NbS solutions can create threats, to biodiversity, environment etc. and for this reason it is necessary to consider introducing actions designed to work with and enhance natural habitats to take advantage of the ability of healthy natural and managed ecosystems to sequester carbon and support biodiversity recovery.

Another significant threat is the emigration trends of the population living in the areas where the interventions will take place. This could lead to a loss of knowledge and expertise in the sector and hamper the sustainability of the implemented interventions. Conversely, the expected decreasing trends in population may also impact the planned interventions regarding their over-dimensioning. Those trends could only sometimes be precisely anticipated when planning the interventions.

Although on the margins, a threat which may further hamper progress in the waste management sector is the potential resistance that might occur among the staff of the PCEs and the wider public in changing traditional water and waste management practices, particularly in waste selection and separate waste collection.

One of the threats is related to delays in finalisation/preparation of the technical documents for infrastructure projects thus affecting the maturity of the envisaged projects within this OP on Environment. This may impact the duration of projects' implementation and the disbursements of the planned budget allocations. Commitment both from the MoEPP and the respective municipalities is needed for completion of the needed technical documents.

The MoEPP will be supported with implementation of the OP on Environment under output 3 that will contribute positively in avoiding substantial delay and foster the communication with municipalities.

Addressing these threats and mitigating their impacts is critical to ensure sustainable and resilient water and waste management systems. The EU and its Member States can provide support and expertise to the partner countries to develop and implement strategies and actions to address these challenges.

Strengths	Weakness
<ul style="list-style-type: none"> <li>National policy documents for waste and water management are approved and provide guidance for the sectors' development.</li> <li>Law on Setting the Prices of Water Services supports improvements in the PCE performance and their financial sustainability over the years to secure sufficient funds that will cover all operational costs.</li> <li>The experience gained by the municipalities in the East and Northeast regions and their long engagement records in developing integrated waste management systems could be used as lessons learned by other municipalities.</li> <li>Adequate成熟度 of project documents i.e., feasibility studies and designs for the planned investment projects are in the final stage of preparation.</li> <li>Sufficient level of awareness among relevant stakeholders and the wider public for sustainable development and waste and wastewater management issues.</li> </ul>	<ul style="list-style-type: none"> <li>Limited capacity of the PCEs to manage infrastructure projects, including construction works project design.</li> <li>Poor management and control mechanisms that the municipalities have over the PCEs' performance.</li> <li>Lack of skilled and knowledgeable personnel. Lack of funds for investments in water and waste management.</li> <li>Outdated infrastructure for water and waste in the PCEs.</li> <li>Lack of funds for the implementation of water and waste management plans</li> <li>Low capabilities to enforce the environmental legislation.</li> <li>Resistance among the staff of the PCEs and the wider public to change traditional practices, especially in waste management.</li> <li>Low capacities for the establishment and implementation of monitoring and reporting processes.</li> <li>Weak database and information system.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>EU Accession process and commitment to the EU Green Agenda at the national level create an environment for implementing interventions in wastewater and waste sub-sectors.</li> <li>Great potential that the two sub-sectors create for improving the quality and efficiency of waste and wastewater services.</li> <li>Assessment of climate vulnerability and risk carried out for wastewater projects.</li> <li>The positive economic developments provoked by adequate wastewater and waste management policies increase the attractiveness of those policies in the context of the overall economic development at the national level.</li> <li>Provided assistance to the MoEPP for implementation of this OP creates supportive conditions for timely preparation of projects' documents.</li> </ul>	<ul style="list-style-type: none"> <li>Decreased collection rates resulting in lower financial sources for operation and maintenance for the PCEs due to increasing the prices for wastewater and waste services.</li> <li>Adverse weather conditions, such as flooding or droughts, resulting from climate change which are affecting the planned infrastructure interventions.</li> <li>The decrease of population living in the areas where the interventions will take place due to migration trends, which might result in over-dimensioning of the planned infrastructure interventions.</li> <li>Delays in finalisation/preparation of the technical documents for the infrastructure projects might affect the maturity and timeline for projects' implementation.</li> <li>Benefits of NbS not used as part of waste and wastewater systems</li> </ul>

### 3. Overall Objective and Specific Objectives of the Operational Programme

The Overall Objective (Impact) is to enhance the implementation of the Green Agenda in North Macedonia.

The Specific Objective 1 (Outcome 1) is to reduce the amount of untreated wastewater discharged into recipients and improve wastewater management in compliance with EU requirements, including the reduction of GHG emissions.

The Specific Objective 2 (Outcome 2) is to reduce environmental deterioration and increase recycling by improving the regional waste management system and ensuring compliance with EU requirements, including the reduction of GHG emissions.

The Specific Objective 3 (Outcome 3) is to increase readiness of North Macedonia for EU accession negotiations under Chapter 22.

### 3.1 Coherence with the IPA III Programming Framework and with the specific policy instruments of the enlargement process

The Operational Programme (OP) for Environment in North Macedonia is highly relevant to the European Union (EU) accession process. The OP aligns with the EU's strategic priorities and policy instruments for the Western Balkans and North Macedonia's national environmental protection and sustainable development priorities. The OP aims to support the country in meeting the environmental *acquis*.

The OP addresses specific elements of policy instruments of the enlargement process, as it:

- Aligns with the **Economic and Investment Plan (EIP) for the Western Balkans and the Green Agenda**, focusing on sustainable economic development and environmental protection through waste and water management investments based on circular economy principles and climate resilience. The OP supports the EIP's aim to address waste and wastewater management challenges by developing modern waste management systems, improving wastewater treatment infrastructure, implementing EU standards, climate resilient action, promoting circular economy principles, and providing financial support. This represents a significant commitment of the EU to support environmentally friendly development in the region.
- Considers the **recommendations of the Commission Reports**, which assesses candidate countries' progress in meeting the requirements for EU accession. The Programme addresses the identified gaps and challenges in the environmental sector, as highlighted in the Commission Report. It supports the necessary reforms and investments to align with the EU's environmental standards.
- Addresses two out of the three recommendations made in the EU Progress Report for North Macedonia 2022, being "implement measures for setting up a regional waste management system, focusing on the East and Northeast regions" and seeking to "accelerate efforts for the reduction of air pollution at the local and national level and the reduction of point and diffuse pollution of freshwater resources".<sup>22</sup>
- Aligns with the 2022 European Commission's **Country Report** or Chapter 22 of the EU's negotiating framework. The operational programme aims to improve the institutional, administrative, and technical capacity for the management of EU funds by adopting a staff retention policy, strengthening the capacity-building mechanism, and enhancing the implementation of EU funds. The programme also focuses on environmental governance, waste, and water management measures. It aims to reduce point and diffusing pollution of freshwater resources and establish a regional waste management system. The programme will contribute to implementing the Urban Wastewater Treatment Directive and the Waste Framework Directive. The OP will address the challenges and recommendations mentioned in the aforementioned report, such as improving administrative capacity and implementing waste and water management projects.
- Is consistent with the **Economic Reform Programme 2023-2025**, proposing measures to achieve competitiveness, inclusive growth, and green transition. Measures 7 and 8 of the ERP propose establishing wastewater and waste management systems in line with EU requirements to protect human health and the environment, increase circular economy implementation, and enable financial self-sustainability. The OP aligns with these measures to support establishing wastewater and waste management infrastructure in North Macedonia.
- Considers the conclusions of the meetings organised in the context of the **Stabilisation and Association Agreement (SAA)** between the EU and North Macedonia. The programme aligns with the environmental priorities and commitments under the SAA, including implementing the Economic and Investment Plan and the Green and Digital Agenda for the Western Balkans through improving environmental infrastructure and supporting the region's green transition.
- Is consistent with the **National Plan for the Adoption of the *Acquis***, a strategic document outlining the steps and timeline for aligning national legislation with the EU *acquis*. The Programme supports the

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<sup>22</sup> <https://neighbourhood-enlargement.ec.europa.eu/system/files/2022-10/North%20Macedonia%20Report%202022.pdf>

implementation of environmental measures and investments identified in the NPAA, intending to achieve compliance with EU environmental standards.

- Aligns with the EU's **Western Balkans Strategy**, which sets out the EU's long-term vision for the region and its integration process. The OP supports the priorities and objectives of the Western Balkans Strategy. This OP will contribute to the goals set by the Sofia Declaration on the Green Agenda for the Western Balkans, specifically to Pillar II Circular Economy initiative: i) continue supporting the construction and maintenance of waste management infrastructure and Pillar III **Depollution** initiatives: i) implementation of Water Framework, Urban Waste Water and Extractive Waste Directives, ii) investment in urban wastewater collection and treatment including advanced treatment of nutrients and to some extent iii) investment in waste and manure management and wastewater treatment plants for reuse of water in agriculture.

#### 4. Operational features of the programme

##### 4.1 Interaction of the programme with IPA III annual action plans or measures and interventions from other donors/International Financial Institutions

The OP is aligned with the objectives defined in the country's **IPA III Strategic Response, IPA III 2021-2027** under Window 3, Thematic priority 1, specifically with *Objective 1.1; To optimise the water cycle and reduce the impact of solid waste on the environment and following planned areas of intervention under this objective:*

- Investments in wastewater collection and treatments using the best available technologies not entailing high costs to reduce GHG emissions.
- Investments in integrated waste management systems at local and regional levels align with the most modern technologies to avoid increasing emissions of GHG.
- Building the capacity of the national authorities to design investment projects addressing climate risk assessment and climate proofing.
- Building the capabilities of the public utility companies in the water and waste sectors.

The OP is coherent with the ongoing/planned IPA III annual action plans, as follows:

##### *IPA III Annual Action Programme for 2021*

The 2021 Annual Action Programme envisages two actions in the environment sector that are coherent and complement the operations planned under the OP:

- Action Document (AD) for "EU for Environmental Standards and Clean Air" and AD on "EU for Prespa"<sup>23</sup> - the actions in the area of the environment will provide the necessary support to the national authorities 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. All activities foreseen in the OP related to capacity building will be harmonised and shall provide follow-up support to those planned under the Action Documents in this area.
- The activities planned through the OP aim to increase the collection and treatment of wastewater to improve the status of ground and surface water. Implementation of the planned investments through the OP should moreover contribute to maximising the results in the area of wastewater treatment by improving the system of collection and treatment of wastewater in several municipalities in North Macedonia, i.e. Veles (as priority), Tetovo and Kavadarci, thereby fully complementing the interventions to the Prespa Lake planned to be financed under AP 2021. These activities will significantly impact and increase the percentage of treated water at the national level and fulfilling the requirements from the EU Water Directive in the pre-accession period of North Macedonia.

##### *IPA III Annual Action Plan for 2022*

The 2022 Annual Action Plan includes two actions in the area of environment that are coherent and complement the operations planned under the OP:

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<sup>23</sup> <https://www.sep.gov.mk/page/?id=1120#.ZGeh-6VByM8>

Action Document “EU for Modern Wastewater Systems” (AD) will invest in measures for collecting and treating urban wastewater in Shtip, Vinica and Veles (initially). The Action will support investment at the energy demand and supply level by using techniques that do not entail high costs to obtain a near-zero carbon footprint of the WWTPs. The Action is expected to also encourage stewardship of reclamation and reuse of the remaining solid waste stream, as opposed to the current policy (practice) of disposing it into sanitary landfills (dumpsites). Complementarity between the actions within this AD and the intervention foreseen in the OP will be ensured, particularly given that the Veles WWTP was initially planned under the mentioned AD but was later instead included under this OP due to the increase of market prices and their impact on the overall investment budget of the AD. Hence, investments under this AD and under this OP will have synergies and improve the country's wastewater collection and treatment. Moreover, the OP is coherent and fully compliant with the completed operations implemented under the IPA I Regional Development Component and several ongoing and planned actions under the IPA II multiannual programme in Environment, the multi-country programmes and the WBIF, as well as with projects financed and implemented by other IFIs, EU Member States or donors. It will build on their results and the achievements of the entire portfolio of projects in the sector.

In that respect, in addition to the financial support provided through the IPA, the environment sector is supported by other donors that also contribute to fulfilling EU requirements in the areas of water and waste management:

- “Construction of WTP for the Municipality of Delcevo extension and rehabilitation of water supply system (2018-2023)” funded by the State Secretariat for Economic Affairs, Swiss Government Agency (SECO); - The overall objective of the project is to improve the water quality of the river Bregalnica and to contribute to the economic development of the region, namely its industry, agriculture and tourism. The proposed project aims at i) building a drinking water treatment plant in the city of Delcevo, ii) connecting two large villages to the main supply system, iii) installing two renewable energy production facilities, and iv) providing corporate development support to the Delcevo PUC. The project will contribute to the fulfilment of the obligations of North Macedonia under the EU directives on drinking water.
- “Wastewater Treatment Plant in the City of Skopje” - This investment project concerns the construction of a 650,000 p.e. wastewater treatment plant in Skopje, the capital of and the largest city in North Macedonia. The future WWTP will serve a population of 518,000 and cover nine of the ten municipalities of the City of Skopje. The total project cost is estimated at €126 million. It will be financed by loans from the European Investment Bank (EIB) (leading lender) and the European Bank for Reconstruction and Development (EBRD), and grants from the Economic Resilience Initiative (ERI) implemented by EIB, the Western Balkans Investment Framework (WBIF), and the EBRD. In more detail, the mobilised funding includes:
  - “Technical Assistance to the Skopje Wastewater Treatment Plant Project Implementation Unit (PIU)” (2021-2023) of EUR 500,000 funded through the ERI initiative. The EIB provided technical assistance to the PIU established in the Public Utility “ViK” Skopje that will be responsible for effectively implementing the Skopje Wastewater Treatment Plant Project.
  - “Construction of a wastewater treatment plant (WWTP) in the City of Skopje”, an EBRD loan of around EUR 30 million planned for 2023-2028 to co-finance investment works.
  - “Construction of a wastewater treatment plant (WWTP) in the City of Skopje” an EIB loan of around EUR 30 million planned for 2023-2028 to co-finance investment works.
  - “Construction of a wastewater treatment plant (WWTP) in the City of Skopje”, a WBIF Investment Grant of around EUR 72 million planned to co-finance investment works.
- “Municipal infrastructure in the water sector” is a framework EIB loan of EUR 50 million for 2022-2026, which will finance the construction and rehabilitation of water supply, wastewater collection and treatment infrastructure, and emergency flood protection measures for the 80 municipalities of North Macedonia. EIB's contribution is substantial, representing 40% of the planned investments and rehabilitation of municipal water infrastructure. The programme will also improve local capacity in planning and implementing water investment projects, improving quality standards, procurement processes and environmental sustainability.
- “Establishing a regional waste management system in five regions” - The Project is a nationwide undertaking in the Solid Waste Management sector in the country and an important step towards a sustainable solution for solid waste management services compliant with the respective EU standards in the sector, covering a population of more than one million residents across five administrative regions in the country. This large and innovative investment project will support establishing three regional integrated waste-management systems per European Union (EU) standards across five regions (Polog, Southwest, Pelagonija, Vardar and Southeast). The project will close local dumpsites and non-compliant landfills and introduce environmentally safe disposal practices in line with EU standards. The project implementation will benefit from blended financing from the EBRD, the Swiss State Secretariat for

Economic Affairs (SECO), the Swedish International Development Cooperation Agency (SIDA) and the WBIF. In more detail, the mobilised funding includes:

- “Construction of a regional waste management system in five regions” an EBRD loan of around EUR 55 million to co-finance the construction of new and rehabilitate existing sanitary landfills, build new transfer stations, waste infrastructure for collection and transport, and a recycling centre, and to close two non-engineered dumpsites.
- SECO’s financial support of approximately EUR 9 million grant will be distributed between an investment component amounting to around EUR 6 million for finalising the rehabilitation of the Polog landfill and around EUR 3 million for further development of institutional frameworks at the regional and local level in the solid waste sector. In parallel, the SECO-funded assistance will also be extended to the Energy and Water Services Regulatory Commission to expand its competencies in the sector, including preparing a new tariff methodology.
- “Construction of a regional waste management system in five regions” a WBIF technical assistance Grant of around EUR 2 million planned to develop associated studies in two regions.
- “Construction of a regional waste management system in five regions” a WBIF Investment Grant of around EUR 22.3 million planned to co-finance investment works.
- SIDA’s financial support of approximately EUR 1 million grant for project preparation and implementation.

Consequently, the OP will complement the activities supported not only by the EU (through its different facilities) but also by other donors and IFIs in further strengthening the water and waste management in the country. The programme will build on their results and achievements.

#### *Coherence with the IPA III Programming Framework – Windows 1, 2 and 3*

The OP is designed to contribute to achieving the specific objective of the IPA III Programming Framework<sup>24</sup>, thematic priority 1: Environment and climate change, within Window 3: Green Agenda and Sustainable Connectivity. More specifically, under thematic priority 1, the Action addresses the specific objective “to support the protection of the environment, improve its quality and contribute to actions and policies against climate change to accelerate the shift towards a low carbon economy” and the effort to bring water, wastewater and solid waste management infrastructure in line with EU standards and to ensure the application of cost-recovery and polluter-pays principles.

In addition, the OP on Environment will contribute to meeting the priorities of the IPA III Programming Framework by supporting fundamental reforms in the country based on EU values and standards. It is in line with Window 1: Rule of Law and Window 2: Good governance priorities related to anticorruption and governance on the sub-national level by supporting the Public Communal Enterprises (PCEs) of the respective municipalities, optimising their operations, improving their capacities and bringing them to be independent institutions for undue political influence. The investments in infrastructure and related equipment, combined with interventions that should provide capacity-building support to the PCEs, should improve the overall operation of the public enterprises to deliver water and waste services with enhanced quality financed through a sound and sustainable system of revenues. In such a manner, the PCE will be less dependent on the municipalities’ administration and the local policy structure. The sustainability on the financing side shall be secured by the Regulatory Commission for Energy and Water Service (ERC), which will be responsible for approving only evidence-based price setting reflecting only the costs for service delivery and service improvement, requesting at the same time transparency and accountability of the PCEs’ administration and sound financial management. In addition, the MoEPP, under the Law on Waste Management, has envisaged the ERC to be the regulatory body also for waste services by developing the waste tariff methodology. Consequently, by implementing interventions supporting the PCEs’ performance and improving their capacity and structure, the OP will improve the anti-corruption efforts.

The OP is also closely linked with the priorities under Window 2 (Good Governance) related to Economic governance by providing direct investment in water and waste management, thus supporting the improvement of employment in the targeted municipalities. Also, the support provided to the IPA structure in the MoEPP which undertakes the role of the Managing Authority, is expected to enhance the national institutional capacity for economic planning and improve the ownership of the IPA III implementation. The planned interventions should also contribute to increasing the administrative capacity at the national and local level and the EU *acquis* alignment in the fields of waste and water, all aimed at enhancing and promoting good governance practices in the country.

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<sup>24</sup> (2021) 8914 final of 10.12.2021 on the Instrument for Pre-Accession Assistance (IPA III) Programming Framework for the period 2021-2027.

## *Coordination mechanisms for implementation of the OP on Environment*

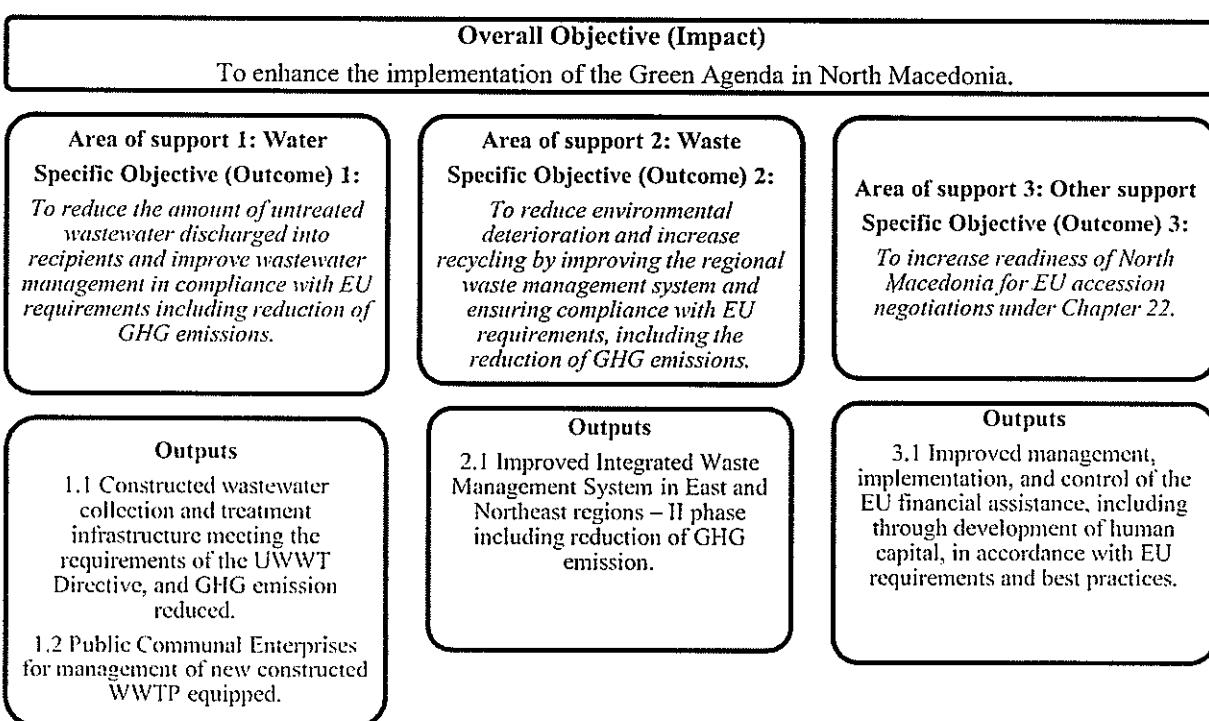
Chapter 27, during the accession process, is one of the most complex chapters to complete and hence requires strong efforts for coordination, investments and great capacities and responsibilities of administrations at central and local levels to implement and enforce reforms. The MoEPP managed two sector operational programmes under IPA I and IPA II in the last years and cooperated extensively with relevant municipalities that were targeted within the programmes. The MoEPP established project implementation units (PIU) with each municipality, comprising representatives from the local PCE, the municipal administration and one representative from the MoEPP – IPA operational structure. Consequently, all coordination was conducted through the PIU, which ensured good communication and information sharing at the local level. To ensure sustainability and ownership, at the beginning of each infrastructure project, an agreement was concluded with the PCE and the respective municipality, stipulating all obligations during and after the project's construction phase. Also, through regular IPA monitoring committee meetings, regular information was shared about project implementation. In addition, the Government was regularly informed of the progress of the OP. The MoEPP will build on this experience and the lessons learned to ensure similar efficient coordination mechanisms.

### **4.2 Description of the programme**

#### **4.2.1 Intervention Logic**

This OP will enhance the implementation of the Green Agenda by contributing to water protection, increasing the efficiency of waste management and accelerating investment in the environment. Results will be achieved through improving wastewater infrastructure, upgrading the waste management system, supporting water tariff implementation and enhancing the capacity in the environmental sector which will enable North Macedonia to gradually meet EU requirements.

The Overall Objective (Impact) is to enhance the implementation of the Green Agenda in North Macedonia.



#### **Area of support 1 – Water**

The Specific Objective (Outcome) 1 is to reduce the amount of untreated wastewater discharged into recipients and improve wastewater management in compliance with EU requirements including reduction of GHG emissions.

The Outputs to be delivered in the Area of support 1 contributing to the corresponding Specific Objective (Outcome) are:

- 1.1. Constructed wastewater collection and treatment infrastructure meeting the requirements of the UWWT Directive, and GHG emission reduced.

## 1.2. Public Communal Enterprises for management of new constructed WWTP equipped.

### Area of support 2 – Waste

The **Specific Objective (Outcome) 2** is to reduce environmental deterioration and increase recycling by improving the regional waste management system and ensuring compliance with EU requirements, including the reduction of GHG emissions.

The **Output 2.1** to be delivered in the Area of support 2 contributing to the corresponding Specific Objective (Outcome) is:

- 2.1. Improved Integrated Waste Management System in East and Northeast regions – II phase including reduction of GHG emission.

### Area of support 3 – Other support

The **Specific Objective (Outcome) 3** in the Area of support 3 is to increase readiness of North Macedonia for EU accession negotiations under Chapter 22.

The **Outputs** to be delivered in the Area of support 3 contributing to the corresponding Specific Objective (Outcome) is:

- 3.1. Improved management, implementation, and control of the EU financial assistance, including through development of human capital, in accordance with EU *acquis* and requirements and Member States' best practices.

### 4.2.2 Detailed description of each area of support

#### Area of support 1–Water

##### Rationale

Despite the country's efforts, the existing developed wastewater collection coverage and treatment capacity is insufficient to meet EU requirements. Due to insufficient funding from national resources for investments in wastewater infrastructure, the sector has benefited largely from the support of the EU and other donors.

During the implementation of the Operational Programme for Regional Development 2007-2013 (OPRD), projects' documentation for the construction of WWTPs and rehabilitation and upgrading of the sewerage network was prepared for agglomerations above 10,000 inhabitants. This included Prilep, Tetovo, Strumica, Bitola, Radovish, Kichevo, Veles and Shtip municipalities. Also, 4 WWTPs were constructed for Prilep, Strumica, Radovish and Kichevo. Under the Sector Operational Programme for Environment and Climate Action 2014-2020 (OPECA), a procurement procedure is underway to implement construction works for the technically matured projects of the municipalities of Bitola and Tetovo. Also, with Swiss Government support, a WWTP was constructed for Kochani in 2019.

The interventions included in this OP will build on the results of the IPA I and II operational programmes.

Namely, the construction of the WWTPs and the extension and rehabilitation of the sewerage network shall be implemented for the municipality of Veles. The technical documentation related to wastewater interventions in the municipality of Veles was first prepared under OPRD 2007-2013. Still, due to price increases and in order for the WWTP to be energy efficient and reach carbon neutrality, there was a need to revise the technical documents. These documents require further revision. The municipality of Veles (48,463 inhabitants) is in the Vardar River Basin that shared with the Republic of Greece. The existing sewerage networks cover over 80% of the population in Veles. However, more than 50% of it is older than 30 years, and periodic and routine maintenance and repairs have been neglected for years, resulting in sewerage networks with numerous breakdowns, infiltrations, and leakages. The intervention envisages the extension of the sewerage coverage by constructing approximately 54.2 km and constructing the WWTP Veles with a capacity for about 53,100 p.e. To counteract the negative effects related to the increase of GHG emissions, the WWTP in Veles will be built considering the best available techniques not entailing high costs to obtain a near-zero carbon footprint of the WWTP operation.

Also, the newly developed wastewater infrastructures built under IPA I and IPA II and with support of other donors in the preceding multiannual financial frameworks are in immediate need of a significant increase in the capacity of the PCEs and the municipal administrations to operate and maintain them. Purchasing of WWTPs' and sewerage maintenance equipment is crucial to ensure the improvement of wastewater service quality, optimising the costs, and revenue collection and improving the efficiency and management of the respective PCEs. Accordingly, equipment shall be provided to these PCEs to ensure proper implementation of the new water tariff methodology,

appropriate management of the new infrastructure, and to increase the quality of water services provided to the citizens. The WWTPs in the PCEs of the municipalities of Radovish, Kichevo, Strumica, Prilep, Berovo, and Kumanovo, built under EU and other donors' (Swiss government for Kumanovo) support, as well as the new ones expected to be built in the municipalities of Bitola and Tetovo. Needs assessment and technical specifications for the equipment shall be developed within the project "Technical audit of existing wastewater collection and treatment systems in North Macedonia and preparation of necessary documentation for Supply of Water Equipment for the Municipalities of Radovish, Kichevo, Strumica, Prilep, Berovo, Kumanovo, Bitola and Tetovo", funded under the IPA II SOPECA 2014 – 2020. Complementary activities shall be implemented to support the Regulatory Commission for Energy and Water, MoEPP, local authorities and the PCEs regarding improvement of the water tariff system implementation. MoEPP and other relevant authorities additionally shall be supported in the EU approximation process of the water sector.

The Government of North Macedonia included establishing wastewater collection and treatment infrastructure as one of the structural reform measures in the Economic Reform Programme 2022-2024. Consequently, for securing further investments in wastewater infrastructure in this Operational Programme, two additional interventions as reserve projects have been included: rehabilitation and extension of the sewerage network and construction of the WWTP in Kavadarci and extension of the sewerage network and upgrading of the WWTP in Tetovo. The Government is committed to increasing its national contribution to these two projects, searching for additional donors, or committing to loan agreements with IFIs to enable their financing.

The municipality of Kavadarci is on the NSPP for the Environment as a city in the most important vineyard region of North Macedonia. Apart from Bitola and Prilep (the Prilep WWTP is constructed under IPA I), the municipality is the largest polluter of the Crna Reka river, the biggest tributary of the Vardar River. According to the DSIP for the UWWTD the planned capacity of the Kavadarci WWTP is app. 42,342 p.e., and the need for sewerage extension is about 15.5 km for sewer, 6.0 km for the transit network and about 42.5 km for the reconstruction of the wastewater network. Under this OP, it is planned to first prepare the technical documentation for the design of the rehabilitation of the sewerage system and for the WWTP construction in Kavadarci, followed by the execution of the construction works. However, to speed up the preparation and implementation of this intervention, the MoEPP will explore the possibility of the technical documentation to be prepared from other funding resources or donors.

Extension of the sewerage network and the construction of a secondary wastewater treatment plant for around 95,000 p.e. for the Municipality of Tetovo is envisaged under IPA II, and the procurement process is about to start. However, due to the price increase and the need to improve energy efficiency and sludge management, this OP is envisaged as an intervention for extending the sewerage network and upgrading the WWTP. This intervention will improve the WWTP operation in order to achieve a net-zero carbon footprint, improve excess sewage sludge treatment and, depending on availability of funds, reusing reclaimed wastewater in agriculture.

#### Applicable EU legislation

The OP in the Area of Support #1 contributes to the implementation of the following EU water *acquis*:

- Urban Wastewater Treatment Directive (UWWTD) (91/271/EEC)
- Sewage Sludge Directive (86/278/EEC)
- Framework Water Directive (FWD) (2000/60/EC)
- Bathing Water Directive (76/160/EEC)

#### Specific objective (Outcome) 1

Reduced amount of untreated wastewater discharged into recipients and improved water management in compliance with EU requirements.

#### Typologies of outputs

**Output 1.1:** Constructed wastewater collection and treatment infrastructure meeting the requirements of the UWWT Directive, and GHG emission reduced.

This output will be achieved by investments in agglomerations with over 10,000 inhabitants, where the effects on the population and environment are the greatest and improve their performance to achieve a zero-net carbon footprint gradually.

**Output 1.2:** Public Communal Enterprises for management of newly constructed WWTP equipped.

This output will include PCEs with newly constructed WWTP to increase their performance, operation and maintenance, and energy efficiency.

#### Impact, outcome and output indicators (incl. baselines and targets)

	Indicator	Baseline	Target	Source of verification
<b>Impact</b>	Progress in implementation of Green Agenda	EU Progress Report 2022 - the country needs to accelerate the implementation of the Green Agenda for the Western Balkans over the upcoming period.	Progress in implementation of Green Agenda action plan	Commission Reports <sup>25</sup>
<b>Outcome 1</b>	Population equivalent (p.e.) with wastewater secondary treatment	590,000 p.e. (2022) (24.5 %)	1,400,800 p.e. (2032) (67%)	State Statistical Office
<b>Output 1.1</b>	Number of new WWTP constructed meeting EU requirements	25 WWTP (2022)	27 WWTP	MoEPP and PCEs
	Length of new or upgraded sewerage pipes for the public network for collection of wastewaters	0 km (2022)	54.2 km	MoEPP and PCEs
<b>Output 1.2</b>	Number of PCEs with new equipment for sewerage and WWTP maintenance	0 (2022)	Minimum 6 PCEs (2032)	MoEPP and PCE reports
	Improved performance of the PCEs – decrease the nonrevenue water quantity	62.42 % average nonrevenue water (2022)	Minimum 10 % decrease in nonrevenue water (2032)	Regulatory Commission for Energy and Water Services (ERC) and PCE reports

#### Type of activities

The activities will support project implementation, purchase of equipment and physical works within the selected municipalities at the most advanced level of preparation, following the water sector priorities and fulfilling the selection criteria. The proposed projects for construction, upgrading or extension of the sewerage network must demonstrate that the environment is protected at the highest possible extent from adverse effects of the discharge of untreated wastewater. Support in the EU approximation process of the water sector and further improvement of the implementation of water tariffs will be implemented considering the development of the EU negotiation process and performance needs of the PCEs.

#### Eligible activities, including major project:

- Upgrading and establishing wastewater collection and treatment infrastructure, meeting EU requirements of selected projects at the most advanced level of preparation above 10,000 population equivalents (p.e.).
- Improving water management and cost efficiency aiming to achieve carbon neutrality.
- Rehabilitation and extension of sewerage network; construction/upgrading of WWTP; water reclamation and reuse.
- Planning/developing/revising technical and tender documentation for improving sustainable water management and creating conditions for new investments in water management.
- Supervision of works contracts.
- Equipment for sustainable management of urban wastewater systems.

<sup>25</sup> [https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/strategy-and-reports\\_en](https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/strategy-and-reports_en)

- Support EU approximation in the water sector.
- Support implementation of the water tariffs

**Delivery method:**

- Services, supply, works and grant (e.g., twinning) contracts.

**Selection Criteria:**

- Projects included in the National Single Project Pipeline.
- Consistency with the EU, national and regional policies.
- Project maturity for implementation.
- Impact on population and the environment.
- Environmental benefits are expressed in the amount of pollution reduction.
- Coverage of sewerage system expressed in % of the population covered.
- Adequate management capacity of the final beneficiary.
- Sufficient financial ability of the beneficiary and available co-financing.
- Relevance to the objectives of the Directive Specific Implementation Plan for the EU UWWT.
- Relevance to the National Water Strategy.
- Relevance to the EU integration process for Chapter 27.

**End recipients and target groups:**

*End recipients*

- MoEPP
- Municipalities
- Public Communal Enterprises in the targeted municipalities
- Regulatory Commission for Energy and Water Services

*Target groups*

- Local community: The projects will benefit the local communities living in the targeted municipalities and downstream municipalities by improving their surface water quality.

**Conditions:**

- The MoEPP shall ensure that project documents, such as the Feasibility Study, Cost-Benefit Analysis, Environmental Impact Assessment, and Detail Design, are prepared per EU requirements.
- The project documents must also respect the special requirements deriving from national legislation and relevant standards requested by the legislation, including by-laws.
- For a project with an estimated budget of over EUR 15 million, the MoEPP needs to ensure that Major Project Applications are prepared in the template prescribed by the respective IPA Financing Agreement, as required by the EU.
- Using the “Green procurement” approach should be considered to promote the EU’s Green Agenda.

**Area of support 2 – Waste**

**Rationale**

The Waste Framework Directive implies implementing waste prevention and reduction policies and increasing separation at source and recycling. This requires improvements in waste collection practices by establishing separation at source schemes and by developing secondary separation and waste recycling capacities that contribute to achieving the targets foreseen in the Directive. The only waste that cannot be recovered or recycled will be disposed of in regional landfills that need to comply with the Landfill Directive. Current waste disposal practices in the country do not comply with technical and/or environmental standards. Most municipal non-compliant landfills must be closed since site conditions do not allow upgrading to EU requirements at reasonable costs.

The East and Northeast waste regions face significant challenges related to waste management, including inadequate infrastructure, many non-compliant landfills that are used by municipalities, numerous dumpsites, limited technical equipment for waste separation and collection, almost no facilities for waste recycling or composting, limited capacity of the PCEs, limited funding, and insufficient public awareness of the importance of proper waste disposal. To address these challenges, investment in integrated waste management is essential. Consequently, under the IPA I OPRD 2007-2013, technical documentation, including FS, EIA, CBA, design, and

tender documentation for establishing an integrated and financially self-sustainable waste management system in the East and Northeast regions phase I, were completed in 2017. The project covers the Northeastern part of North Macedonia, comprising two administrative regions (East and Northeast) and the Municipality of Sveti Nikole. The East region includes 11 municipalities<sup>26</sup> and covers an area of 3.537 km<sup>2</sup> (14% of the country's territory), while the Northeast region includes six cities<sup>27</sup> and covers an area of 2.306 km<sup>2</sup> (9% of the country's territory). Also, located within the territory of these regions is the Municipality of Sveti Nikole, which covers an area of 480 km<sup>2</sup> (1,8% of the country's territory). The total population of the project area is about 260,000 citizens. The system was designed to be implemented in two phases: the first phase under IPA II and the second phase under the next perspective, IPA III.

The first phase under the IPA II operational program for 2014-2021, includes the establishment of a central waste facility in Sveti Nikole, construction of 6 waste transfer stations (Berovo, Makedonska Kamenica, Vinica, Stip, Rankovce and Kumanovo), provision of waste collection equipment, and the closure in full or partly of 17 non-compliant landfills and dumpsites in the East and Northeast regions. Equipment for the waste collection for all PCEs of both regions has been delivered, and the project for closure of non-compliant landfills/dumpsites in the East region is currently under implementation. The works contract for constructing one central waste management facility, the closure of non-compliant landfills/dumpsites in the Northeast region, and six waste transfer stations with facilities is expected to start with the implementation at the beginning of 2025.

In order to establish a fully operational and self-sustainable waste management system it is necessary to further improve the regional waste management system by completing the second phase projected under IPA III. The second phase, leaning on the results of the first phase, includes measures such as expanding waste collection services to more communities, closure of the remaining non-compliant landfills/dumpsites (currently used by municipalities until a new central waste facility is constructed), supplying waste separation and collection equipment for the municipalities/PCEs and supply of equipment for the main waste facility and transfer station. The finalisation of the second phase will enable the municipal waste separation system to be established, which will increase waste recycling in both regions.

Approximation with the EU *acquis* in the waste sector needs actions in alignment of the EU *acquis* and in implementation of the *acquis'* requirements that involves several authorities on national and local level. Also, implementing the waste tariff system will enhance the PCEs operations. Therefore, support is envisaged to the MoEPP in the approximation process of the EU waste *acquis* and support to the relevant authorities in further improvement of implementation of the waste tariffs and the legislation relevant for implementation of the Green Agenda.

#### Applicable EU legislation

The OP in the Area of Support #2 contributes to the implementation of the following EU waste *acquis*:

- Waste Framework Directive 2018/851/EU
- Landfill Directive 1999/31/EC
- Packaging and Packaging Waste Directive 94/62/EC
- Waste Electrical and Electronic Equipment (WEEE) Directive 2012/19/EU
- Waste Batteries and Accumulator Directive 2006/66/EC
- Single Use Plastic Directive 2019/904/EU

#### Specific objective (Outcome) 2

Reduced environmental deterioration and increased recycling by improving the regional waste management system and ensuring compliance with EU requirements, including the reduction of GHG emissions.

**Typologies of output:** To achieve the stated outcome within this area of support, one output will be accomplished:

**Output 2.1:** Improved Integrated Waste Management System in the East and Northeast Regions – phase II including reduction of GHG emissions.

#### Impact, outcome, and output indicators (incl. baselines and targets)

<sup>26</sup>Berovo, Peštevo, Delčevo, M. Kamenica, Vinica, Kočani, Zrnovci, Češinovo - Obleševo, Probištip, Karbinci, Štip

<sup>27</sup>Kriva Palanka, Rankovce, Kratovo, Staro Nagoričane, Kumanovo, Lipkovo

	Indicator	Baseline	Target	Source of verification
<b>Impact</b>	Progress in implementation of Green Agenda	EU Progress Report 2022 - the country needs to accelerate the implementation of the Green Agenda for the Western Balkans over the upcoming period.	Progress in implementation of Green Agenda action plan	European Commission Report
<b>Outcome 2</b>	Number of people benefitting from an improved urban waste collection and disposal service supported by the investment, disaggregated by sex and age where relevant	0 (2022)	260,000 (2032)	State Statistical Office
<b>Output 2.1</b>	Amount of biodegradable waste diverted from landfilling	280,000 t (2022)	70,000 t (2032) (< 25 %)	State Statistical Office, MoEPP
	Amount of GHG emission reduction	0 Gg CO2 (2022)	-3.5 Gg CO2 (2030)	State Statistical Office, MoEPP
	% of communal waste recycled	0.2 % (2022)	27 % (2032)	State Statistical Office

#### Type of activities

This activity will be implemented in the Northeast and East Planning Regions, which are at the most advanced level in the establishment of one regional waste management system and are expected to be the first regions in North Macedonia with waste management infrastructure (source and secondary separation infrastructure, composting sites, landfill, etc.) in compliance with EU requirements. The activity will support projects' implementation, purchase of equipment and physical works in the two regions related to the closure of non-compliant landfills, supply of equipment for separate waste collection from households, supply of equipment for waste transportation and supply of equipment for operation of the central waste management facility and transfer stations.

#### Eligible activities, including major project:

- Construction/upgrading of the integrated regional waste management system and avoid further deterioration of the environment by uncontrolled waste management.
- Supporting inter-municipal cooperation in waste management.
- Improving waste tariff setting and implementation.
- Planning and developing technical documentation for improving waste management and creating conditions for new investments.
- Closure of non-compliant landfills.
- Supervision of works contracts.
- Procurement of needed equipment/vehicles for integrated waste management. Equipment for separate waste collection and transportation and the operation of the central waste facility and transfer stations.
- Support EU approximation in the waste sector.
- Support implementation of waste tariff system.

#### Delivery method:

- Services, supply, works and grant (e.g., twinning) contracts.

#### Selection Criteria:

- Project included in the National Single Project Pipeline.
- Consistency with the National Waste Management Plan.
- Compliance with Regional Waste Management Plans for East and Northeast regions.

- Consistency with EU policies.
- Maturity and relevance of the project.
- Impact of the project on population and nature.
- Environmental benefits are expressed in the amount of waste recycled.
- Adequate management capacity of the final beneficiary.

#### **End recipients and target groups:**

##### *End recipients*

- MoEPP.
- Municipalities of the East and Northeast regions: Berovo, Pehčevo, Delčevo, M. Kamenica, Vinica, Kočani, Zrnovci, Češinovo - Obleševo, Probištip, Karbinci, Štip, Sveti Nikole.
- Public Communal Enterprises in the targeted municipalities.
- Regional Waste Management Company.
- Regional Waste Management Boards of East and Northeast regions.
- Centres for Development of Planning Regions – Organizational Units for Regional Waste Management.
- Regulatory Commission for Energy and Water Services

##### *Targeted groups*

- Local community: The projects will benefit the communities in the targeted municipalities by improving their waste management services and environment.
- Private companies that work in the field of waste recycling.

#### **Conditions:**

- The MoEPP must ensure that Phase I of the project is completed or close to completion before starting Phase II.
- The MoEPP shall ensure that all project documents are prepared on time and in line with EU requirements.
- The project documents must also respect the special requirements deriving from national legislation and relevant standards requested by the legislation.
- The MoEPP, respective PCEs, and Regional Companies should ensure that the project's results will remain sustainable over the long term, both financially and environmentally.
- Using the "Green procurement" approach should be considered to promote the EU's Green Agenda.

#### **Area of support 3 – Other support**

##### **Rationale**

The administrative capacity at the national and local levels remains weak, with insufficient human and financial resources to implement and enforce the legislation. To support the implementation of environmental policies, the capacity of the relevant institutions at the national and local levels should be in place. Within the MoEPP, the IPA structure for the environmental sector is crucial in planning and managing water and waste management infrastructure projects. Consequently, strengthening their capacity will positively impact the country's efforts to meet EU requirements in these two areas, including on issues such as planning, technical documentation preparation, and investment work implementation. Knowledgeable and capable public administration will ensure that the projects' implementation phases are prepared and completed within the agreed timelines. Therefore, this area of support includes providing training and support for the IPA structure staff and end beneficiaries during the projects' preparation and implementation, establishing clear roles and responsibilities, and developing robust monitoring and evaluation systems to ensure that the OP, environmental policies and projects are being implemented effectively. It will also support developing projects' technical documentation, as needed during the projects' implementation, thus, preventing delays in the implementation of the OP.

The support shall be built on the results achieved under the technical assistance within SOPECA 2014-2020 (expected to start in Q4 2023). Capacity building to the IPA operational structure and other end-beneficiaries of the support envisaged under the OP shall be provided to ensure the sustainability of the support areas and in order to improve the infrastructure management. Implementing infrastructure projects requires skills not often found in public administration; thus, part of the support shall be dedicated to implementing relevant retention policy measures to ensure that knowledgeable and skilled employees continue to be part of the administration. The 2022 Commission report for Chapter 22 noted that North Macedonia is *moderately prepared* in regional policy and coordination of structural instruments. Consequently, the intervention aligns with one of the recommendations: to "upgrade the institutional, administrative and technical capacity for the management of the EU funds by adopting

an overall staff retention policy, strengthening the capacity-building mechanism". By building a strong and capable operational structure, North Macedonia can ensure that environmental policies are implemented effectively and efficiently. Therefore, this area of support shall provide technical support to the IPA structure and end beneficiaries in the implementation of the OP on Environment, thus increasing their capacity and capabilities for planning and managing of EU and other donors' funds in the environment and climate sector and establishing the ground for management of the European Structural and Investments Funds.

#### Applicable EU legislation

- The recommendations of the Commission Report Chapter 22: Regional Policy and Coordination of Structural Instruments focus on strengthening preparations for participation in the European Social Fund (ESF). This includes enhancing capacities within state bodies to ensure that they are ready to manage the Fund effectively, which are planned to be addressed by the type of activities foreseen under this area of support.
- Supporting Public Administrations in EU Member States to Deliver Reforms and Prepare for the Future (Commission Staff Working Document SWD (2021/101).
- EU Public Administration toolbox.

#### Specific objective (Outcome) 3

Increased readiness of North Macedonia for EU accession negotiations under Chapter 22.

#### Typologies of outputs

To achieve the stated outcome within this area of support, one key output will be accomplished:

**Output 3.1:** Improved management, implementation, and control of the EU financial assistance, including through development of human capital, in accordance with EU requirements and best practices.

#### Impact, outcome, and output indicators (incl. baselines and targets)

	Indicator	Baseline	Target	Source of verification
<b>Impact</b>	Progress in implementation of Green Agenda	EU's Progress Report 2022: the country needs to accelerate the implementation of the Green Agenda for the Western Balkans over the upcoming period.	Progress in implementation of the Green Agenda action plan	EU's Country progress report
<b>Outcome 3</b>	% of EU funds absorbed under OP	0 (2023)	$\geq 90\%$ (2033)	Annual reports on programme implementation
<b>Output 3.1</b>	Number of completed OP projects	0 (2023)	$\geq 7$ (2033)	Annual reports on programme implementation
	Staff turnover rate <sup>28</sup>	0 (2023)	$\leq 10\%$ (2028)	Annual reports on programme implementation

#### Type of activities

<sup>28</sup> Staff Turnover Rate (%) = (Number of staff who left the organisation during the period (year)/ Average number of staff during the period(year)) x 100. "Number of staff who left the organisation during the period" can be calculated by looking at the number of departures (whether voluntary or involuntary) over a specific period, such as a financial year. The "average number of staff during the period" is typically calculated by adding the number of staff at the start of the period to the number of staff at the end of the period, and then dividing by two.

The activities will include technical support targeting all staff of the IPA operational structure, staff of the end-beneficiaries, such as PCEs and municipalities, staff from the MoEPP as well as staff from other national authorities that are relevant for the implementation of the Operational Programme for the Environment, such as the Ministry of Transport and Communication, the Ministry of Finance – CFCD, the Ministry of Economy, the Secretariat of European Affairs, etc. Retention policy measures shall be implemented mainly for the IPA structure in the MoEPP, the Department for Implementing the Instrument of Pre-accession Assistance, the NIPAC and the CFCD. Complementary technical support shall be provided for Chapter 27 approximation considering the EU negotiation process and requirements. Also, the technical audit shall be performed within this activity.

**Eligible activities:**

- Planning and developing technical documentation supporting investment project implementation.
- Technical assistance for the implementation of infrastructure projects.
- Improving project planning and management capacity and capabilities.
- Conducting monitoring, evaluations, audits and verifications.
- Delivery of training and the on-the-job support to the IPA structure within the MoEPP, the PCEs and the municipalities targeted by the OP, other ministries, and the IPA structure (MoEPP, SEP, CFCD) relevant for programming, planning and implementation of infrastructure projects in environment.
- Supporting retention policy for the IPA structure.
- Communication and visibility.
- IT and other equipment that is needed for implementation of the OP on Environment.

**Delivery method:**

- Service, twinning, supply contracts, grant (e.g. twinning) contracts.

**Selection Criteria:**

- Relevance of the operations and their added value for the smooth implementation of the OP.

**End recipients and target groups:**

- Ministry of Environment and Physical Planning and relevant administration within for management of OP.
- Secretariat of European Affairs/NIPAC office.
- Ministry of Finance – Management structure and Central Financing and Contracting Department (CFCD).
- Audit Authority
- Regulatory Commission for Energy and Water Services.
- PCEs of the targeted municipalities.
- Targeted municipalities' administration.
- Regional Waste Management company for East and Northeast.
- Centre for Development of Planning Regions – Organizational Units for Regional Waste Management.
- Ministry of Economy.
- Ministry of Transport and Communication.
- Ministry of Health.
- Ministry of Agriculture, Forestry and Water Economy.
- CSOs active in the environment sector.

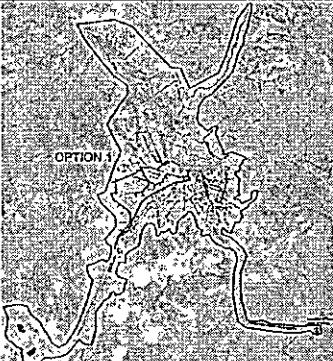
**4.2.3 Indicative List of major projects per each area of support**

A Major Project comprises a series of works, activities or services and is intended, in itself, to accomplish a definite and indivisible task of a precise economic or technical nature, which has identified goals, and which has a total cost exceeding EUR 15 million as specified in Article 16(6) of the Financial Framework Partnership Agreement (FFPA) and the respective financing agreement between the Commission and the Government of North Macedonia.

The indicative list of major projects is as follows:

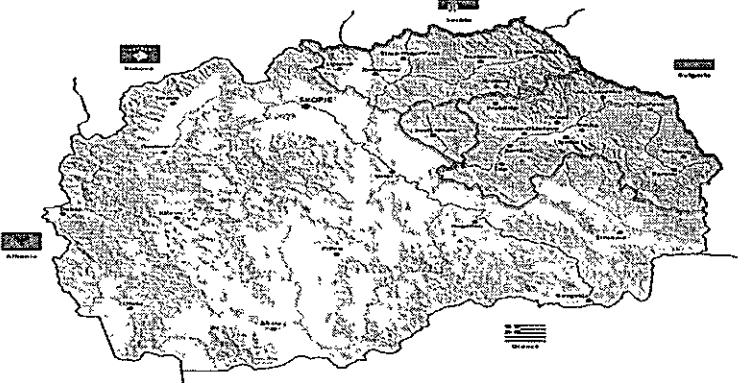
**1. Rehabilitation and extension of sewerage network and construction of WWTP in the Municipality of Veles**

Project title:	Rehabilitation and extension of sewerage network and construction of WWTP in the Municipality of Veles
Area of support	#1 Water

<b>Lead project Beneficiary:</b>	Ministry of Environment and Physical Planning (MoEPP)
<b>Institution that is the author of the project proposal:</b>	MoEPP
<b>Location/Map:</b>	
<b>Brief description of its aim and intended results:</b>	Extension of the sewerage coverage by construction of about 54.2 km length in total: construction of i) main trunk sewers Ø300 – Ø1000 in 9.3 km length; ii) extension of the network Ø200 – Ø400 in 35.1 km length and iii) reconstruction Ø300 – Ø1000 in 9.8 km, as well as construction of a WWTP for 53,100 p.e., supervision of the works contract and technical audit for the works contract. The project aims to prevent pollution of surface and underground waters, reduce the risk of illness due to untreated urban wastewater and improve the service and quality of life of the population in the Municipality of Veles.
<b>Project Value and funding sources:</b>	<p>Total Project Value: EUR 36 500 000</p> <ul style="list-style-type: none"> <li>• EUR 34 000 000 – Construction works</li> <li>• EUR 2 000 000 – Design review and Supervision</li> <li>• EUR 500 000 – Technical audit for the works contract</li> </ul> <p>Funding sources:</p> <ul style="list-style-type: none"> <li>• EUR 25 925 000 – EU IPA III contribution</li> <li>• EUR 10 575 000 – national co-financing</li> </ul>
<b>Implementation period:</b>	2026– 2030
<b>Stage of preparation:</b>	<p>Technical documentation, FS and CBA were prepared in 2017. However, to reflect the new developments and the situation with increased market prices, revision of the technical documentation started in 2021 within the service contract funded by the EU (EU for modern wastewater system - SIEA 2018) but was suspended in 2022 due to the unavailability of the selected location site and of the hydrological study. The revision was used to improve the design and operational performance of the WWTP by introducing measures for energy efficiency and reach net-zero carbon footprint. Based on the FS and the design for the WWTP Veles in revision, during the first 15 years of operation, wastewater treatment will be with carbon (C) and phosphorus removal (P). After that period, the WWTP will be upgraded for tertiary treatment providing full nutrient removal (both nitrogen and P). Reduction of GHG emissions at the WWTP Veles will be achieved by on site electricity generation through the following means: 1. Biogas produced during anaerobic digestion of primary and excess sludge will be utilised for electricity generation at the gas motor of the Combined Heat and Power (CHP) unit; 2. Photovoltaic installation will generate electricity. As a result, the WWTP in Veles will be carbon neutral in terms of electricity consumption, with carbon free electricity supply on an annual basis. The EIA procedure has been completed and the environment declaration for project implementation was issued in 2018.</p> <p>As a result of the changed location site of the WWTP, in March 2023, the MoEPP in close cooperation with the Municipality of Veles selected another</p>

	<p>plot close to the previous site and resolved issues related to land acquisition and the right to build for the WWTP site. Due to lack of a reliable hydrological study and the changed location, development of a new hydrological study was required. The land acquisition procedure caused delay of the documentation revision thus the completion might not be accommodated within the same service contract. Consequently, the MoEPP in cooperation with the EUD are exploring the possibility for the current service contract extension or a new service contract will need to be procured.</p> <p>All the technical documentation is expected to be finalized by the end of 2024 and should be ready for procurement in the second quarter of 2025.</p> <p>However, in order to proceed smoothly with the implementation of the entire project, it is necessary to start with the expropriation of the land as a prerequisite for the construction of the sewerage system. In order to reach the required maturity of this project it is of utmost importance for the MoEPP to coordinate this task with representatives of Veles and the relevant PUC.</p>
<b>Maturity level</b>	<p>Tender dossiers and technical documentation is expected to be finalised at the latest by the end of 2024. It shall be ready for procurement in the second quarter of 2025 and start with implementation mid-2026.</p>

## 2. Completion of the Integrated Waste Management System in the East and Northeast regions – Phase II

<b>Project title:</b>	<b>Completion of the Integrated Waste Management system in the East and Northeast regions - Phase II</b>
<b>Area of support:</b>	#2 Waste
<b>Lead project Beneficiary:</b>	Ministry of Environment and Physical Planning (MoEPP)
<b>Institution that is the author of the project proposal:</b>	MoEPP
<b>Location/Map</b>	
<b>Brief description of its aim and intended results</b>	<p>Expanding waste collection services to more communities, closure of non-compliant landfills, supply of waste collection equipment for the municipalities, supply of equipment for the central waste facility and in the new waste transfer stations. The project's aim is to reduce the volume of municipal solid waste disposed in non-compliance landfills and increase the share of waste separated, composted and recycled in the East and Northeast regions.</p>
<b>Project Value and funding sources</b>	<p>Total Project Value: EUR 33 200 000</p> <ul style="list-style-type: none"> <li>EUR 31 500 000 – Closure of non-compliant landfills and supply of waste collection equipment for the municipalities and equipment for the central waste facility and the waste transfer stations.</li> <li>EUR 1 200 000 – Supervision of the works on the closure of non-compliant landfills project.</li> </ul>

	<ul style="list-style-type: none"> <li>500 000 EUR – Technical audit for the works contract.</li> </ul> <p>Funding sources:</p> <ul style="list-style-type: none"> <li>EUR 27 716 000 – EU IPA III contribution</li> <li>EUR 5 484 000 – national co-financing</li> </ul>
Implementation period	2026– 2032
Stage of preparation	<p>This project is a continuation of the first phase and its implementation depends on the progress of this phase. Namely, under the already prepared document for establishment of a Regional Integrated waste management system for the East and Northeast regions, indicative assessment was made of the activities and total costs that are needed for the second phase. Thus, within this OP the technical documentation will be prepared considering the level of development and implementation completed under the first phase.</p> <p>For this major project there is no need of an EIA since all environmental aspects were included in the prepared technical documents in the first phase. Only the Elaborate for protection of the environment, required under the Law on Environment, is needed for the closure of the remaining non-compliant landfills.</p> <p>Preparation of the technical documentation (Detailed Design) for the closure of non-compliant landfills and the technical specification for waste equipment for the Integrated Waste Management system in the East and Northeast regions – Phase II, will be completed under this separate project and it is expected that the procurement procedure for this will start in Q1 of 2025 provided that the implementation of the first phase would be in an advanced stage of implementation by then. Afterward, with the major project, the purchase of equipment and works for closure of the non-compliant landfill projects can start with procurement in Q1 of 2027. Part of this major project will also be a technical audit and supervision of the works contract.</p> <p>The tender dossier should include green procurement elements. All EU-required standards should be properly addressed in the technical documentation and in the tender dossiers.</p>
Maturity level	<p>The technical documentation (Detailed Design) for closure of non-compliant landfills and the technical specification for waste equipment for the Integrated Waste Management system in the East and Northeast regions – Phase II and the Major project application, shall be finalised by the end of 2026. The procurement of the project for purchasing of equipment will start in Q1 2027 while the procurement of the works contract for closure of non-compliant landfills will start in Q3 of 2027. Consequently, the implementation of the major project will start first with purchasing of the waste equipment in Q1 2028 followed by the start with implementation of the works project for closure of non-compliant landfills in Q3 2028.</p>

#### 4.3 Mainstreaming

Investing in wastewater infrastructure ensures that everyone, without discrimination, has access to safe, hygienic, and secure wastewater facilities. This includes socially and culturally acceptable infrastructure, upholding the principles of dignity. Throughout the entire process, from design to implementation and operational phases, all activities related to integrated waste management will prioritise social justice and environmental justice. Stringent controls will be implemented to prevent discrimination and protect the most vulnerable communities from harm during the project implementation.

##### 4.3.1 Environmental Protection, Climate Change and Biodiversity

This OP aims to support the implementation of the Green Deal and the European Green Agenda for the Western Balkans, with all planned interventions contributing to achieving the country's climate change objectives and saving natural resources. Environmental impact assessment procedures have been completed for the WWTP Veles, the WWTP Tetovo, and the East and North-East waste management regions. The EIA for the Wastewater Treatment Plant in Kavadarci will be prepared as part of the OP implementation. The EIA for the East and North-

East waste management region was prepared five years ago, and its validity period has expired. Hence, a revision is currently underway.

The results of the already prepared EIAs and the upcoming EIA for the WWTP Kavadarci will be considered during the project design and implementation to reduce, avoid, or offset any potentially adverse environmental impacts of the investment activities. The EIAs' findings will be utilised to maximise the project's benefits and minimise undesirable effects.

The primary benefit of upgrading waste management infrastructure is reducing greenhouse gases emitted from waste management facilities. During the technical documentation preparation, focus will be placed on designing effective waste management systems that reduce emissions while promoting sustainability.

#### **4.3.2 Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, this programme is labelled as G0. This implies that gender will be mainstreamed, but there will be no specific component related to gender.

The Government is committed to taking up the principles and approach stipulated in the EU Gender Strategy 2020 – 2025 and applying those in all sector reforms and support measures. Gender Equality, meaning equal participation of men and women in the OP implementation – will be considered in each intervention. Gender mainstreaming into the project should be considered as a means of support for the fulfilment of the OP objectives. Each activity, when implemented, shall be gender mainstreamed, thus indicating measures to enhance gender balance and neutrality. Stakeholder decisions related to programme activities will only be made with a balanced representation of genders. The gender perspective should be included to facilitate equal access to resources and opportunities; promote the participation of women in planning processes and awareness activities by introducing gender-sensitive tools; foster equal opportunities through economic activities, including farming, tourism, forestry, and infrastructure projects.

#### **4.3.3. Human Rights**

The OP implementation will analyse and integrate the rights perspective into the planned interventions, based upon existing EU and legislation of North Macedonia but considering more progressive standards. Extensive non-discriminatory consultation and participation are foreseen in the projects' activities with allocated time and budget within the planning process. Specific emphasis is placed on identifying and involving vulnerable groups within the stakeholder analysis and consultation schedule concerning the human rights-based approach (HRBA). Some interventions will support an inclusive partnership with local organisations to ensure empowerment and inclusive participation of people, including the most vulnerable and marginalised groups, to expand their democratic ownership over policies and the development of initiatives that affect their lives.

#### **4.3.4. Disability**

As per OECD Disability DAC codes identified in section 1.1, this programme is labelled as D0. This implies that the OP is not considered relevant for including persons with disabilities.

#### **4.3.5. Disaster Risk Reduction**

Wastewater and Waste management infrastructure can be vulnerable to flooding due to climate changes and more extreme weather events. For this reason, exposure of water and waste infrastructure to and the probability of extreme situations will be considered, with relevant adaptation measures to be developed. Such measures will contribute to making this infrastructure resilient. Wastewater management infrastructure provides a critical service to society and is classified as vulnerable to climate change impacts, mainly flooding, which can cause service disruption; damage to infrastructure, requiring maintenance and repair; adverse impact on human health; negative impact on the environment and with large financial losses suffered by many residents, property owners. All relevant risks will be considered during the preparation phase, and mitigation measures will be introduced during the operational phase of the WWTPs.

### **4.4 Risks and Assumptions**

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures	

People and the organisation	Weak sector coordination may hinder progress, since implementation of several activities relies on the inter-institutional coordination between the MoEPP and targeted municipalities.	M	H	<p>Strengthening of the sector working groups channelling the coordination and policy dialogue, and inclusion in the Steering Committee of the projects of all the relevant stakeholders playing a role at national and at local level.</p> <p>Support to the IPA structure by high officials from the MoEPP, in particular at the beginning of the OP implementation.</p> <p>Implement regular coordination meetings with relevant stakeholders and targeted municipalities.</p>
People and the organisation	Lack of willingness of the main stakeholders (e.g. municipalities) to implement the national water sector reform, sector policies in waste management and regulatory obligations	M	H	To engage in continuous policy dialogue with institutions and authorities of North Macedonia mainly through the SWGs, with a strong ownership and leadership by the relevant Ministry.
People and the organisation	Weak administrative capacity, limited commitment/buy-in from municipalities and the PCEs.	M	H	Establishment of project implementation units (PIUs) for infrastructure projects' implementation composed by relevant representatives from municipalities and the PCEs will ensure policy dialogue, decision making and knowledge transfer.
Planning process and system	Limited absorption capacity, lack of human resources to carry out technical and organisational processes, and frequent staff turnover may hinder the impact of the capacity-building measures for the IPA OS	H	H	<p>Strengthening of the policy dialogue on Chapter 22; mainstreaming the capacity building for the management of the EU funds through the Public Administration Reform and funding of additional capacity building measures through the EU Integration Facility. Introducing and implementing retention policy measures for staff within the IPA OS.</p> <p>Technical guidelines, on-the-job support and training will be prepared for project management and implementation that will guide new staff that become involved in the IPA OS.</p>
Planning process and system	Poor cost recovery for environmental services by the PCEs	H	M	<p>The use of energy efficiency measures, such as solar PV will reduce the incidence of the running costs in tariff setting for environmental services.</p> <p>To involve the targeted municipalities and the PCEs in capacity development to further support the reform in the water sector and new methodology for waste tariff and with supply of equipment to improve performance.</p>

#### External Assumptions

The OP on Environment is based on the following external assumptions:

- On a more significant political term, the Government is committed to advancing the approximation of the EU *acquis* in the Environment and Climate Change sector and the implementation of the European Green Agenda for the Western Balkans and the related national strategic and planning documents so that it will be able to meet EU requirements and global and regional commitments.
- Municipalities are committed to creating a better environment and healthy conditions for their citizens, thus will ensure adequate maintenance and management of water and waste infrastructure by the PCEs.
- As per the involved institutions, it is assumed that the MoEPP, its subordinate bodies and the municipalities that are beneficiaries of related water and waste management interventions under this OP, will have consolidated human and financial capacities to implement the projects, complete operational management and reporting obligations and enforce the legislation.

## 5. Overview of the consultation process for the preparation of the Operational Programme

The MoEPP has ensured a consultative approach to improve and safeguard partnerships and transparent decision-making processes. This process guarantees that stakeholders relevant to the sector, beneficiaries, national and local institutions, NGOs, and other economic and social partners are consulted at different stages of programming.

In March 2023, the MoEPP initiated the preparation of the OP on Environment by holding discussions with relevant departments within the Ministry, the Administration for Environment, the respective municipalities, and with NIPAC, the EU Delegation, and other donors. Several meetings were conducted to discuss different policy options, projects, and activities for implementation.

### *Consultative process during sector analysis*

The critical document consulted when initiating the OP on Environment preparation is the National Single Project Pipeline (NSPP), revised in 2022. All primary and reserved projects supported with the OP on Environment are included in the NSPP of North Macedonia. They are all recognised as priority projects that contribute to meeting EU water and waste management requirements.

Preparation of the documentation for rehabilitation and extension of the sewerage network and construction of the WWTP in Veles started in 2016 with the municipality's and the respective PCE's active participation. The same is valid for Tetovo, a project that started with documentation development under the IPA I and will continue with construction under the IPA II. For the waste management project, municipalities from the East and Northeast regions have been actively supported by the EU since 2013 with the development of the regional waste management plans until the final stage of beneficiaries of waste collection and closure of non-compliant landfills. Municipalities from different political backgrounds were involved and supported all activities that led to the completion of the establishment of an integrated waste management system for both regions.

After the first draft of the OP was prepared on May 10, 2023, the MoEPP, in close coordination with the NIPAC, organised a meeting of the Sector Working Group of Environment and Climate Change (SWGEC) to strengthen inter-institutional cooperation and ensure efficient coordination of activities related to programming and monitoring of EU funds, as well as other bilateral and multilateral donors. The SWGEC meeting was opened by the Minister of Environment and Physical Planning, demonstrating the commitment of the MoEPP and the Government to implement the OP. Representatives from the Secretariat of European Affairs and lead donors in the country, such as the EU Delegation and other bilateral donors, municipalities, NGOs, and representatives from other relevant ministries and associations, were also present. The draft OP with intervention and possible projects were presented and discussed. The SWGEC will be essential in coordinating with different donors where needs for assistance and available resources shall be discussed and agreed upon in the future.

On May 11, 2023, a separate meeting regarding the socio-economic and SWOT analysis was held with the main beneficiary departments from the MoEPP, mainly the Department for Water, the Department for Waste and the Department for IPA implementation; in this meeting, the current status of the areas of support was discussed.

On May 29, 2023, a consultative meeting with the CFCD about the procurement strategy was held.

In June 2023, the MoEPP sent the draft OP for official consultation to the relevant municipalities, the Ministry of Economy, the Ministry of Health, the Ministry of Transport and Communication and the Ministry of Agriculture and Water Economy to receive their opinions and proposals for programme improvement. The MoEPP also organised consultation meetings with the administration of the respective municipalities and the PCEs included in the OP intervention.

The MoEPP is committed to ensuring that the OP on Environment reaches out to all relevant stakeholders during its implementation. Future meetings of the SWGEC and separate meetings with essential stakeholders will be

organised for this purpose. NGOs, public institutions, municipalities, and other stakeholders that can contribute to formulating the projects envisaged in the programme are considered important stakeholders for the programme's successful implementation.

## **6. Implementation arrangements**

### **6.1 Financing Agreement**

In order to implement this programme, it is envisaged to conclude a financing agreement between the European Commission and North Macedonia.

### **6.2 Methods of implementation**

The Commission will ensure that the appropriate rules and procedures of the EU for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the programme with the EU's restrictive measures<sup>29</sup>.

#### **Indirect Management with an IPA III beneficiary**

This programme will be implemented under indirect management by North Macedonia.

The managing authority responsible for the execution of the programme is the Ministry of Environment and Physical Planning. The managing authority shall be responsible for legality and regularity of expenditure, sound financial management, programming, implementation, monitoring, evaluation, information, visibility, and reporting of the IPA III activities.

Budget implementation tasks such as calls for tenders, calls for proposals, contracting, contract management, payments, and revenue operations, shall be entrusted to the following intermediate body for financial management: Central Financing and Contracting Department within the Ministry of Finance. It shall ensure the legality and regularity of expenditure.

The NIPAC and the NIPAC office, as well as the Management structure from the Ministry of Finance, are part of the IPA structure, having their responsibilities as deriving from the Framework Financial Partnership Agreement.

### **6.3 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, subject to the following provisions.

The Commission's responsible authorising officer may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this programme impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

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<sup>29</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu)

7. Financial tables by areas of support and by year (including co-financing rates if applicable)

	Year 2024		Year 2025		Year 2026		Year 2027		Year 2028		TOTAL
	EU contribution	North Macedonia co-financing									
Area of Support 1	3 564 400	485 600	4 050 000	9 894 100	2 355 900	12 250 000	10 157 500	4 192 500	14 350 000	10 157 500	4 192 500
Area of Support 2	797 800	822 000	1 619 800	500 700	479 500	980 200	6 207 400	1 332 600	7 540 000	21 508 600	4 151 400
Area of Support 3	2 937 800	492 000	3 429 800	1 199 178	246 000	1 445 178	1 165 500	246 000	1 411 500	1 909 522	304 000
TOTAL	7 300 000	1 799 600	9 099 600	11 593 978	3 081 400	14 675 378	17 530 400	5 771 100	23 301 500	33 575 622	8 647 900
											42 223 522
											70 000 000
											19 300 000
											89 300 000



## 8. Performance Measurement

### 8.1 Monitoring and reporting

Monitoring of the implementation of the OP will aim at collecting and analysing data to inform on the progress towards achievement of planned results, to feed decision-making processes and to report on the use of resources.

The day-to-day technical and financial monitoring of the implementation of this Operational Programme will be a continuous process and part of the implementing partner's responsibilities. To this end, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the programme and elaborate regular progress reports (not less than annual) and final reports.

Every report shall provide an accurate account of the implementation of the Operational Programme, difficulties encountered, changes introduced, as well as the degree of achievement of its Outputs and contribution to the achievement of its Outcomes, and if possible, at the time of reporting, contribution to the achievement of its Impacts, as measured by corresponding indicators.

The Commission may undertake additional monitoring visits through its own staff and independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

#### Roles and responsibilities for data collection, analysis and monitoring

The Managing Authority for the OP shall in particular: design adequate monitoring and reporting procedures, considering the internal reporting division of roles and responsibilities.

The overall progress will be monitored through participation of various stakeholders, such as the European Commission/ EU Delegation, the NIPAC, the NAO, Management structure, MA, IB, Final Beneficiaries, AA, and other institutions and civil society organisations.

The OP Environment identifies measurable indicators at the level of general and specific objectives and outputs indicators at the measures level for the three support areas for 2023– 2027. The progress in implementing the OP will be monitored at the sector level through the established 2021 Performance Assessment Framework (PAF), which includes outcome and impact indicators, targets, and baseline data. The PAF is established as a web-based application backed up by the Government's decision on responsibilities and deadlines, allowing regular electronic data input, processing, and analytics. The PAF data will be used and discussed in the Sector Working Group on Environment and Climate Change, which is also the inclusive platform for all stakeholders, national authorities, donors, civil society organisations, etc., to monitor the implementation of the sector priorities. This setup implies that the Ministry of Environment and Physical Planning, with the support of the NIPAC, is the key institution assuming the role of supervising the implementation of the OP and organising policy dialogue to discuss challenges and results.

At the output level, data about each project and contract implementation will be collected in OPSYS. They will be based on the data from official documents such as reports, acceptance certificates or equivalent documents.

The Sectoral Monitoring Committee, as foreseen in Article 53 of the Financial Framework Partnership Agreement, plays a key role in the monitoring and reporting on the implementation of the Operational Programme. Based on the reports provided by the Managing Authority before the meetings, it shall in particular:

- Review the effectiveness, efficiency, quality, coordination, and compliance of the implementation of the programmes.
- Review the progress towards meeting the objectives, achieving the planned outputs and results, and assessing the impact and sustainability of the IPA III assistance, while ensuring coherence with the policy dialogue, the related central and regional sector strategies and multi-country or regional activities in North Macedonia.
- Review annual implementation reports, including financial execution of the programmes.
- Examine relevant findings and conclusions as well as proposals for remedial follow-up actions stemming from the on-the-spot checks, monitoring, evaluations, and audits if available.
- Discuss any relevant aspects of the functioning of the management and control systems.
- Discuss any problematic issues and actions.
- If necessary, consider or make proposals to amend programmes and take any other corrective action to ensure the achievement of the objectives and enhance the efficiency, effectiveness, impact, and sustainability of the IPA III assistance.
- Review information, publicity, transparency, communication, and visibility measures taken.

## 8.2 Evaluation

Having regard to the importance of the programme, a mid-term and a final evaluation will be carried out for the areas of support falling under this Operational Programme contracted by North Macedonia and should be included in the Area of Support #3 –Other support, as indicated in Section 4.2.2.

The evaluations will be carried out by experts or bodies, internal or external, functionally independent from the management and control system.

The mid-term evaluation will be carried out for problem-solving, in particular with respect to the progress towards achieving the programme's objectives, including assessing whether the programme is meeting its targets and whether adjustments need to be made to the programme design; the use of resources, project management, and coordination between stakeholders; the quality and reliability of data collection and analysis, and the usefulness of the information for decision-making; the effectiveness of the measures put in place to ensure environmental and social sustainability; and the impact of external factors such as political, economic, and social changes that may have affected programme implementation and outcomes and how these can be addressed.

A final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that transfer of knowledge and information is shared.

The evaluation reports shall be shared with all relevant parties. North Macedonia and the European Commission shall analyse the conclusions and recommendations of the evaluations and jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the support.

### *Indicative evaluation and timing*

The mid-term evaluation will be carried out halfway through the programme's implementation to assess progress towards achieving the programme's objectives and targets. It will also identify any issues that have arisen and make recommendations for their resolution.

The final evaluation shall be carried out at the end of the programme to assess its overall achievements, effectiveness, efficiency, and impact. It shall also identify lessons learnt and make recommendations for future programming.

## 8.3 Audit and Verifications

Technical audits for major projects are mandatory during the implementation.

Financial provisions related to audit and verifications, including technical audits if applicable, carried out by North Macedonia should be included in the Area of Support #3 –Other support, as indicated in Section 4.2.2.

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

## 9. Strategic communication and public diplomacy

All entities implementing EU-funded external actions have the contractual obligation to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. To that end they must comply with the instructions given in the 2022 guidance document Communicating and raising EU visibility: Guidance for external actions (or any successor document).

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 administration's entrusted entities, contractors, and grant beneficiaries. Appropriate contractual obligations shall be included, respectively, in financing agreements, delegation agreements, and procurement and grant contracts.

Visibility and communication measures specific to this Programme shall be complementary to the broader communication activities implemented directly by the European Commission services and/or the EU Delegations and Offices. The European Commission and the EU Delegations and Offices 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.

## 10. Sustainability

The OP on environment has high sustainability potential at the policy, institutional and financial levels.

The OP envisages investments in water infrastructure, which will improve living conditions and decrease pollution discharge levels in the Vardar River basin, having a transboundary impact on the environment of North Macedonia and the neighbouring country of Greece. Also, the OP envisages investment in establishing integrated waste management systems in the East and Northeast regions that will significantly decrease pollution and the negative impact of waste on the environment and human health and will improve the living conditions of the population in these regions. The OP implementation will contribute to environmental protection and to the implementation of the National Strategy on Environment and the relevant strategies in the fields of waste and water management.

The OP on Environment has an important leverage effect as it directly contributes to the implementation of the obligations arising from the EU environmental *acquis* and provides substantial support to the EU integration process of North Macedonia. The entry into force of the water tariffs legislation creates the legislative framework for ensuring the maintenance of the new facilities. The MoEPP will develop a new tariff system for waste management that will ensure that waste management services will cover all operational costs of the PCEs and provide sustainability of the waste management. In addition, the MoEPP will sign agreements with the municipalities to define the obligations of the beneficiaries as regards the standard maintenance practices and application of the tariffs to recover the investments' costs. Investments in renewable energy solutions will decrease maintenance costs and increase sustainability prospects.

The end recipients are obliged to ensure the sustainable use of the outputs in line with the Operational Programme, the contract or the equivalent. The end recipients are obliged to allocate a budget for ensuring the functioning and maintenance of the outputs and cover the costs of their operation and maintenance. The end recipients should restore the outputs to their initial condition in case of their damage or replace the outputs with those of minimum equal quality and functionality in case of their destruction.

The breach of the conditions for sustainability may lead to a refund of the EU contribution in case the end recipients fail to take the necessary corrective measures for removing the deficiencies that occurred.

Capacity-building interventions foreseen under this action will decrease the risk of such failure and ensure proper utilities management.



## ANNEX II - GENERAL CONDITIONS

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## **Part One: Provisions applicable to activities for which the IPA III beneficiary is the contracting authority under IMBC**

### **Article 1 - General principles**

(1) The purpose of Part One is to lay out the rules for implementing the entrusted budget implementation tasks as described in Annex I and to define rights and obligations of the IPA III beneficiary and the Commission respectively in carrying out these tasks.

Part One shall apply to the budget-implementation tasks entrusted to the IPA III beneficiary related to the Union contribution alone, or combined with funds of the IPA III beneficiary or funds of a third party, in case such funds are implemented in joint co-financing.

(2) The IPA III beneficiary shall remain responsible for the fulfilment of the obligations stipulated in this Financing Agreement and in the Financial Framework Partnership Agreement (FFPA). In accordance with Article 7, Article 18, Article 19 and Article 21, the Commission reserves the right to interrupt payments, and to suspend and/or terminate this Financing Agreement.

(3) The IPA III beneficiary shall respect the minimum rate of its contribution specified in Annex I. In case of contributions from both the IPA III beneficiary and the Union, the IPA III beneficiary contribution shall be made available at the latest by the end of the eligibility period of the programme.

(4) The rate of the EU contribution specified in Annex I, and the maximum amount of IPA III assistance is based on the public eligible expenditure amount. Public eligible expenditure is any public contribution to the financing of operations the source of which is the budget of national, regional or local public authorities of the IPA III beneficiary, the budget of the Union, the budget of public law bodies or the budget of associations of public authorities or of public law bodies. Loan financing, where it is used, is attributed to the body liable to repay the loan, national public or national private. National private expenditure cannot be considered an eligible expenditure.

(5) For the purpose of the application of Article 25 of the FFPA on data protection, personal data shall be:

- processed lawfully, fairly and in a transparent manner in relation to the data subject;
- collected for specified, explicit and legitimate purposes and not further processed in a manner that is incompatible with those purposes;
- adequate, relevant and limited to what is necessary in relation to the purposes for which they are processed;
- accurate and, where necessary, kept up to date;
- processed in a manner that ensures appropriate security of the personal data and
- kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the personal data are processed.

Personal data included in documents to be kept by the IPA III beneficiary in accordance with paragraph 2 of Article 2 must be deleted once the deadlines set out in that paragraph have expired.

### **Article 2 - Procurement and grant award**

(1) Without prejudice to Article 18(5) of the FFPA, the tasks referred to in Article 1(1) shall be carried out by the IPA III beneficiary in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions, in particular, the practical guide on contract procedures for European Union external action (PRAG), in

force at the time of the launch of the procedure in question, as well as in accordance with the required visibility and communication standards referred to in Article 3(2).

The IPA III beneficiary shall conduct the procurement and grant award procedures, conclude the resulting contracts, and ensure that all relevant documents for audit trail are in the language of this Financing Agreement. For the purpose of Part One of this Financing Agreement, every reference to grant contracts shall also be construed as a reference to contribution agreements and every reference to grant beneficiaries shall also include be construed as organisations having signed contribution agreements.

(2) Without prejudice to Article 49 of the FFPA, the IPA III beneficiary shall retain all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement or as from an earlier date in case the procurement procedure, call for proposals or direct grant award procedure was launched prior to the entry into force of this Financing Agreement, for five years as from the date of closure of a programme. The IPA III beneficiary shall retain in particular the following:

(a) Procurement procedures:

- i) Forecast notice with proof of publication of the procurement notice and any corrigenda;
- ii) Appointment of shortlist panel;
- iii) Shortlist report (incl. annexes) and applications;
- iv) Proof of publication of the shortlist notice;
- v) Letters to non-shortlisted candidates;
- vi) Invitation to tender or equivalent;
- vii) Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication;
- viii) Appointment of the evaluation committee;
- ix) Tender opening report, including annexes;
- x) Evaluation / negotiation report, including annexes and bids received;<sup>1</sup>
- xi) Notification letter;
- xii) Cover letter for submission of contract;
- xiii) Letters to unsuccessful candidates;
- xiv) Award / cancellation notice, including proof of publication;
- xv) Signed contracts, amendments, riders, implementation reports, and relevant correspondence.

(b) Calls for proposals and direct award of grants:

- i) Appointment of the evaluation committee;

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<sup>1</sup> Elimination of unsuccessful bids five years after the closure of the procurement procedure.

- ii) Opening and administrative report including annexes and applications received;<sup>2</sup>
- iii) Letters to successful and unsuccessful applicants following concept note evaluation;
- iv) Concept note evaluation report;
- v) Evaluation report of the full application or negotiation report with relevant annexes;
- vi) Eligibility check and supporting documents;
- vii) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;
- viii) Cover letter for submission of grant contract;
- ix) Award/cancellation notice with proof of publication;
- x) Signed contracts, amendments, riders and relevant correspondence.

In addition, financial and contractual documents referred to in paragraph 2(a) and 2(b) shall be complemented by all relevant supporting documents as required by the procedures referred to in paragraph 1, as well as all relevant documentation relating to payments, recoveries and operating costs, for example project and on the spot checks reports, acceptance of supplies and works, guarantees, warranties, reports of supervising engineers.

- (3) Operations co-financed by the Union under the Programme may also receive financing from other donors such as international organisations, a Member State, a third country or a regional organisation.

#### **Article 2a - Exclusion and administrative sanctions**

- (1) When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the IPA III beneficiary shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant who either itself, or a person having powers of representation, decision making or control over it, is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.
- (2) The IPA III beneficiary shall inform the Commission immediately when a candidate, tenderer or applicant is in an exclusion situation referred to in paragraph (1), or has committed irregularities and fraud as defined in Article 51(5) of the FFPA, or has shown significant deficiencies in complying with its main obligations in the implementation of a legal commitment financed by the Union budget.
- (3) The IPA III beneficiary shall take into account the information contained in the Commission's 'Early Detection and Exclusion System' (EDES) when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation using the following means: (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, MO15, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu with copy to the Commission address identified in Article 3 of the Special Conditions). Any contract or grant concluded with a contractor or grant beneficiary that is in an exclusion situation at the time of conclusion of the contract shall be excluded from Union financing and the financial corrections mechanism in accordance with Article 8a may be applied.
- (4) Where the IPA III beneficiary becomes aware of an exclusion situation referred to in paragraph (1) in

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<sup>2</sup> Elimination of unsuccessful applications three years after the closure of the grant procedure.

the implementation of the tasks described in Annex I, the IPA III beneficiary shall, under the conditions of its national legislation, impose upon the economic operator or grant applicant a rejection from the given procedure and an exclusion from its future procurement or grant award procedures. The IPA III beneficiary may also impose a financial penalty proportional to the value of the contract concerned. Rejections, exclusions and/or financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned. The IPA III beneficiary shall notify the Commission in accordance with paragraph (2).

### Article 3 – Communication and Visibility

- (1) In accordance with Article 24 of the FFPA, the IPA III beneficiary shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it and shall prepare a coherent plan of communication and visibility activities, which should be submitted to the Commission for agreement within 2 months after the entry into force of this Financing Agreement.
- (2) These communication and visibility activities shall comply with the guidance for external action on communicating and raising EU visibility laid down and published by the Commission, in force at the time of the activities.

### Article 4 - Ex-ante and ex-post controls on grant and procurement procedures and ex-post controls on contracts and grants to be performed by the Commission

- (1) The Commission shall exercise *ex-post* controls on award procedures for procurement and grants for the following stages:
  - (a) contract notices for procurement, calls for proposals for grants and any corrigenda thereof;
  - (b) tender dossiers and guidelines for applicants for grants;
  - (c) the composition of Evaluation Committees;
  - (d) evaluation reports, rejection, and award decisions;<sup>3</sup>
  - (e) contract dossiers and contract addenda.
- (2) With regard to *ex-post* controls the Commission may decide following risk assessment:
  - (a) to perform *ex-post* controls on all files, or
  - (b) to perform *ex-post* controls on a selection of such files, or
  - (c) to completely dispense with *ex-post* controls.
- (3) If the Commission decides to perform *ex-post* controls in accordance with paragraph 2 (a) or (b), it shall inform the IPA III beneficiary of the files selected for *ex-post* controls. The IPA III beneficiary is obliged to provide all the documentation and information necessary to the Commission for the file selected for *ex-post* control, within one month of the signature of the contract or contract addendum.
- (4) The Commission may perform *ex-ante* controls for approval of each of the stages mentioned in paragraph 1 for the award procedures that have not been selected for *ex-post* control. The IPA III beneficiary shall provide all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-ante* control, at the latest at the time of submission of the contract notice or the guidelines for applicants for publication.
- (5) The Commission may decide to perform *ex-post* controls, including audits and on-the-spot controls, at any time during or after the implementation of any contract or grant awarded by the IPA III beneficiary arising out this Financing Agreement. The IPA III beneficiary shall make available all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex-post* control. The Commission may authorise a person or an entity to perform *ex-post*

<sup>3</sup> For service contracts this step includes *ex ante* controls concerning approval of the shortlist.

controls on its behalf.

#### **Article 5 - Bank accounts, accounting systems, and costs recognised**

- (1) After the entry into force of this Financing Agreement, the Accounting Body and the Intermediate Body for Financial Management (IBFM) of the IPA III beneficiary that is the Contracting Authority for the Programme shall open at least one bank account denominated in euro and submit the Financial Identification Form(s) to the Commission together with the corresponding bank mandates. The total bank balance for the Programme shall be the sum of the balances on all the Programme bank accounts held by the Accounting Body and all participating IBFMs in the IPA beneficiary. Reporting on all bank accounts linked to each programme shall be recorded via IPA-APP<sup>4</sup>.
- (2) The IPA III beneficiary shall prepare and submit to the Commission disbursement forecast plans for the duration of the Programme following the template in point (d) of Annex IV. These forecasts shall be updated and submitted with each request for funds referred to in Article 6(2) and 6(3), with the annual financial report referred to in Article 14(4) and with the forecast of likely payment requests referred to in Article 33(3) FFPA. The disbursement forecast plans shall be based on real and actual needs and supported by a documented detailed analysis (including the planned contracting and payment schedule per contract) which shall be available to the Commission upon request.
- (3) The initial disbursement forecast plan shall contain summary annual disbursement forecasts for the whole eligibility period and monthly disbursement forecasts for the first twelve months of the Programme. Subsequent plans shall contain summary annual disbursement forecasts for the balance of the eligibility period of the Programme and monthly disbursement forecasts for the following fourteen months.
- (4) The IPA III beneficiary is required to establish and maintain an accounting system in accordance with Clause 4(3)(a) of Annex A to the FFPA, which will hold at least the information for the contracts managed under the Programme indicated in Annex V.
- (5) Pursuant to Article 57(2) of the FFPA, costs recognised in the accounting system maintained under paragraph (4) must have been incurred (by a recipient), accepted (by the Intermediate Body for financial management) and paid (by the Intermediate Body for financial management) and correspond to actual costs proven by supporting documents and shall be used when appropriate to clear pre-financing paid by the IPA III beneficiary under local contracts.

#### **Article 6 - Provisions on payments made by the Commission to the IPA III beneficiary**

- (1) Each request for pre-financing shall comprise a declaration of expenditure for the Programme, including the amounts contracted, disbursed and costs recognised.
- (2) The IPA III beneficiary shall submit its initial disbursement forecast for the Programme, prepared pursuant to Article 5(2), with the first pre-financing payment request. The first forecast shall be for 100 % of the forecast disbursements for the first year of the disbursement forecast plan pursuant to Article 5(2). Pre-financing shall be supported by the bank mandates for all the bank accounts of the Programme, if applicable.
- (3) The IPA III beneficiary shall submit subsequent pre-financing payment requests when the total bank balance for the Programme falls below the disbursements forecast for the following five months of the Programme.

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<sup>4</sup> IPA-APP is a dedicated IT application developed by DG NEAR to replace iPerseus that was the tool used for monitoring the implementation of pre-accession funds under indirect management by beneficiary countries (IMBC).

(4) Each request for additional pre-financing shall include:

- The bank balances for the Programme at the cut-off date of the request;
- The updated bank mandates for all the bank accounts of the Programme, if applicable;
- A forecast of disbursement for the Programme for the following fourteen months at the cut-off date of the request as referred to in Article 5(2).
- Updated reporting in IPA-APP.

(5) The IPA III beneficiary may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the date of the request, less the balances referred to in paragraph 4(a) at the cut-off date of the request for funds, increased by any amount funded by the IPA III beneficiary under paragraph (6) and not yet reimbursed. The fourteen months disbursement forecast period may be extended if specified accordingly in the Special Conditions.

The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA III beneficiary under this Programme exceeds the disbursement forecast for the next fourteen months.

(6) Where the payment is reduced under paragraph (5), the IPA III beneficiary must fund the Programme from its own resources up to the amount of the reduction. The IPA III beneficiary may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph (5).

(7) Pursuant to Article 33(1) of FFPA, the Commission reserves the right to process partial payments within the limits of the funds available. Once funds are made available again, the Commission shall process immediately the payment of the remaining amount.

(8) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA III beneficiary to give reasons for the delay in disbursing the funds and to demonstrate a continuing need for them within the next following two months.

(6) Interest generated by the bank accounts used for this Programme shall not be due to the Commission.

(7) Following Article 33(4) of the FFPA, when the time limit for payment request is interrupted by the Commission for more than two months, the IPA III beneficiary may request a decision by the Commission on whether the interruption of time limit is to be continued.

(8) The certified final statement of expenditure referred to in Article 36(1)(a) of the FFPA shall be submitted by the NAO no later than sixteen months after the end of the eligibility period.

#### Article 7 - Interruption of payments

(1) Without prejudice to the suspension or termination of this Financing Agreement according to Articles 18 and 19 respectively, as well as without prejudice to Article 38 of the FFPA, the Commission may interrupt payments partially or fully, if:

- the Commission has established, or has serious concerns that the IPA III beneficiary has committed substantial errors, irregularities or fraud questioning the legality or regularity of the underlying particular transactions in the implementation of the Programme, or has failed to comply with its obligations under this Financing Agreement, including obligations regarding Strategic Communication and Public Diplomacy;
- the Commission has established, or has serious concerns, that the IPA III beneficiary has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation on this Financing Agreement or call into question the

reliability of the IPA III beneficiary's internal control system or the legality and regularity of the underlying expenditure.

#### **Article 8 - Recovery of funds**

- (1) In addition to cases referred to in Article 40 of the FFPA, the Commission may recover the funds from the IPA III beneficiary as provided in the Financial Regulation, in particular in case of:
  - (a) failure to ensure achievement of the objectives and results of the Programme as set out in Annex I;
  - (b) failure to ensure the use of assets and outputs for the intended purposes set out in Annex I;
  - (c) non eligible expenditure;
  - (d) non respect of the co-financing rate, as provided in Annex I;
  - (e) expenditure incurred as a result of errors, irregularities, fraud or breach of obligations in the implementation of the Programme, in particular in the procurement and grant award procedures.
  - (f) weakness or deficiency in the management and control systems of the IPA III beneficiary which leads to application of financial correction.
- (2) In accordance with national law, the NAO shall recover the Union contribution paid to the IPA III beneficiary from recipients who were in any situation defined in paragraph (1) points (b) or (d) of this Article or referred to in Article 40 of the FFPA. The fact that the NAO does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA III beneficiary.
- (3) Amounts unduly paid or recovered by the IPA III beneficiary, amounts from financial, performance, and pre-financing guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the IPA III beneficiary on candidates, tenderers, applicants, contractors or grant beneficiaries, to the IPA III beneficiary shall be either re-used for the Programme or returned to the Commission.

#### **Article 8a – Financial corrections and closure**

Further to Articles 42, 43 and 47 of the FFPA, supplementary guidance on the examination and acceptance of accounts procedure, including financial corrections, and closure shall be provided by the Commission.

#### **Article 9 - General principles for selecting operations**

- (1) The selection procedures shall satisfy the principles of transparency, equal treatment and non-discrimination. They shall prevent any conflict of interest and ensure stakeholders involvement and public access to information.
- (2) The Sectoral Monitoring Committee shall consider and approve the general criteria for selecting the operations referred to in Article 10 within six months of the entry into force of this Financing Agreement and approve any revision of those criteria in accordance with programming needs.
- (3) Pursuant to Article 53(7) of the FFPA, the Commission may co-chair the meetings of the Sectoral Monitoring Committees.
- (4) The IPA III beneficiary shall ensure that operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the Programme, including relevant Operational Programme, and that they comply with the relevant Union and national rules.

## **Article 10 - Operation identification sheet**

- (1) For any operation not falling under the definition of major project referred to in Article 3(f) and Article 16(6) of the FFPA, the IPA III beneficiary shall establish an identification sheet for each operation selected for Union co-financing under the Programme.
- (2) The operation identification sheet must contain inter alia the following elements:
  - (a) identification of the operation and the organisation responsible for its implementation;
  - (b) a summary description of the operation and the demonstration of its compatibility with the programme;
  - (c) implementation arrangements, risks and assumptions;
  - (d) expected outputs, results and impact, including contributions to horizontal themes;
  - (e) links with other IPA, IPA II and IPA III programmes;
  - (f) financing arrangements and estimated budget; and
  - (g) procedures foreseen for tenders and contracts.

The template for the Operation Identification Sheet is set out in Annex VII.

- (3) The IPA III beneficiary shall transmit a copy of the operation identification sheet to the EU Delegation, which after consultation with DG NEAR, will send its opinion. Once a positive opinion on the operation identification sheet has been issued, the project can be approved by the IPA III beneficiary.
- (4) Where the nature of the operation justifies it, the Commission may decide to request the IPA III beneficiary to apply Article 11 to a particular operation and to prepare an application form, in accordance with the templates set out in Annex VI to this Financing Agreement.

## **Article 11 - Major project and bilateral agreement**

- (1) Pursuant to Article 16(6) of the FFPA, major project applications shall be submitted to the Commission for assessment using the Major Project Application template (Annex VI).
- (2) The Commission assessment shall define the physical object and the eligible expenditure. The Commission assessment shall be concluded either by an exchange of letters (respectively the submission of the major project application by the IPA III beneficiary and the reply from the Commission approving it) or by the signature of a Bilateral Agreement with the IPA III beneficiary, laying out the individual elements and requirements that are specific to the project.
- (3) The Bilateral Agreement or exchange of letters shall, as a minimum, contain the following information:
  - (a) the project name;
  - (b) identification of the project location;
  - (c) a concise description of the project, broken down, as necessary, into individual components;
  - (d) details of the authority responsible for the project application, the body responsible for implementation, the contracting authority, and the recipient;
  - (e) details of any International Financing Institutions (IFIs) or other donors involved in the project;
  - (f) specific project objectives;
  - (g) a summary of the main results of the economic and social cost benefit analysis;
  - (h) a summary of the financial analysis;
  - (i) a summary of the main findings of the environmental impact assessment;

- (j) the total estimated value of the project, as well as an indicative breakdown of the value of individual project elements;
- (k) the estimated total eligible and non-eligible project costs, total public expenditure, the Union financial contribution and the co-financing rate applicable to the eligible expenditure;
- (l) any specific conditions related to the project;
- (m) an indicative procurement schedule indicating the specific types and estimated values of contracts to be tendered out and, in case of parallel co-financing with IFIs, the identification of the contracts to be financed by the IFIs, as well as an indication of the date of the start of the tender procedure;
- (n) an indicative implementation schedule;
- (o) an indicative list of key indicators to be used to demonstrate the achievement of the aims of the project;
- (p) the date from which expenditure is eligible.

(4) The procurement procedure for a major project can be launched by the IPA III beneficiary after entry into force of this Financing Agreement. No procurement contract for a major project can be signed prior to the entry into force of the Bilateral Agreement or the conclusion of the exchange of letters approving the major project application.

(5) Modifications of approved major projects are subject to the limitations and conditions set out in the Bilateral Agreement or exchange of letters.

## **Part Two: Provisions applicable to this Financing Agreement as a whole, irrespective of the management mode**

### **Article 12 - Eligibility period**

- (1) The eligibility period is the period in which all operational activities of the Programme are completed. The duration of this period is stipulated in Article 2(2) of the Special Conditions.  
This period shall be reflected in the agreements to be concluded by the IPA III beneficiary and by the Commission in the implementation of this Financing Agreement, in particular in contribution agreements, procurement contracts and grant contracts.
- (2) Unless provided otherwise in Article 7 of the Special Conditions, contracts and addenda signed, expenditure incurred, payments made by national authorities as well as any other costs related to the activities of the Programme, shall be eligible for EU financing only if they have been incurred during the eligibility period, without prejudice to paragraph (3) of this Article.
- (3) In the case of major projects, the starting date of the eligibility period is the date of the Commission's approval of the major project as set out in a Bilateral Agreement or an exchange of letters.
- (4) Pursuant to Article 29(3)(b) of the FFPA, and without prejudice to Article 28 thereof and Article 7 of the Special Conditions, the following expenditure incurred by the IPA III beneficiary shall not be eligible for funding under this financing agreement:
  - a) bank charges, costs of guarantees and similar charges;
  - b) fines and financial penalties;
  - c) expenses of litigation;
  - d) currency exchange losses;
  - e) debts and debt service charges (interest);

- f) provisions for losses, debts or potential future liabilities;
- g) credits to third parties, unless otherwise specified in the special conditions;
- h) negative interest charged by banks or other financial institutions.

(5) A procurement contract, grant contract or contribution agreement which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be de-committed, except in case of litigation before judicial courts or arbitral bodies.

#### **Article 13 - Permits and authorisation**

Without prejudice to Article 27 of the FFPA, any type of permit and/or authorisation required for the implementation of the Programme shall be provided in due time by the competent authorities of the IPA III beneficiary, in accordance with national law.

#### **Article 14 - Reporting requirements**

- (1) For the purpose of the general reporting requirements to the Commission set out in Article 59 of the FFPA on the annual report on the implementation of IPA III assistance, the NIPAC shall use the template provided in Annex III.
- (2) For the purpose of Article 60 of the FFPA, the NIPAC shall submit a final report to the Commission on the implementation of the activities implemented under indirect management by the IPA III beneficiary of this Programme at the latest sixteen months after the end of the eligibility period. The NIPAC shall use the template provided by the Commission.
- (3) For the purpose of Article 61(1) of the FFPA the NAO shall provide by 15 January of the following financial year in electronic format a copy of the data held in the accounting system established under Article 4(4). This should be supported by a signed un-audited summary financial report in accordance with point (c) of Annex III.
- (4) For the purpose of the specific reporting requirements under indirect management set out in Article 61(2)(a) and 61(3) of the FFPA, the NAO in the IPA III beneficiary shall use the templates provided for in points (a) and (b) of Annex IV.

#### **Article 15 - Intellectual property rights**

- (1) Contracts financed under this Financing Agreement shall ensure that the IPA III beneficiary acquire all necessary intellectual property rights with regard to information technology, studies, drawings, plans, publicity and any other material made for planning, implementation, monitoring and evaluation purposes.
- (2) The IPA III beneficiary shall guarantee that the Commission, or any body or person authorised by the Commission, shall have access and the right to use such a material. The Commission will only use such material for its own purposes.

#### **Article 16 - Consultation between the IPA III beneficiary and the Commission**

- (1) The IPA III beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 20.
- (2) Where the Commission becomes aware of problems in carrying out procedures relating to the implementation of this Financing Agreement, it shall establish all necessary contacts with the IPA III

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beneficiary to remedy the situation and take any steps that are necessary.

- (3) The consultation may lead to an amendment, suspension or termination of this Financing Agreement.
- (4) The Commission shall regularly inform the IPA III beneficiary of the implementation of activities described in Annex I, which do not fall under Part One of these General Conditions.

#### **Article 17 - Amendment of this Financing Agreement**

- (1) Any amendment of this Financing Agreement shall be made in writing, including by an exchange of letters.
- (2) If the IPA III beneficiary requests an amendment, the request shall be submitted to the Commission at least three months before the amendment is intended to enter into force, except in duly justified cases.
- (3) The Commission can amend the documents in Annexes III - VII without this necessitating an amendment to this Financing Agreement. The IPA III beneficiary shall be informed in writing about any such changes and their application.

#### **Article 18 - Suspension of this Financing Agreement**

- (1) The Financing Agreement may be suspended in the following cases:
  - (a) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches an obligation under this Financing Agreement;
  - (b) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary breaches any obligation set under the procedures and standard documents referred to in Article 18(2) of the FFPA;
  - (c) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary does not meet requirements for entrusting budget implementation tasks;
  - (d) The Commission may suspend the implementation of this Financing Agreement if the IPA III beneficiary decides to suspend or cease the EU membership accession process;
  - (e) The Commission may suspend this Financing Agreement if the IPA III beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption or if the IPA III beneficiary is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:
    - a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
    - any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.
  - (f) This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure.

A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage. If force majeure impacts only part of the Programme, the suspension of the Financing Agreement can be partial. Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any possible damage.

- (2) The Commission may suspend this Financing Agreement without prior notice.
- (3) The Commission may take any appropriate precautionary measure before suspension takes place.
- (4) When the suspension is notified, the consequences for the on-going or to be signed procurement contracts, grant contracts and contribution agreements shall be indicated.
- (5) A suspension of this Financing Agreement is without prejudice to the interruption of payments and termination of this Financing Agreement by the Commission in accordance with Article 7 and Article 19.
- (6) The parties shall resume the implementation of the Financing Agreement once the conditions allow with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the Programme to the new implementing conditions, including, if possible, the extension of the eligibility period, or the termination of this Financing Agreement in accordance with Article 19.

#### **Article 19 – Termination of this Financing Agreement**

- (1) If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.
- (2) When the termination is notified, the consequences for the on-going procurement and grant contracts, contribution agreements and such contracts or grants, and contribution agreements to be signed shall be indicated.
- (3) The termination of this Financing Agreement shall not preclude the possibility of the Commission to make financial corrections in accordance with Articles 43 and 44 of the FFPA.

#### **Article 20 – Applicable law, settlement of disputes**

- (1) This Agreement is governed by EU law.
- (2) If a dispute concerning the interpretation, application or validity of the Agreement cannot be settled amicably, it shall be settled by arbitration in accordance with the 2012 PCA Arbitration Rules, subject to the following:
  - (a) Panel composition

For claims of EUR 500 000 or above: the panel shall be composed of three arbitrators. Each party shall appoint one arbitrator within 40 calendar days after the notice of arbitration has been sent. The two arbitrators appointed by the parties shall in turn appoint a third arbitrator to act as presiding arbitrator.

For claims below EUR 500 000: the panel shall be composed of one arbitrator, unless the parties agree otherwise.

If the panel is not composed within 80 calendar days after the notice of arbitration is sent, either

party may request the PCA Secretariat or other mutually acceptable other neutral authority to appoint the necessary arbitrator(s).

(b) **Seat**

The seat of the arbitration panel shall be The Hague, Netherlands.

(c) **Language**

The language of the proceedings shall be English or another mutually acceptable official language of the European Union. Evidence may be produced in other languages, if agreed by the parties.

(d) **Procedure**

Recourse to interim measures, third party interventions and *amicus curiae* interventions is excluded.

If the panel is requested by a party to treat information or material confidentially, the decision shall be made in form of a reasoned order and after hearing the other party (10 calendar days to submit observations). The panel shall weigh the reasons for the request, the nature of the information and the right to effective judicial protection. The panel may in particular:

- make disclosure subject to specific undertakings or
- decide against disclosure, but order the production of a non-confidential version or summary of the information or material, containing sufficient information to enable the other party to express its views in a meaningful way.

If the panel is requested to hear the case *in camera*, the decision shall be made after hearing the other party (10 calendar days to submit observations). The panel shall take into account the reasons for the request and the objections of the other party (if any).

If the panel is requested to interpret or apply European Union law, it shall stay the proceedings and request the 'President of the High Court of Paris' (Président du Tribunal de grande instance de Paris, 'juge d'appui'), in accordance with Articles 1460 and 1505 of the French Civil Procedural Code to request a preliminary ruling from the Court of Justice of the European Union in accordance with Article 267 TFEU. The proceedings before the arbitral tribunal shall resume once the decision by the juge d'appui is taken. The decision of the Court of Justice and of the juge d'appui shall be binding on the panel.

The arbitral award shall be final and binding on the parties and be carried out by them without delay.

Either party may however request that the award is reviewed by the The Hague Court of Appeal (Gerechtshof Den Haag) on the basis of the applicable national law. In this case, the award shall not be considered final until the end of this procedure. The decision by the reviewing court shall be binding on the panel.

(e) **Costs**

The costs of arbitration shall consist of:

- the fees and reasonable expenses of the arbitrators
- reasonable costs of experts and witnesses as approved by the panel and
- the fees and expenses of the PCA Secretariat for the arbitration proceedings (e.g. catering, providing for clerks, room, interpretation).

The arbitrators' fees shall not exceed:

- EUR 30 000 per arbitrator if the contested amount is below EUR 1 000 000
- 15% of the contested amount if that amount is above EUR 1 000 000. In any case the arbitrators' fees shall not exceed EUR 300 000.

The costs of arbitration shall be borne by the parties in equal share, unless otherwise agreed.

The parties shall bear their own costs of legal representation and other costs incurred by them in relation to the arbitration.

(f) Privileges and immunities

The agreement to pursue arbitration under the 2012 PCA Arbitration Rules does not constitute and cannot be interpreted as a waiver of privileges or immunities of any of the parties, to which they are entitled.

**Article 21 – EU restrictive measures**

(1) Definitions

(a) "EU Restrictive Measures" means restrictive measures adopted pursuant to the Treaty on European Union (TEU) or to the Treaty on the Functioning of the European Union (TFEU).

(b) "Restricted Person" means any entities, individuals or groups of individuals designated by the EU as subject to the EU Restrictive Measures<sup>5</sup>.

(2) In all their relations, the Parties recognise that under EU law no EU funds or economic resources are to be made available directly or indirectly to, or for the benefit of, Restricted Persons.

(3) The IPA III Beneficiary shall ensure that no transaction subject to a verified hit against the EU sanctions list shall benefit directly or indirectly from EU funding. The IPA III Beneficiary commits to ensure this obligation:

(a) by screening for hits against the EU sanctions list, before entering into, and before making payments under, the relevant agreements, each Contractor, Grant Beneficiary, and Final Recipient with whom the IPA III Beneficiary has or is expected to have a direct contractual relationship (direct recipient), so as to assess whether such recipient is a Restricted Person.

(b) by screening or through other appropriate means (that may include an ex-post verification) on a risk based approach basis, that no entity that would indirectly receive EU funding is a Restricted Person.

(4) In the event that IPA III Beneficiary assesses that any of the recipients (direct or indirect) of the EU funding is a Restricted Person, IPA III Beneficiary shall promptly inform the Commission.

(5) Without prejudice to the obligation in point 3 above, should the Commission assess that the use of Union financial assistance under IPA III results or has resulted in a breach of EU restrictive measures, the corresponding amounts shall not be eligible for the Union financial assistance under IPA III. This is without prejudice to any rights that the Commission may have to suspend or terminate the action affected by such breach, to recover any EU funding contributed by the Commission, or to suspend or terminate this financing agreement.

(6) The determination of remedial measures will be made in accordance with the principle of proportionality. Remedial measures shall apply only to the EU funding made available to, or for the benefit of, a recipient for the period during which it remained a Restricted Person.

(7) This clause is without prejudice to the exceptions contained in the EU Restrictive Measures.

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<sup>5</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu). 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 of the European Union (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

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**Model of the annual report on the implementation of the Instrument for Pre-accession  
Assistance submitted by the National IPA Coordinator**

(in accordance with Article 59 of the Financial Framework Partnership Agreement)

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Period covered by the report:  
01/01/20XX-31/12/20XX  
Report issued on XX/XX/20XX

**Annual Report on the implementation of Instrument for Pre-Accession assistance in direct and indirect management by <IPA beneficiary>**

**I. Executive Summary**

This section should highlight main overall findings as reported in Section II, focusing on:

- Progress in reaching objectives of the overarching IPA strategic documents (IPA II Country Strategy Papers and IPA III Programming Framework)
- Main achievements and challenges in programming and implementation and corrective actions taken, including follow-up to most relevant monitoring, evaluation and/or audit recommendations
- Complementarity with multi-country actions and other donor support (including Team Europe, if relevant)
- Main achievements with communication and visibility activities
- NIPAC's main recommendations for the coming period

**II. Implementation of IPA assistance per IPA III Window/thematic priority and IPA II Sector**

The information provided in this section should be based on/ linked with information provided in table 1 below.

This section should include a summary per Window/thematic priority (IPA III assistance) and per sector (IPA II assistance) organised as follows:

**IPA II Sector: <names(s) of the sector<sup>1</sup>>**

**IPA III Window: <number and name of the window> / Thematic priority: <name(s) of the thematic priorities<sup>2</sup>>**

The following information should be provided:

1. Involvement of IPA beneficiary in programming
2. Progress made in implementation to achieve the objectives as outlined in key strategic and programme documents (relevant outcome/output indicators should be provided in Annex 1)
3. Problems encountered in implementation and corrective measures taken and/or planned, and recommendations for further action, in order to ensure sustainability<sup>3</sup>

<sup>1</sup> As per the sectors in the Action Documents, e.g. Rule of Law, Transport, Energy, etc.

<sup>2</sup> As per IPA III Programming Framework

<sup>3</sup> Sustainability refers to the extent to which the benefits/results (outputs and outcomes) achieved are likely to continue beyond its implementation period. In particular, key factors affecting sustainability are the ownership of the beneficiaries, the institutional management capacities, and the resources committed to provide for the operation and maintenance of the results.

4. Main monitoring, evaluations and/or audit findings and their follow-up
5. Complementarity with other instruments and coordination with other donors/ IFI's within the Window/thematic priority (IPA III) or sector (IPA II) (e.g. through Team Europe)
6. Assessment of the impact of IPA assistance in improving sector approach, including sector strategies, institutional capacities and budgeting and the extent to which their coherence is ensured with national strategic policy planning and budgeting frameworks.
7. Communication and visibility activities

In case of **indirect management by beneficiary country (IMBC)**, the following information should also be included:

8. Information on the implementation of actions
9. Short assessment on the functioning of implementing structures and any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
10. Implemented monitoring, evaluation and/or audit activities, audits – main findings and lessons learned, recommendations, follow-up and corrective actions taken

**IPA Rural Development (IPARD) programmes** should be covered as a separate section under IPA III Window 4 / IPA II sector on agriculture and rural development. Since IPARD programmes are subject to separate reporting, the section should only include a summary on the overall progress with implementation and highlight the most relevant issues. The key information should also be highlighted in the executive summary (as relevant).

**IPA II operational programmes** should be covered under the relevant sector providing information on points 1-10 (as relevant). **IPA III operational programmes** should be covered under the relevant thematic window and include only a summary on the overall progress in implementation and highlight the most relevant issues. The key information should also be highlighted in the executive summary as relevant. IPA III operational programmes will be subject to a more detailed reporting according to a reporting template that will be annexed to the Financing Agreements.

**Territorial cooperation programmes** should be covered under IPA III Window 5 / IPA II sector on territorial and regional cooperation. This section should give a very brief overview of the territorial cooperation programmes where the IPA beneficiary participates:

- For **Interreg cross-border cooperation (CBC) programmes with Member States and Transnational and Interregional cooperation programmes**, a maximum one paragraph per programme, indicating overall progress in implementation (e.g. programme adopted/not adopted, calls planned, etc.) and highlighting the most relevant issues in implementation.
- For **CBC programmes between IPA beneficiaries**, a maximum half a page summary per programme, providing an overview of the implementation (e.g. programme adopted/Joint Monitoring Committee set up/ JMC meetings on the reporting period, call for proposals closed/ongoing/planned and Strategic projects (if any). The summary should focus on the problems encountered in implementation and the corrective measures taken and/or planned, and recommendations for further action. The annual implementation reports for CBC (as referred to in Article 80 of the Financial Framework Partnership Agreement) should be included as an Annex.

In case of **IMBC**, the following information should also be included by the Lead country):

1. Short assessment on the functioning of implementing structures and any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
2. Recommendations for further actions

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Table 1. Overview of implementation at the action level

<p><i>Action title and reference/ e.g. Electrification of the railway line from xxx to border with xxx /Financing Agreement/ e.g. 20xx annual action plan</i></p>	<p><i>Provide an assessment of implementation of activities under the action. e.g. Service contract for preparation of ToR for the works contract signed and under implementation, tender for works contract to be launched in the second quarter of 2015, etc. For IMBC: Provide a comparison with the forecast submitted with Request for Funds and an analysis on the pace of implementation. Provide an assessment of the implementation of the procurement plan compared to the initial version</i></p>	<p><i>Outline the benefits of IPA assistance and contribution to reforms. e.g. a new law on [xx] adopted, providing faster access to citizens for public services</i></p>	<p><i>Outline any potential problems to comply with the conditions of the Financing Agreement and corrective measures to address them. e.g. The service contract for the preparation of ToR for the works contract was delayed as the negotiated procedure failed and had to be re-launched For IMBC: Provide a thorough assessment of reasons for delays together with an analysis on whether the problems are recurring (compared with other actions and measures taken to overcome a similar situation). Describe audit findings and/or identified irregularities and measures taken to address them.</i></p>	<p><i>Developments and/or identified risks that influence future implementation and the achievement of the objectives</i></p>
				<p><i>Recommendations for corrective further actions</i></p>

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*Add as many tables as necessary:*

<i>[Action title and reference]</i>	<i>[Financing Agreement]</i>
State of play/ Progress for particular action (e.g. ToR in preparation, tender launched, contracted, under implementation, completed)	
Main achievements and their assessment	
Significant problems encountered in implementing the entrusted tasks and the measures taken/planned to overcome them	
Developments and/or identified risks that influence future implementation and the achievement of the objectives	
Recommendations for corrective further actions	

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**Annex I: Outcome/output indicators per IPA action**

This Annex should include an annual update of indicators included in IPA II summary action documents and IPA III action documents, covering actions both in direct and indirect management. The annex should be preferably prepared in Excel or an online data collection system used by the IPA III beneficiary, with separate tables for IPA II actions and IPA III actions according to the model below. It should be noted that milestones are requested only for IPA II indicators.

**IPA II indicators**

Annual/Multi-annual Action Programme	Action	Sector	Indicator	Source	Baseline	Milestone (20xx)	Target	Current Value (20xx)
20xx annual action programme	Action 1	Transport	Reduction of average travel time of passengers between major urban centres by transport mode					
20xx-20xx multiannual action programme [Add as many rows as relevant.....]	Action 1	Environment	Reduced transportation costs per unit of output					
	.....	.....	.....					

**IPA III indicators**

Annual/ Multi-annual Action Plan	Window	Thematic priority	Indicator	Source	Baseline	Target	Current value (20xx)
20xx annual action plan							
[Add as many rows as relevant.....]	...	....	....				

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**Annex 2: Transparency, visibility, information and communication activities**

*This annex (max one page) should be provided only for actions managed in indirect management in line with requirements set out IPA II Framework Agreement and IPA III Financial Framework Partnership Agreement.*

**Annex 3: Success stories**

*This Annex should be provided only for actions managed in indirect management. (N.B. this section may be used for the annual report on the implementation of the European Union's external action instruments prepared by the European Commission)*

**Annex 4: Annual procurement plan**

*This annex should be provided only for actions managed in indirect management.*

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Annex IV(b): Annual Financial Report - Individual programme EU contribution  
as per Article Article 6(2)(a) of  
FFPA

**IPA III beneficiary Annual financial report (\*)**

Programme Reference	Financing Agreement OPSYS reference number	Programme EU Contribution Budget Contracted	Local Contract Activities						
			Total Amount Contracted	Contracted %	Total Amount Disbursed	Disbursed %	Total Costs Recognised	Costs %	Total Open Pre-financing
1	2	3	4	5	6	7	8	9	10
AAP 2022	JAD XXXXX	ACT-XXXXX	451.000	64.100%	64.100	64.100%	64.100	100.00%	120.00%
Action 1									

(\*) 15 February

I, the undersigned \_\_\_\_\_, NAO for IPA III beneficiary \_\_\_\_\_, hereby declare that the above financial report/statement is complete, accurate and true in accordance with Article 6(5) of FFPA.

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## IPA III beneficiary annual accounting year-end cut-off report (\*)

EU decision	EU contract	Title	Local contractor reference	Contract type	Contract signature date	Contract implementation start date	IPAEU initial grant amount	IPAEU grant amount										
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19

(\*) to be submitted by 15 January

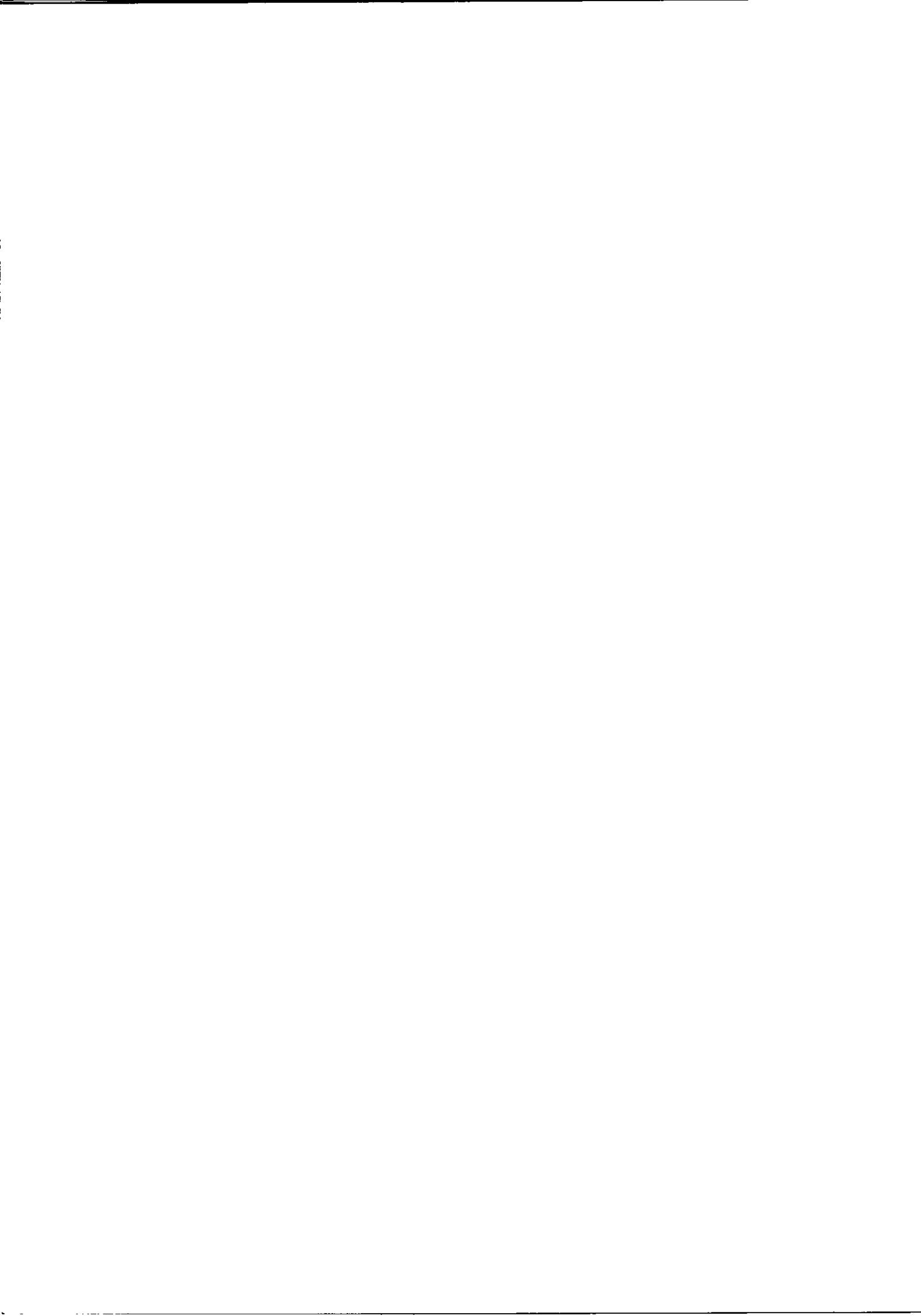
to the undersigned \_\_\_\_\_ NAO for IPA III beneficiary \_\_\_\_\_

• This template is also to be used also for IPA I and IPA II programmes

hereby declare that the above financial report/statement is complete, accurate and true in accordance with Article 6(5) of FFPA.

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Annex IV(d) - disbursement forecast plan  
as per Article 4(2) of FA/GC

Data as of: [PA III] beneficiary Disbursement forecast plan

Programme Reference	Financing Agreement OPSYs reference number	Disbursement Forecast Plan (Add years as necessary)																		
		Monthly Disbursement Forecast (for RIF: 12 months for first request) (or pre-financing) / 14 months (for subsequent pre-financing; for annual financial report and forecast of likely payment requests); 24 months)																		
		1	2	3	4	5	6	7	8	9	10	11	12	Total for 12 months	Total for 14 months*	13	14	Total for 14 months**	15-24 months*	Total for 24 months**
AAP 2024 <sup>1</sup>	JAD XXXXXX																			
CBC AA/BB (2024 allocation)																				
MAAP Environment																				

Column(s) O to Q to be used for subsequent pre-financing

\* Column(s) O to S to be used for annual financial report and forecast of likely payment requests

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Annex IV(e) Financial of likely payment requests  
as per Article 5(3) of FfPAData as of: **[PA III] beneficiary Forecast of likely payment requests**

Financing Agreement ID/VS reference number or equivalent	Programme reference	Funding into force	Contracting Deadline	Operational Implementation Deadline	Total Budget Allocation in EUR*	EU funds paid by EC in EUR	Refugee in EUR	Total Forecast	2024 Forecast (by months)												2024 Forecast
									31/12/21	01/01/2022	01/02/2022	01/03/2022	01/04/2022	01/05/2022	01/06/2022	01/07/2022	01/08/2022	01/09/2022	01/10/2022	01/11/2022	01/12/2022
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22
<b>Initial IPA Programmes</b>																					
2015 NAP Oni Hohi 2 (IMBC)																					
CBC 2016 AA BB																					
<b>MAAP Environment II</b>																					
2021 NAP (IMIC)																					
<b>Total IPA Programmes</b>																					
8.667																					
<b>Total of IPA I, IPA II &amp; IPA III Programmes</b>																					
8.667																					

IPA contributions to the final EU contribution for IMBC until the contracting deadline, after the contracting deadline it corresponds to the total contracted.

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## Key data

For each local contract the information required is:

### 1. EU decision

*Programme reference, e.g. Annual Action Programme 2022*

### 2. EU contract

*Financing Agreement OPSYS reference number, e.g. 2014/031-878*

### 3. Title

*Local contract title*

### 4. Local contract reference

### 5. Contractor / Legal Entity Form (LEF)

### 6. Contract type

*E.g. Grant, Service, Supply, Works, Twinning,...*

### 7. Contract signature date

*Date on which the last party signs the contract*

### 8. Contract implementation start date

*The signature date for the contractor, the signature date for the contracting authority, the date on which the contract enters into force and the date on which contract implementation starts are distinct concepts, which may all be the same day or may be different days.*

*In particular, the contract implementation start date (=first day on which eligible costs under the contract may be incurred) may be established after the contract has been signed through a respective clause in the contract, an Administrative Order, etc. Your system may hold all of these dates; but for the purposes of the year-end cut-off report the critical date is the start date of implementation.*

### 9 Contract implementation end date

*final date for completion where this includes time for invoicing, guarantee periods, etc.*

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*The contract implementation end date is the last day on which eligible costs under the contract may be incurred. The contract may allow additional time for finalising the contract administration or a period between the provisional and final acceptance of the work done; but this additional time is not relevant for the year-end cut-off report.*

## **10. Contract status**

*OPEN, CLOSED, TERMINATED, NOT STARTED (if start date of activities is after cut-off date)*

## **11. IPA EU - Initial contract value**

*Initial legal commitment amount of the IPA part (EU funding).*

## **12. IPA EU - Current contract value**

*Amount after amendments (where relevant)*

*Current contract value will include any change of amounts contracted through an addendum modifying the contract.*

## **13. IPA EU - Paid amount**

*Total amount paid under the contract; i.e. pre-financing payments + amount of invoices directly paid – recoveries).*

## **14. RAL**

*The 'reste à liquider' is the 'Outstanding commitment'*

*The amount committed but not yet paid out to beneficiaries and contractors from the IPA EU amount.*

## **15. IPA EU - Recoveries**

*Total value of recoveries (both pre-financing recoveries and expenditure recoveries) made under the contract (where relevant).*

*cash transfers, which have no impact on total cost. Occasionally recoveries will be against payments for expenditure, which were initially accepted as eligible but subsequently rejected on the basis of new information. Expenditure recoveries will reduce the total reported cost on the contract (please see point 19.).*

## **16. IPA EU - Pre-financing paid**

*Total value of pre-financing paid under the contract (where relevant).*

*Pre-financing is a payment intended to provide the beneficiary with a float, i.e. a cash advance. As such, it is paid before the goods and services are delivered (in the case of procurement contracts) and before the occurrence of eligible costs by beneficiaries (in the case of grant agreements). Pre-financing is recognised on the balance sheet when cash is transferred to the recipient.*

## **17. IPA EU - Pre-financing cleared**

*Total value of pre-financing cleared.*

*The payment of pre-financing is recognised as an asset. In accordance with the relevant accounting rule, the pre-financing asset is generally derecognised (i.e. cleared / reduced) as follows:*

- if the amount of an interim/final invoice or cost claim, or part of it, is justifying the use of a pre-financing, then the validation of these eligible expenditures will generate a clearing of the pre-financing;*
- if the beneficiary does not use (part of) the pre-financing, then the pre-financing amount will be partially or totally recovered from the beneficiary.*

## **18. IPA EU - Open pre-financing**

*The totals from 16 and 17 will give the total open (un-cleared) pre-financing paid under the programme, i.e. pre-financing paid – pre-financing cleared*

## **19. IPA EU - Cost recognised**

*clearance of pre-financing under the contract) and proven by supporting documents.*

*– 14 (RAL) – 18 (IPA EU-Open pre-financing) – 15 (IPA EU – Recoveries) Please include in the calculation of the 'IPA EU – Cost recognised' only recoveries of expenditure reducing the recognised cost (+19 bis (IPA EU – incurred and accepted cost not yet paid) – ONLY if you are not able to implement a separate column 19 bis in the report)*

*Costs will represent the eligible value of work that has been:*

*Ø incurred under the contract, accepted, paid by the contracting authority (directly or through cleared pre-financing) and proven by supporting documents, Ø incurred and paid by the contractor (where relevant - to sub-contractors or by grant beneficiaries, for example) and accepted and paid by the contracting authority; In the case of interim costs the final acceptance is understood to depend on the final outcome of the contract.*

*Note that:*

*required.*

*\* Amounts committed but not paid are not costs for the purpose of this report.*

*QW*

*VS*

\* *Pre-financing paid either by the contracting authority or by the contractor (where relevant) is not cost.*

#### **19 bis. IPA EU – Cost incurred and accepted but not yet paid**

*Examples are:*

- *invoices in the workflow that are certified correct (incurred and accepted) but that will be paid only in the following reporting period or*
- *retention monies.*

*this column in your report please add the respective amounts exceptionally directly in column 19 notifying the reason for their inclusion stating: 'Column 19 include cost incurred, accepted but not yet paid, in the amount of '(...)', for the following reason:'(...) or inform us in a side letter of the relevant amounts per contract.*

*Please further note that the amounts inserted in this column are considered as cost incurred and accepted only for the purpose of this year-end cut-off report but not for the purpose of the Annual Financial Report or the Request for Funds where only cost recognised (incurred, accepted, paid and proven by supporting documents) should be considered.*

*Where costs are reported with an invoice (usually procurements)*

#### **20. Cost in workflow - Invoice amount (before assessment of amount eligible)**

*Invoices and reports received but not still approved.*

*Where there is no invoice and costs are identified from a financial report (usually grants)*

**eligible)**

*Reports received but not still approved.*

VS

Wen

## Annex V to the Financing Agreement Accrual Based Accounting System Minimum Specification

The accounting system of the IPA III beneficiary shall meet following requirements:

1. Reflect the organisational structure put in place for the internal control systems suited to the performance of duties. In particular before an operation is authorised, all aspects (both operational and financial) of the operation have to be verified by members of staff other than the one who initiated the operation. The person dealing with the verification cannot be subordinated to the initiator of the transaction.
2. Include an audit trail for all transactions and amendments.
3. Possess adequate physical and electronic security including back-up and recovery systems.
4. The accounting system should hold at least the following information for the local contracts managed under each programme:
  - (a) Contract reference;
  - (b) Contract value including any amendments;
  - (c) Contract signature dates (both parties);
  - (d) Contract implementation start date;

This is in addition to the contract signature date and may differ from it, as when the contract works start date is given after the signature of the contract through an Administrative Order.

- (e) Contract implementation end date including any amendments;

This is the final date on which eligible costs can be incurred. It does not include any guarantee period or time allowed for report preparation by the contractor.

- (f) Total paid (cash) by contract;

- (g) Pre-financing paid by contract;

Explicit recognition and recording on the balance sheet of contractually required pre-financing.

*Gen*

(h) Cost recognised – direct (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some payments will directly cover costs already incurred. No pre-financing is involved. They may be final payments where any pre-financing has already been cleared or interim payments where pre-financing has been cleared or where the contract does not include the provision of pre-financing.

(i) Cost recognised – indirect (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some invoices or cost claims submitted by a grant beneficiary or contractor will relate to costs that are covered by pre-financing paid earlier in the implementation period of the grant agreement or contract. In these cases, the payment made will be less than the reported cost. It may even be zero if all the cost is covered by pre-financing. (it will certainly be zero if the reported costs are insufficient to absorb the pre-financing and a recovery order is issued for the unused balance of the pre-financing.) In all such cases the system should record the full value of the reported eligible cost as expenses for the year and reduce the balance of pre-financing by the amount of cost offset against the pre-financing when determining the amount payable.

(j) Recovery orders to reduce pre-financing (by contract);

Recognition of the reduction of pre-financing on the balance sheet following a recovery of unused pre-financing.

(k) Recovery orders to reduce cost (by contract);

When a recovery is made against cost that had earlier been accepted – possibly following an investigation for fraud. In such cases the recorded costs for the year must be reduced if the cost was accepted in the same year as the subsequent recovery; or income must be recorded where the cost was accepted in an earlier year than that of the recovery.

(l) Supplier's invoice date for each invoice or other document accompanied by a financial report giving rise to recognised costs;

(m) Recovery context information on ineligible cost and recoveries.

## IPA III - APPLICATION FOR MAJOR PROJECT<sup>1</sup>

### 1. SYNOPSIS

#### 1.1. Project Summary Table

<b>Project Title</b>	<b>[title]</b>
<b>Multi-annual Operational Programme</b>	<p>Multi-annual Operational Programme on [sector(s), i.e., environment] in favour of [beneficiary/country] for [years]</p> <p>Adopted with Commission decision [# and date]</p> <p>OPSYS/PINTV Ref : [# In case the Major projects will exist as separate entities in OPSYS]</p> <p>JAD Ref : [#]</p> <p>ACT Ref : [#]</p>
<b>Basic Act / Programming Ref.</b>	Financed under the Instrument for Pre-accession Assistance (IPA III) IPA III Programming Framework
<b>Economic and Investment Plan (EIP)</b>	<b>[Yes/No]</b>
<b>EIP Flagship</b>	<p>If yes, specify the thematic priority(ies)<sup>2</sup> and the share of the Priority Area (PA) %<sup>3</sup></p> <p>[Yes/No]</p> <p>[Priorities: "Transport", "Energy", "Environment and climate resilience", "Digital", "Economic development (incl. private sector, trade and macroeconomic support)", "Human Development (incl. human capital and youth)", "Health resilience", "Migration and Mobility", "Agriculture, food security and rural development", "Rule of law, governance and Public administration reform", "Other"]</p> <p>[Flagships: "I Connect East-West", "II Connect North-South", "III Connect Coastal Regions", "IV Renewable Energy", "V Coal Transition", "VI Renovation Wave", "VII Waste and Waste Water", "VIII Digital Infrastructure", "IX Support Competitiveness", "X Youth Guarantee"]</p>
<b>Team Europe</b>	<b>[Yes/No]</b>
<b>Beneficiary(ies) of the action</b>	The action shall be carried out in <Region>, <Country>, <location(s) if available>

<sup>1</sup> How to fill in the application form:

Guidance in yellow – follow the guidance, enter the requested information or address the subject, then delete the guidance in yellow with the brackets

Guidance in grey – choose the relevant options and delete the irrelevant ones.

<sup>2</sup> Priority areas: 1) Transport (linked to IPA III Tag "Sustainable Transport), 2) Energy (linked to IPA III Tag "Clean Energy"), 3) Environment and climate resilience (linked to IPA III Tag "Green Agenda"), 4) Digital (linked to IPA III Tag "Digital Agenda"), 5) Economic development (incl. private sector, trade and macroeconomic support) (linked to IPA III Tag "Boosting Private Sector Development" and "Regional Economic Integration"), 6) Human Development (incl. human capital and youth) (linked to IPA III Tag "Human Capital" and "Innovation"), 7) Health resilience, 8) Migration and Mobility, 9) Agriculture, food security and rural development, 10) Rule of law, governance and Public administration reform (linked to IPA III Tag "Rule of Law, Good Governance and PAR", 11) Other.

<sup>3</sup> The share of the priority areas should be linked to the NEAR EIP sub-tags: Transport, Energy, Environment and climate resilience, Digital, Economic development (incl. private sector, trade, and macroeconomic support), Human Development (incl. human capital and youth), Health resilience, Migration and mobility, Agriculture, food security and rural development, Rule of law, governance and public administration reform, Other.

	If relevant, mention the extended geographical coverage as indicated in section 1.3 below.			
<b>PRIORITY AREAS</b>				
<b>Window and thematic priority</b>	Window: [#: name of the window] Thematic Priority: [name of the thematic priority]			
<b>Sustainable Development Goals (SDGs)</b>	Main SDG (1 only): Other significant SDGs (up to 9) and, where appropriate, targets:			
<b>DAC code(s)<sup>4</sup></b>	<Main DAC code – sector- percentage> <Sub-code 1 – sector- percentage> <Sub-code 2 – sector- percentage> etc!			
<b>Main Delivery Channel @</b>	<Channel 1><Channel code> example: World Bank - 44001			
<b>Targets</b>	<Please indicate (if relevant) to which spending target(s) this action is contributing to (indicatively)> <input type="checkbox"/> Climate <input type="checkbox"/> Gender <input type="checkbox"/> Biodiversity			
<b>Markers<sup>5</sup> (from DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition <sup>6</sup>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

<sup>4</sup> Development Assistance Committee (DAC) sectors (codes and descriptions) are indicated in the first and fourth columns of the tab 'purpose codes' in the following document: [DAC and CRS code lists - OECD](#)

<sup>5</sup> For guidance, see <https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/> Go to "Data collection and resources for reporters", select Addendum 2, annexes 18 (policy) and 19 (Rio) of the reporting directive.

If an action is marked in the DAC form as contributing to one of the general policy objectives or to RIO principles as a principal objective or a significant objective, then this should be reflected in the logframe matrix (in the results chain and/or indicators).

<sup>6</sup> Please check the [Handbook on the OECD-DAC Nutrition Policy Marker](#).

Internal markers <sup>7</sup> and Tags	Policy objectives	Not targeted	Significant objective	Main objective <sup>8</sup>
	Digitalisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Tags <sup>9</sup>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital entrepreneurship	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital skills/literacy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital services	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Connectivity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Tags	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	energy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	transport	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	education and research	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Migration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	COVID-19	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### BUDGET INFORMATION

<b>TOTAL project cost</b>	EUR [amount]
<b>EU funding<sup>9</sup></b>	EUR [amount]
<b>Budget Line</b>	Budget line: [15.020201]

#### MANAGEMENT AND IMPLEMENTATION

<b>Implementation modality</b>	Indirect management with [name of the IPA III beneficiary]
<b>Decommitment deadline for each budgetary commitment included in the Multi-annual Operational Programme<sup>10</sup></b>	Budgetary commitment [year n]: by 31/12/[year n+5] Budgetary commitment [year n+1]: by 31/12/[year n+1+5] Budgetary commitment [year n+2]: by 31/12/[year n+2+5] Budgetary commitment [year n+3]: by 31/12/[year n+3+5] Budgetary commitment [year n+4]: by 31/12/[year n+4+5] Budgetary commitment [year n+5]: by 31/12/[year n+5+5] Budgetary commitment [year n+6]: by 31/12/[year n+6+5] [last budgetary commitment can be at latest 2027]
<b>Indicative eligibility period</b>	[31/12/n+5 from last budgetary commitment]
<b>Final date for implementing the Financing Agreement</b>	[date as per the Commission decision of the multi-annual programme – should be 12 years following the conclusion of the Financing Agreement]
<b>Managing Authority</b>	Name: Address:

<sup>7</sup> These markers have a different scope/rationale than the DAC codes. They are drawn from the level of budget allocation and emphasis given to the action in terms main objective(s) selected. The definition of objectives, results, activities in description of the action should be in line with this section.

<sup>8</sup> When a marker is Significant or Principal Objective, please indicate the relevant tags by selecting "YES" or "NO".

<sup>9</sup> As requested by the Major Project Application

<sup>10</sup> As per the relevant Commission Decision

<b>responsible for the application</b>	Contact: Telephone: E-mail:
<b>Intermediate Body for policy management (if applicable)</b>	Name: Address: Contact: Telephone: E-mail:
<b>Intermediate Body for financial management</b>	Name: Address: Contact: Telephone: E-mail:
<b>End recipient of the project (project owner after implementation)</b>	Name: Address: Contact: Telephone: E-mail:

## 1.2. Summary of the Project - (max 1/2 page)

This section should provide a description of the overall and specific objectives of the action, its indicative activities and how this action is relevant to achieve the objectives of the Operational Programme.

# 2. PROJECT DESCRIPTION

## 2.1 Intervention Logic and Chain of Result

### 2.1.1 Project Context

[Describe briefly how the region(s) is/are at present endowed with the type of infrastructure covered by this application; compare it with the level of infrastructure endowment aimed for by target year 20XX. Summarise the main changes, which the project will bring.]

[Describe briefly the relevant National Investments Planning and/or Sector Policy/Strategy presenting the financing mechanism envisaged by the Government to implement this plan, and Indicate how this project is prioritised/ranked in the national investment planning /single-project pipeline (if applicable). Indicate the synergies of the project with other local/regional/national or international initiatives/projects]

[Describe the institutional arrangements foreseen for the implementation of the operation and current capacities of the institutions involved. Information on the management bodies the completed infrastructures to be included in section 3.3.1.

[Include also details on sustainability of the Project, i.e., if and to what extent the benefits/results (outputs and outcomes) achieved are likely to continue beyond its implementation period. In particular, the section should include at least some of the key factors impacting on sustainability, such as the level of ownership of the beneficiaries, their institutional management capacities, resources that they commit to provide for the operation and maintenance of the results once the Project is completed.]

### 2.1.2 Project's objectives, outputs and project's contribution to the Multi-annual Operational Programme

[Describe the specific objectives and outputs of the project, and define the related performance indicators and targets. In a concise and precise manner, make a link with the objectives of the relevant Multi-annual Operational Programme and the indicators and targets defined in it<sup>11</sup>. Describe to which indicators the project contributes to, and quantify this contribution.]

### 2.1.3 Transboundary impact of the project

	Yes	No
Has the project any immediate trans-border impact?	(1)	
Does the project have impact on the EU?		(2)
Is there any negative transboundary impact identified?		(3)

[This section refers to all significant transboundary impacts, including environmental and health impacts, both immediate and long-term impacts. With transboundary it is meant "significant effects on the environment in another state" (according to the EIA Directive).]

[**(1)** If YES, describe the impact of the project beyond the borders of the beneficiary country and on the EU. Focus on impacts on river basins, seas and land. In this context, projects influencing rivers flowing to the seas of the European marine regions (i.e. the Mediterranean Sea and the Black Sea) should receive priority attention. In case of waste and waste water treatment projects specify impact on large towns and cities and on shared coastlines with the EU. *For projects in Window 3: Thematic Priority 2: Transport, digital economy and society, and energy* explain if the project form part of a Trans-European Network. Refer to any specific agreement with a neighbouring country or EU]

**(2)** If NO, explain why the project can be considered of EU interest

**(3)** In case a negative transboundary impact has been identified, explain it in details and describe the mitigation/restoration measures planned and part of the project. Refer to the procedure stipulated by the Convention on Environmental Impact Assessment in a Transboundary Context (Espoo Convention)]

### 2.1.4. Gender Impact of the Project

[Define if the project is gender sensitive. Was a gender impact analysis conducted? If yes, provide in brief the outcomes of the analysis and specify the measures that have been identified to ensure gender equality principle. If not, an explanation/justification should be provided.]

### 2.1.5 Roma inclusion

[Define if the project contributes to Roma inclusion and if so provide details. Are Roma part of the targeted group? What are the specific measures identified? Were Roma needs considered in the impact assessment?]

### 2.1.6 End users

[Describe the various groups of end users and their interest in the project.]

<sup>11</sup> The project has to contribute to achieving the objectives of the relevant Multi-annual Operational Programme and its indicators

*2.1.7 Communication and Visibility*

[Provide details of the proposed measures to publicise European Union assistance i.e. type of measure, brief description, duration, etc. The estimated costs must be included in the financing plan.]

## 3. MATURITY OF THE PROJECT

### 3.1. Project Timetable

[Provide an indicative timeline for the project implementation. For each contract or phase, where relevant, where the application concerns a project stage (see section 2.2.2), clearly indicate the elements of the overall project for which assistance is being sought by this application. Provide the implementation details for each line/stage.]

	Covered by this Application (Yes/No)	Start date (A)	Completion date (B)	Implementation details
1. Studies and analysis		dd/mm/yyyy	dd/mm/yyyy	
a. Feasibility study, including ...				
b. CBA...				
c. Other (specify)				
2. Environmental assessment		dd/mm/yyyy	dd/mm/yyyy	
3. Climate proofing <sup>12</sup>				
4. Conceptual engineering design		dd/mm/yyyy	dd/mm/yyyy	
5. Urbanistic planning for infrastructure development		dd/mm/yyyy	dd/mm/yyyy	

<sup>12</sup> Commission Notice — Technical guidance on the climate proofing of infrastructure in the period 2021-2027 - Publications Office of the EU (europa.eu)

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 (version: October 2024)

6. Final (detailed) engineering design		dd/mm/yyyy	dd/mm/yyyy
7. Preparation of Tender documentation		dd/mm/yyyy	dd/mm/yyyy
8. Permits/Licences <sup>13</sup>		dd/mm/yyyy	dd/mm/yyyy
a. ...			
b. ...			
9. Land acquisition		dd/mm/yyyy	dd/mm/yyyy
10. Procurement and contracting procedure(s), including technical audits		dd/mm/yyyy	dd/mm/yyyy
11. Construction phase		dd/mm/yyyy	dd/mm/yyyy
12. Defect notification period		dd/mm/yyyy	dd/mm/yyyy
13. Operational phase		dd/mm/yyyy	dd/mm/yyyy

<sup>13</sup> Add a line for each permit, i.e. water abstraction permit, construction permit, etc.

### 3.2. Administrative Context and Requirements

[If not already mentioned under 3.1, provide a list of legal and administrative documents (decisions, authorisations, EIA, land acquisition, invitations to tender, permits, etc.) that would be required for project implementation. Indicate which documents have already been obtained and provide indicated dates for obtaining the remaining documents.]

### 3.3. Project Feasibility and Maturity

[Summarise the methodology and the main findings of the preparatory phase.]

#### 3.3.1. Feasibility studies

[Specify if the European Union assistance is/was involved in the financing of the feasibility studies]

[Description of the situation as it is (before the project) + problems encountered]

##### a) Demand analysis

[Provide a summary of the demand analysis, including the predicted utilisation rate on completion and the demand growth rate.]

##### b) Options considered

[Outline the alternative options considered in the feasibility studies.]

#### Technical description of the proposed infrastructure

[Short technical description of the project, including envisaged capacity of the main infrastructure, justification of the project scope and size in the context of projected demand, including for each project element a description of technologies and infrastructure to be employed and relevant technical standards that have been used. The technical description of the project should be accompanied by necessary layout maps.]

#### Project cost estimates

[Describe the methodology used to estimate the costs and a breakdown with unit rates and a summary of the bill of quantities if applicable.]

#### Implementation stages

	Yes	No
Is the full project organised in stages?		
Has the project already started?		

[Where the project is considered only a stage of a bigger project, provide a description of all proposed stages of implementation and explain if they are technically and financially independent. What criteria have been used to determine the division of the project into stages?]

#### Arrangements related to infrastructure

[Describe how the infrastructure will be put in place. Focus on the contracts type, selection process of the operator and when applicable, structure of PPP/concession, infrastructure ownership arrangements, risks allocation arrangements, etc.]

#### Management of the completed infrastructure and operating costs

[Define the body which will manage the infrastructure after the completion. Provide a detailed description on the maintenance of the realised investments (funds, human resources, responsibilities, etc.).]

### 3.3.2. Financial analysis and Economic appraisal

The following section is structured to report on a fully fledged cost-benefit analysis. However under the cohesion policy 2021-2027 the Economic appraisal vademecum 2021-2027<sup>14</sup> allows to use other evaluation methodologies.

The key elements from the financial analysis of the CBA should be summarised below, including the description of the methodology. The full cost-benefit analysis document shall be attached to this application as Annex IV.

#### A) Financial analysis (if applicable)

##### *Operating costs and Revenues*

	EUR million
a) Annual operating costs (as per the cost-benefit analysis)	
b) Annual expected revenues (as per the cost-benefit analysis)	

[Indicate first full year of operation:]

- Provide a breakdown of O&M costs, distinguishing between variable and fixed operating and maintenance costs;

- Provide unit cost assumptions used for estimating the O&M costs.b) Revenues

If the project is expected to generate revenues explain:

- the nature of the revenues - tariffs or charges borne by users or other form of arrangement; reference to the relevant regulatory framework and tariff-setting principles, where relevant;

- provide details of charges (types and level of charges - by user group, if appropriate; fixed and variable components, where relevant; application of the polluter-pays principle, where relevant);

##### *Affordability and Financial Sustainability*

Provide evidence of the project financial sustainability (non-negative cumulated net cash-flows over the project reference period);

Where relevant,

- o Explain if tariffs are set at full-cost recovery level, e.g. covering operating costs, depreciation and return on capital;
- o If tariffs are set at below full-cost recovery: (i) provide a justification based on an affordability analysis (e.g. benchmarking the average annual expenditure for project good/service as a share of average / median and/or lowest-decile household income / expenditure); (ii) explain how financial sustainability is achieved (e.g. subsidies, transfers); (iii) indicate how tariffs are expected to evolve over time to ensure cost-recovery in the longer term.

<sup>14</sup> [https://ec.europa.eu/regional\\_policy/sources/docgener/studies/pdf/cba\\_guide.pdf](https://ec.europa.eu/regional_policy/sources/docgener/studies/pdf/cba_guide.pdf)

<https://op.europa.eu/s/yBiT>

*B) Economic analysis*

*a) Methodology*

[Provide a short description of methodology (key assumptions made in valuing costs and benefits) and the main findings of the economic analysis]

*b) Main costs, benefits and indicators (if a CBA is carried out)*

Main parameters and indicators	Values
1. Social discount rate (%)	
2. Economic rate of return (%)	
3. Economic net present value (in Euro)	
4. Benefit-cost ratio	

*c) Employment effects of project (if applicable)*

Provide an indication of the number of jobs to be created (in full-time equivalents (FTE))

[NB: indirect jobs created or lost are not sought for public infrastructure investments]

Number of jobs directly created:	No. (FTE) (A)	Average duration of these jobs (months) (B)
1. During implementation phase		
2. During operational phase		

## 4. ENVIRONMENTAL IMPACT

### 4.1. Project contribution to EU climate and environmental policy and legislation

Outline how does the project contribute to EU climate and environmental policy and legislation, also summarising the findings of the EIA

- a) How the project contributes to the objective of environmental sustainability (European climate change policy, halting loss of biodiversity, protection and sustainable use of natural resources and ecosystems, etc.) and how it provides any net positive contributions to the state of the environment, to climate change mitigation and to climate change adaptation
- b) How the project respects the principles of preventive action and that environmental damage should as a priority be rectified at source
- c) How the project respects the "polluter pays" principle, in particular through the provisions of the Environmental Liability Directive

### 4.2. Consultation of Environmental Authorities

	Yes	No
Have the environmental authorities likely to be concerned by the project, been consulted by reason of their specific responsibilities?	(1)	(2)

(1) If YES, provide the name(s) and contact data and explain that authority's responsibility.

(2) If NO, provide the reasons.

### 4.3. Environmental Impact Assessment

[Indicate the main adverse impacts on the environment and human health expected from the project, and the measures that will be implemented to avoid and/or minimise such impacts. Make a distinction between impacts from the construction, operation and decommissioning phases.]

#### 4.3.1 Development Consent<sup>15</sup>

	Yes	No
Has development consent already been given to this project?	(1)	(2)
Has the opinion of the competent environmental authorities been followed in the development consent decision? If not, briefly explain why.		
Have (and how) the conclusions from the public participation (and transboundary consultations, if relevant) been incorporated or otherwise addressed in the decision to grant the development consent? If no, or only partially, briefly explain why.		

(1) If YES, on which date?

(2) If NO, when was the formal request for the development consent introduced? By which date is the final decision expected?

<sup>15</sup>

'development consent' means the decision of the competent (national) authority or authorities which entitles the developer to proceed with the project.

Specify the competent authority or authorities, which has given or will give the development consent.

4.3.2 EU legislation on Environmental Impact Assessment (EIA) in force<sup>16</sup>

Is the project a class of development covered by:

	Yes	No
Annex I of the Directive	(1)	
Annex II of the Directive		
Has an Environmental Impact Assessment been carried out for this project?		(2)
Neither of the two annexes		

(1) When covered by Annex I or Annex II of the Directive, provide the following attachments:

- a. Non-technical summary<sup>17</sup> of the Environmental Impact Study carried out for the project;
- b. Information on consultations with competent environmental authorities, indicating in what way the concerns of the designed consultees have been taken into account;
- c. Results of the consultations with the public concerned<sup>18</sup>;
- d. Trans-boundary consultations with those states affected by the project need to be provided demonstrating that the procedure of art. 7 of the EIA directive has been applied. Indication in what way the concerns of the designed consultees and concerned public have been taken into account should be provided;
- e. Evidence that the decision to grant or refuse development consent has been available to the public by the competent authority<sup>19</sup>.

*In relation to point b., c. and d. project proponents should be informed that these may be represented in the form of a statement, conclusion or certification by the competent*

<sup>16</sup> See at [https://ec.europa.eu/environment/eia/index\\_en.htm](https://ec.europa.eu/environment/eia/index_en.htm).

<sup>17</sup> - a description of the project comprising information on the site, design and size of the project,  
- a description of the measures envisaged in order to avoid, reduce and, if possible, remedy significant adverse effects  
- the data required to identify and assess the main direct and indirect effects which the project is likely to have on the environment on the following factors:

a) human beings, fauna and flora (including those environmentally sensitive areas which might fall in future under the protection of the Birds Directive (79/409/EEC, as amended and codified by Directive 2009/147/EC) and Habitats Directive (92/43/EEC);  
b) soil, water, air, climate and landscape;  
c) material assets and the cultural heritage;  
- interaction between the factors mentioned in the first, second and third indents.

- any further information which might arise from any of the obligations deriving from Annex IV of the EIA Directive.

<sup>18</sup> The information provided should cover the following:

- the concerned public which has been consulted,
- the places where the information has been consulted,
- the time which has been given to the public in order to express its opinion,
- the way in which the public has been informed (for example, by bill-posting within a certain radius, publication in local newspapers, organisations of exhibitions with plans, drawings, tables, graphs, models, etc.),
- Has the public been informed and given an early and effective opportunity to participate in the environmental decision-making procedure, in accordance with Art. 6 of the EIA Directive?
- explain the manner in which the public has been consulted (for example, by written submissions, by public enquiry, etc.)
- the way in which the concerns of the public have been taken into account.

<sup>19</sup> Including:

- the content of the decision and conditions attached thereto,
- the main reasons and considerations on which the decision has been based,
- a description, where necessary, of the main measures to avoid, reduce and, if possible, offset the major adverse effects.

*environmental authorities testifying that all obligation as described in the items above have been followed and describing how.*

(2) If no EIA was carried out for projects covered by Annex II, explain the reasons and give the thresholds, criteria or case by case examination carried out to reach the conclusion that the project has no significant environmental effects. Explain how the transboundary impacts have been analysed, and describe how and which have been the conclusions of the analysis. Refer to the the screening opinion/conclusion given by the EIA Competent Authority and provide evidence that the determination (the EIA screening decision) has been made available to the public.

#### 4.4. Assessment of Effects on Sites of Nature Conservation Importance

##### Definition of sites of nature conservation importance

- a) Sites identified by the competent national authorities as sites to be proposed for the Natura 2000 network as laid down in the Birds Directive (2009/147/EC) and Habitats Directive (92/43/EEC);
- b) Sites listed in the latest inventory of Important Bird Areas (IBA 2000) for candidate countries or (if available) equivalent more detailed scientific inventories endorsed by national authorities;
- c) Wetlands of international importance designated under the Ramsar Convention or qualifying for such protection;
- d) Areas to which the Bern convention on the conservation of European Wildlife and Natural Habitats<sup>1</sup> (Art.4) applies, in particular sites meeting the criteria of the Emerald network;
- e) Areas protected under national nature conservation legislation.

	Yes	No
Is the project likely to have (direct or indirect) effects, individually or in combination with other plans or projects on sites included or intended to be included in sites of nature conservation importance	(1)	(2)
Are these effects significant negative, requiring compensation measures according to Article 6 (4) of the Habitats Directive	(3)	

- (1) If YES, provide a summary of the conclusions of the appropriate assessment carried out "according to Article 6 (3) of Directive 92/43/EEC<sup>20</sup>".
- (2) If NO, attach the declaration, filled in by the relevant authority, as per Annex I of this application form.
- (3) If YES, provide a copy of the form "Information on projects likely to have significant negative effect on sites of nature conservation importance", as notified to the Commission (DG Environment) under Habitat Directive 92/43/EEC<sup>21</sup>.

<sup>20</sup> OJ L 206 of 22.07.1992

<sup>21</sup> Document 99/7 rev.2 adopted by the Habitats Committee (Member States representatives established under Directive 92/43/EEC) at its meeting on 04.10.99.

#### Effects on the ecological status of water bodies

	Yes	No
Does the project involve a new modification to the physical characteristics of a surface water body or alterations to the level of bodies of groundwater which deteriorate the status/potential of a water body or cause failure to achieve good water status/potential?	(1)	(2)

(1) If YES, provide the assessment of the impacts on the water body and a detailed explanation of how all the conditions under Article 4.7 of the Water Framework Directive were/are to be fulfilled. Indicate also whether the project results from a national/regional strategy in relation to the relevant sector and/or from a river basin management plan, which takes into account all relevant factors (e.g. a better environmental option, cumulative effects, etc.)? If so, please provide full details!

(2) If NO, provide justification for each water body why the project is not likely to lead to deterioration of ecological status/potential or does not prevent the water body to reach good ecological status/potential.

#### 4.5. Additional Environmental Integration Measures

	Yes	No
Does the project envisage, apart from Environmental Impact Assessment, any additional environmental integration measures (e.g. environmental audit, environmental management, specific environmental monitoring)?	(1)	

(1) If YES, specify.

#### 4.6. Cost of Measures Taken for Correcting Negative Environmental Impacts

	%
If included in total cost, estimate proportion of cost of measures taken to reduce and/or to compensate for negative environmental impacts	

Explain briefly.

#### 4.7. Climate-resilience and climate mitigation

Explain the main climate related risks, and how they are going to be addressed. If possible use the Building Resilience Index<sup>22</sup>. Explain the methodology applied.<sup>23</sup> List the adaptation measures identified and how they are integrated into the project. Clarify if climate change resilience has been integrated into the EIA for the project.

<sup>22</sup> <https://www.resilienceindex.org/>

<sup>23</sup> Use this as a basis Commission Notice — Technical guidance on the climate proofing of infrastructure in the period 2021-2027 - Publications Office of the EU (europa.eu)

Indicate the main impacts on climate expected from the project (e.g. carbon footprint), and the measures that will be implemented to avoid and/or minimise such impacts. If possible, make a distinction between impacts from the construction, operation and decommissioning phases.

Indicate the climate vulnerability of the project and what measures will be implemented to ensure its climate proofing.

## 5. PROJECT FINANCING

### 5.1. Financing Plan

- Complete the table below. Example is provided for guidance purposes. The table is also available in xls. Adjust the table to the project specifics.
- List all cost groups on a separate line.
- As private expenditure is not eligible for financing under the activity, it shall be included – if any – under “ineligible costs”.

Budget headings	TOTAL PROJECT COSTS EUR	INELIGIBLE COSTS EUR	ELIGIBLE COSTS EUR		
			(A)	(B)	(C)=(A)-(B)
<b>1. Planning/design fees</b>	<b>1,600,000</b>	<b>500,000</b>			<b>1,100,000</b>
Pre-feasibility study	20,000				20,000
Feasibility study	550,000				550,000
Socio-economic analysis	150,000				150,000
Urban planning gap assessment	300,000				300,000
Cost benefit analysis	500,000		500,000		
Gender impact analysis	80,000				80,000
Other					
<b>2. Land purchase</b>	<b>8,000,000</b>		<b>8,000,000</b>		<b>0</b>
Land acquisition	8,000,000		8,000,000		
<b>3. Construction</b>	<b>300,000,000</b>		<b>50,000,000</b>		<b>250,000,000</b>
Main infrastructure A	20,000,000				20,000,000
Main infrastructure A	150,000,000				150,000,000
Main infrastructure A	80,000,000				80,000,000
<del>Main-infrastructure-B-</del>	<del>50,000,000</del>		<del>50,000,000</del>		

✓

Budget headings	TOTAL PROJECT COSTS		INELIGIBLE COSTS		ELIGIBLE COSTS	
	EUR	EUR	EUR	EUR	EUR	EUR
	(A)	(B)	(C)	(A)+(B)	(C)-(A)+(B)	(C)
<b>4. Plant and machinery<sup>24</sup></b>						
<b>5. Technical assistance</b>						
<b>6. Communication and Visibility</b>						
<b>7. Supervision</b>						
<b>8. Sub-TOTAL</b>						
1. Contingency <sup>25</sup>						
<b>10. TOTAL</b>						
<b>11. VAT</b>						

<sup>24</sup> Only in case this represents a separate tender procedure

<sup>25</sup> Maximum 15% of the total budget

*Calculation of EU funding requested*

		Value
1.	Eligible cost (in euro)	251,000,000
2.	Co-financing rate (%)	85%
3.	EU funding request (in euro)	231,350,000

Eligible costs comprise (i) expenditure outside the eligibility period, (ii) expenditure ineligible under applicable EU and national rules, (iii) other expenditure not presented for co-financing.

The starting date for eligibility of expenditure is the date of the approval letter of the Major Project.

IPA III implementing regulation sets (Article 5): 3. Financing agreements shall provide the terms on which the IPA III assistance shall be granted, including the applicable methods of implementation of IPA III assistance, implementation deadlines, as well as rules on the eligibility of expenditure.

The beneficiary's national authorities are reminded that Major Project contracts have to be registered in the IPA APP application upon their award.

Funding sources (Entity – Country of origin – Public-private)	Funding amounts	% to total financing

## 5.2.Competition

	Yes	No
Does this project involve State Aid at any stage, including during operation of the complete infrastructure?	(i)	

[(1) If YES, explain how the competition rules have been respected. Provide an opinion of the state aid authority in English.]

[If no, please explain in detail the basis for establishing that the project does not involve state aid]

## 5.3. Procurement Plan

Provide an indicative procurement plan for the contracts to be implemented with EU funding. In cases where contracts have been already published in the Official Journal of the European Union/TED, provide reference. Make sure full compliance is achieved with the project timetable as set in section 3.1. above.

Contract	Contract type	Estimated budget in EUR	Procedure Type	Estimated start of the procurement procedure	Estimated date for contract signature	Estimated contract duration
...			...		...	

## 6. Sensitivity and Risk analysis

### 6.1.Risk Analysis

#### 6.1.1 Sensitivity of the CBA results

a) State the percentage change applied to the variables tested:

Variable tested	percentage change applied
Investment	
O&M	

b) Present the estimated effect on results of financial and economic performance indexes.

Variable tested	Financial Rate of Return variation	Financial Net Present Value variation	Economic Rate of Return variation	Economic Net Present Value variation

c) Critical variables

Define which variables were identified as critical variables

Indicate which criterion has been applied:

Define the switching values of the critical variables

*6.1.2 Risk analysis*

Identify the main risks (including environmental and climate change risks), state what type of risk analysis were performed.

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures	
	Risk 1				
	Risk 2				
	Risk #				

**6.2 Stakeholders' involvement**

a) Describe the stakeholders and users and how they have been involved and consulted in the project identification and formulation stage.

b) Is there a risk for the project implementation coming from resistance from specific stakeholders? Reflect this in the table above.

**7 ANNEXES**

List all annexes as requested and provided with this application:

## 8 ENDORSEMENT OF COMPETENT NATIONAL AUTHORITY

I confirm that the information presented in this form is accurate and correct.

NAME:

SIGNATURE:

ORGANISATION:

DATE:

**ANNEX I**  
**DECLARATION BY AUTHORITY RESPONSIBLE FOR**  
**MONITORING SITES OF NATURE CONSERVATION**  
**IMPORTANCE**

Responsible Authority \_\_\_\_\_

Having examined the project application \_\_\_\_\_

Which is to be located at \_\_\_\_\_

Declares that the project is not likely to have significant effects on a site of nature conservation importance on the following grounds (provide the name of the relevant site(s), reference number, the distance of the project to the nearest site(s) of nature conservation importance, its conservation objectives, and justification that project (either individually or in combination with other projects) is not likely to have significant negative effects on the site(s) of nature conservation importance and, if relevant, an administrative decision (i.e. the appropriate assessment screening decision)):

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Therefore an appropriate assessment required by Article 6 (3) of Habitat Directive 92/43/EEC was not deemed necessary.

A map at scale of 1:100.000 (or the nearest possible scale) is attached, indicating the location of the project as well as the *sites of nature conservation importance* concerned, if any.

Date (dd/mm/yyyy): \_\_\_\_\_

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Organisation: \_\_\_\_\_

(Authority responsible for monitoring *nature conservation importance* sites)

Official Seal:



## IPA III – Model of Operation Identification Sheet

*(To be used for non-major projects<sup>1</sup> – max 6 pages)*

- 1) Title of the Operation:
- 2) Managing Authority:
- 3) Intermediate bodies responsible for the Implementation of the Operation:
- 4) Compatibility and coherence with the Operational Programme
  - 4.1 Title of the programme
  - 4.2 Title of the relevant Area of support
- 5) Description of the Operation
  - 5.1 Contribution to the achievement of the Operational Programme: *Describe the operation, its background, how the operation contributes to the achievement of the objectives of the Operational Programme and of the relevant area of support*
  - 5.2 Overall Objective of the Operation: *Explain in one sentence*
  - 5.3 Specific Objectives of the Operation: *Explain in one sentence*
  - 5.4 Outputs *(please indicate the outputs of this operation and how they relate with the ones of the Multi-Annual Operational programmes of the relevant areas of support)*
  - 5.5 Indicative activities:
  - 5.6 Indicators: *Please use indicators that are relevant for the action from the IPA III Results Framework<sup>2</sup>*
  - 5.7 Indicative location(s):
  - 5.8 Duration: *Duration of the operation cannot exceed the final date of eligibility of expenditure set in the Financing Agreement*
  - 5.9 End recipients and target group(s): *identification of the category and groups of institutions, organisations and social and economic partners who will be eligible for support under each activity*
- 6) Implementation arrangements
  - 6.1 Institutional framework: *Institutional arrangements foreseen for the implementation of the operation, e.g. operation coordination unit, steering committee, regional and/or provincial authorities, technical assistance team*
  - 6.2 Proposed monitoring structure and methodology: *Who will be responsible for monitoring of the operation, how will the operation be monitored, what will be the workflow and reporting lines*
- 7) Maturity
  - 7.1 Required procedures and contracts for the implementation of the operation and their sequencing:  
*List the type of procedures (call for proposals, direct implementation by national institutions without prior call for proposals, direct agreements with international organisations, etc) and the*

<sup>1</sup> Thresholds for major projects are indicated in the Financial Framework Partnership Agreement – Art. 16

<sup>2</sup> SWD\_2022\_445\_1\_EN\_document\_travail\_service\_part1\_v2.pdf (europa.eu)

*corresponding contracts (grant contracts, contribution agreements with international organisations, services, supplies, works, etc) for the proposed activities, together with their timeline and sequencing, including expected start of tendering, expected start of operation and its duration. Please add a justification for each implementation modality indicated, especially in case direct grants or contribution agreements with International Organisations are foreseen.*

## 7.2 Supporting documents

*For each of the type of procurement procedures mentioned in 7.1) please indicate what supporting documents are available (i.e tender dossiers, terms of reference, technical specifications, calls for proposals, draft twinning fiche), including, if applicable, for infrastructure projects, design studies, environmental impact assessment (EIA), cost-benefit analysis (CBA), etc.*

### 8) Risks and assumptions

### 9) Sustainability:

*Include details on the sustainability of the Operation, i.e., if and to what extent the benefits/results (outputs and outcomes) achieved are likely to continue beyond its implementation period. In particular, the section should include at least some of the key factors impacting on sustainability, such as the level of ownership of the beneficiaries, their institutional management capacities, resources that they commit to provide for the operation and maintenance of the results once the Operation is completed.*

### 10) Gender equality and empowerment of women and girls, equal opportunity, Roma, minorities and vulnerable groups (where relevant):

*Please indicate how the project contributes to the promotion of gender equality and women/girls empowerment. Define if the project is gender sensitive. Was a gender impact analysis conducted? If yes, provide in brief the outcomes of the analysis and specify the measures that have been identified to ensure gender equality principle. If not, an explanation/justification should be provided*

*Please identify the stakeholders (public and/or non-state actors) most affected by the issues to be addressed by this action, their roles and mandates and any institutional, organisational and/or capacity issues to be covered by the action. Specific attention should be paid to the most vulnerable groups – including Roma – who could be positively or negatively affected by the action, including risks of doing harm (not least in fragile and conflict-affected settings), as well as the stakeholders representing them*

### 11) Requested financing from the European Commission:

*(The Union contribution should not exceed 85% at the level of the area of support)*

### 12) Co-financing: (please identify expected total contribution by source)

### 13) Budget breakdown:

*(Indicative, per type of procurement procedure, including estimated total cost, IPA contribution, national public contribution and private contribution)*

**- Only for operations including infrastructure projects -**

### 14) Financial Analysis and Economic Appraisal

*(if applicable - Please refer also to guidance contained in the corresponding section 3.3.2 of the Major Project application for reference)*

*Please present the key elements of the financial analysis, including the estimated Operating costs and Revenues, the affordability and Financial Sustainability of the proposed investment, the economic analysis (including the methodology used, the main findings and the main cost, benefits and indicators*

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*such as the social discount rate, the economic rate of return, the economic net present value and the benefit/cost ratio)*

## 15) Environmental Impact Assessment

*(if applicable, please refer to the corresponding sections 4.3 and 4.4 of the Major Project application for reference)*

*Indicate the main impacts on the environment and human health expected from the project, and the measures that will be implemented to avoid and/or minimise such impacts. Make a distinction between impacts from the construction, operation and decommissioning phases.*

Has development consent already been given to this project?

If yes, on which date?

If no, when was the formal request for the development consent introduced and by which date is the final decision expected?

*Specify the competent authority or authorities, which has or have given or will give the development consent. Summarise the results of the consultations with the public concerned.*

Is the project a class of development covered by:

	Yes	No
Annex I of the Directive		
Annex II of the Directive		
Has an Environmental Impact Assessment been carried out for this project?		
Neither of the two annexes		

	Yes	No
Is the project likely to have (direct or indirect) effects, individually or in combination with other plans or projects on sites included or intended to be included in sites of nature conservation importance		
Are these effects significant negative, requiring compensation measures according to Article 6 (4) of the Habitats Directive		

Effects on the ecological status of water bodies	Yes	No
Does the project involve a new modification to the physical characteristics of a surface water body or alterations to the level of bodies of groundwater which deteriorate the status/potential of a water body or cause failure to achieve good water status/potential?		

## 16) Climate-resilience and climate mitigation

*[Please refer to the corresponding section 4.7 of the Major Project application for reference]*

*Explain the main climate related risks, and how they are going to be addressed. If possible, use the Building Resilience Index. Explain the methodology applied. List the adaptation measures identified and how they are integrated into the project. Clarify if climate change resilience has been integrated into the EIA for the project.*

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*Indicate the main impacts on climate expected from the project and the measures that will be implemented to avoid and/or minimise such impacts. Make a distinction between impacts from the construction, operation and decommissioning phases. Indicate the climate vulnerability of the project and what measures will be implemented to ensure its climate proofing.*

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