

**Macedonia: Social Infrastructure Programme I-III**

**Ex-post evaluation**

<b>OECD sector</b>	43030 - Urban development and management; 15140 - Government administration (Phase III)	
<b>BMZ project ID</b>	2000 65 037; 2000 65 839; 2004 65 583	
<b>Project executing agency</b>	Ministry of Transport and Communication	
<b>Consultant</b>	Kittelberger Consult	
<b>Year of ex-post evaluation report</b>	2009 (Phase I is part of the sample 2009)	
	<b>Project appraisal (planned)</b>	<b>Ex-post evaluation (actual)</b>
<b>Start of implementation</b>	1.) Q 1 2000 2.) Q 3 2001 3.) Q 4 2004	1.) Q 3 2001 2.) Q 1 2003 3.) Q 4 2004
<b>Period of implementation</b>	1.) 24 months 2.) 30 months 3.) 12 months	1.) 24 months 2.) 30 months 3.) 27 months
<b>Investment costs</b>	1.) EUR 9.2 million 2.) EUR 5.61 million 3.) EUR 5.68 million	1.) EUR 8.6 million 2.) EUR 5.73 million 3.) EUR 5.58 million
<b>Counterpart contribution</b>	1.) EUR 0.9 million 2.) EUR 0.5 million 3.) EUR 0.59 million	1.) EUR 0.7 million 2.) EUR 0.38 million 3.) EUR 0.48 million
<b>Financing, of which Financial Cooperation (FC) funds</b>	1.) EUR 8.2 million 2.) EUR 5.11 million 3.) EUR 5.1 million	1.) EUR 7.92 million 2.) EUR 5.35 million 3.) EUR 5.1 million
<b>Other institutions/donors involved</b>	-	
<b>Performance rating</b>	3	
• <b>Relevance</b>	2	
• <b>Effectiveness</b>	3	
• <b>Efficiency</b>	3	
• <b>Overarching developmental impact</b>	2	
• <b>Sustainability</b>	3	

**Brief description, overall objective and programme objectives with indicators**

This open, multisectoral programme aimed at facilitating the implementation of municipal measures (projects) to improve social infrastructure. The programme objectives at appraisal in all three phases comprised (1) the alleviation of economic

hardship and poverty by generating temporary employment and income and (2) the sustainable improvement of social infrastructure in selected municipalities. Improving the capacities of the municipalities and support for national efforts at decentralisation and strengthening local self-governance were agreed on as additional programme objectives in Phase III. Achieving these objectives was to contribute to improving the conditions of life of the local population and to mitigating the adverse impacts of the transition process (overall objective).

The total costs of the programme for all three phases amounted to approx. EUR 19.95 million. FC financial contributions totalled EUR 18.4 million. The counterpart contributions by the individual municipalities amounted to about EUR 1.55 million. The first phase (funding: EUR 8.2 million as a grant) started in September 2001. Phase II (funding: EUR 5.1 million as a grant) began in February 2003 and the third and last phase of the FC measure (funding: EUR 5.1 million as a grant) in September 2004.

### **Programme design/major deviations from original planning and main causes**

Under the programme, altogether 140 individual measures were carried out for the improvement of municipal infrastructure in 35 out of 84 Macedonian municipalities. The programme also supported the Macedonian decentralisation reform and strengthening local self-governance by involving the municipalities more closely in the project cycle (Phase III). Of altogether 140 individual measures, 55 were carried out in the first Phase in 13 municipalities and 35 single projects also in 13 municipalities (some of them identical with Phase I) in the second phase. In the third and last phase, 50 individual measures were implemented in 12 municipalities. In a subsequent programme phase-out, completion measures were carried out on 16 single projects up to around December 2006. The focus of projects in all three phases was placed on water supply and sanitation, repair of roads and public places, the rehabilitation of garbage dumps and (re)afforestation. The construction and rehabilitation of individual buildings and health stations were also financed in Phase III.

### **Key results of impact analysis and performance rating**

#### **Assessment of objectives adequacy including indicators**

The overall objective of the FC measure for all three phases of the programme was defined as a contribution to improving the conditions of life of the local population and alleviating the adverse impacts of the transition process. Moreover, applying current criteria, the contribution defined as part of Phase III to raising the capacity of the municipalities and strengthening local self-governance constitutes an additional overall, not programme, objective.

No indicators were set for the overall objective of contributing to improving the conditions of life at appraisal of Phases I to III, which is no longer in keeping with today's state-of-the-art. As the FC measures were largely carried out in water supply and sanitation, rehabilitation of schools and health stations and repair work to roads and public places, etc, applying current standards, the following indicators are suitable for measuring the overall objective of improving the conditions of life: reduction of water-transmitted diseases, improvement of services at schools and economic development in community centres thanks to better road infrastructure. By today's yardsticks, the contribution to decentralisation and strengthening local self-governance under SIP III can be measured with the help of the USAID Municipal Capacity Index (MCI) survey. The index comprises the following five municipal services: (1) municipal accountancy, financial planning & financial management; (2) planning, capital budgeting & municipal lending; (3) collection of taxes and fees and generation of income; (4) municipal economic development; (5) transparency and accountability.

The programme objectives of the FC measure in all three phases were (1) alleviation of economic hardship and poverty by generating temporary employment and income and (2) the sustainable improvement of social infrastructure in selected municipalities. As to

the support for decentralisation as aimed at in Phase III, current standards would also define the contribution to raising the autonomy of the municipalities in the performance of their tasks as an additional programme objective.

At appraisal, the following programme objective indicators were defined:

- a) At least 70% (Phase I) or 80% (Phases II and III) of the individual projects are operational and in use two years after commissioning.
- b) The wage cost ratio in Phase I is > 30%, in Phase II, 30% on average and in Phase III, > 20% on average.
- c) Collection efficiency for water supply and sanitation facilities has increased (only Phase II).
- d) Local governments implement the projects (planning, call to tender, building supervision) on their own (Phase III only).

The programme objective indicators are appropriate, also when assessed by today's standards. Indicator c), however, is already explicitly included in the overall objective indicator of MCI (ability to impose taxes and generate income), so that it will not be dealt with again separately as a programme objective indicator.

#### Performance assessment

We assess overall developmental efficacy as follows:

Relevance: The results chain was plausible: improving the condition of municipal infrastructure by promoting labour-intensive small-scale projects and involving local self-governing authorities in municipal planning (Phase III) and, with that, making a contribution to improving the conditions of life, alleviating the adverse impacts of the transition process and to decentralisation efforts by the Macedonian Government (Phase III). The rehabilitation of municipal infrastructure and job creation are still an important component of the Macedonian poverty reduction strategy. The programme was positioned in the democratisation and civil society priority of German-Macedonian development cooperation. Cooperation with Macedonia is part of support for convergence with the European Union. Till now, donor coordination in decentralisation and municipal infrastructure has not been administered through formal institutions of the Macedonian Government. Under the programme, however, regular informational exchanges took place between KfW and the World Bank, EU and UNDP in particular. We assess the relevance of all three phases as good overall (Subrating 2).

Effectiveness: Of the single projects inspected, 31 are currently operational (89%) and are being used as intended at project planning. The rehabilitation of school buildings and health stations was conducted solely in remote municipalities, which was of evident special benefit to the population. Limited use was noted in the afforestation projects in particular. Restricted use is also made of some footpaths. In the third phase, the focus of the FC measure was also placed on strengthening local government by involving the municipal authorities more closely in project implementation. Major tasks in the project cycle (call to tender, building supervision and monitoring, reporting) were also undertaken by a project management unit at the programme executing agency (MoTC) in Phase III, but representatives of the municipalities also belonged to the unit during this phase. Moreover, the municipalities performed local building supervision in the third phase. We assess the effectiveness of the programme in Phases I and II still as sufficient (Subrating 3) and we also judge the effectiveness of Phase III as sufficient (Subrating 3), since although the indicators were not met in full the participation of the municipalities and their influence over the performance of their tasks was enlarged in the course of the three phases of the FC measure.

Efficiency: The scheduled start of the FC measure was delayed by some 14 months, which was due in particular to the crisis in Macedonia in 2000 and the hostilities in parts of the programme region. The implementation period of Phase III was initially prolonged by 4 months. During phasing out, the consultant assignment was also

extended up to around December 2006. As a consequence, the consultancy costs exceeded the original budgeted amount by about 33%. Most of the measures were on a micro scale. For lack of benchmarks, it is hardly possible to assess costs and hence production efficiency. Accounting for the improvements demanded by KfW during phase-out, an adequate percentage of mains connections were made in water supply and sanitation. We assess efficiency for Phases I and II and for Phase III as sufficient altogether (Subrating 3).

Overarching developmental impacts: The programme was intended to make a contribution to improving the conditions of life of the local population and alleviating the adverse impacts of the transition process as well as to supporting the decentralisation efforts of the Macedonian Government. Findings from interviews indicate that the programme has made numerous small contributions to improving the conditions of life in the municipalities. As to support for decentralisation in Macedonia, the participation and hence the influence of the municipalities in the performance of their tasks was increased thanks to conceptual developments in the course of the FC measure (representation in the project management unit, involvement in building supervision). This positive trend was also evident in the survey applying the USAID MCI, whose scores improved continuously on average between 2005 and 2008. We allot the programme in all three phases a subrating of good (2) in overarching developmental impacts.

Sustainability: In many of the individual projects inspected, there was a discernible need for maintenance. Maintenance schemes are known in larger municipalities and are reportedly applied in operation and regularly adjusted. Larger repairs, such as the replacement of paving-stones or pumps, have not apparently been necessary, but due to low rates and poor collection efficiency they can, however, only be carried out with support from the general municipal budget or other financiers. The financial resources for the maintenance of schools and health stations are also in need of critical assessment. Some of the members of the municipalities and the personnel of the executing agency, the Ministry of Transport and Communications (MoTC), are evidently highly motivated when it comes to the sustainable implementation of additional projects. The local self-governing authorities supported in the programme, particularly the representatives in the project management unit, can also be expected to apply what they have learnt in future municipal development. Since Macedonia is involved in the EU association process, we can also assume a broader financial basis for the municipal tasks in the medium term. We therefore consider programme sustainability for Phases I and II to be sufficient overall (Subrating 3). Considering the additional outputs as part of municipal participation, we also assess sustainability for Phase III as sufficient (Subrating 3).

Based on the individual subratings, we assign the FC measure an overall performance rating of 3. Considering the additional objective for Phase III (strengthening local self-governance, contribution to promoting decentralisation), the individual criteria for Phases I and II have in part been assessed separately from Phase III, which does not, however, make any difference to the overall evaluation of the programme.

#### General conclusions

Considerable improvements need to be made to the financial resources of the municipalities, as they will otherwise hardly be able to maintain the sustainable operation of the individual measures. Part of Macedonian national policy is to delegate greater responsibility to the municipalities, which must also include providing them with greater financial resources. In consultations with central government, emphasis should be placed on expediting this process.

## Notes on the methods used to evaluate project success (project rating)

Projects are evaluated on a six-point scale, the criteria being relevance, effectiveness (outcome), “overarching developmental impact” and efficiency. The ratings are also used to arrive at a final assessment of a project’s overall developmental efficacy. The scale is as follows:

- 1 Very good rating that clearly exceeds expectations
- 2 Good rating fully in line with expectations and without any significant shortcomings
- 3 Satisfactory rating – project falls short of expectations but the positive results dominate
- 4 Unsatisfactory rating – significantly below expectations, with negative results dominating despite discernible positive results
- 5 Clearly inadequate rating – despite some positive partial results the negative results clearly dominate
- 6 The project has no positive results or the situation has actually deteriorated

A rating of 1 to 3 is a positive assessment and indicates a successful project while a rating of 4 to 6 is a negative assessment and indicates a project which has no sufficiently positive results.

### **Sustainability is evaluated according to the following four-point scale:**

#### Sustainability level 1 (very good sustainability)

The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

#### Sustainability level 2 (good sustainability)

The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected.)

#### Sustainability level 3 (satisfactory sustainability)

The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

#### Sustainability level 4 (inadequate sustainability)

The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and an improvement is very unlikely. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. A rating of 1 to 3 indicates a “successful” project while a rating of 4 to 6 indicates an “unsuccessful” project. In using (with a project-specific weighting) the five key factors to form an overall rating, it should be noted that a project can generally only be considered developmentally “successful” if the achievement of the project objective (“effectiveness”), the impact on the overall objective (“overarching developmental impact”) and the sustainability are considered at least “satisfactory” (rating 3).