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USAID'S STRENGTHENING RESOURCE MOBILIZATION ACTIVITY



Dear Partners,

USAID's Strengthening Resource Mobilization Activity is a 5-year project, assisting North Macedonia's municipalities to raise and independently manage the resources necessary to fund services demanded by its citizens. The project is designed to collaborate directly with all 81 municipalities to build capacity and improve local government functions to bring greater accountability and decision-making responsibilities closer to citizens. At the heart of the project is the goal of improving financing for self-reliance and sustainability while providing improved services in response to the citizen needs.

This is made possible by:

- 1. strengthening of the local tax and fee collection system,*
- 2. improving the management of own-source revenues and the budgeting process,*
- 3. increasing local government's ability to access external funding to meet the needs of the community.*

Our work, which is conducted in cooperation with the Ministry of Finance and the Ministry of Local Self Government, enhances North Macedonia's decentralization reform agenda.

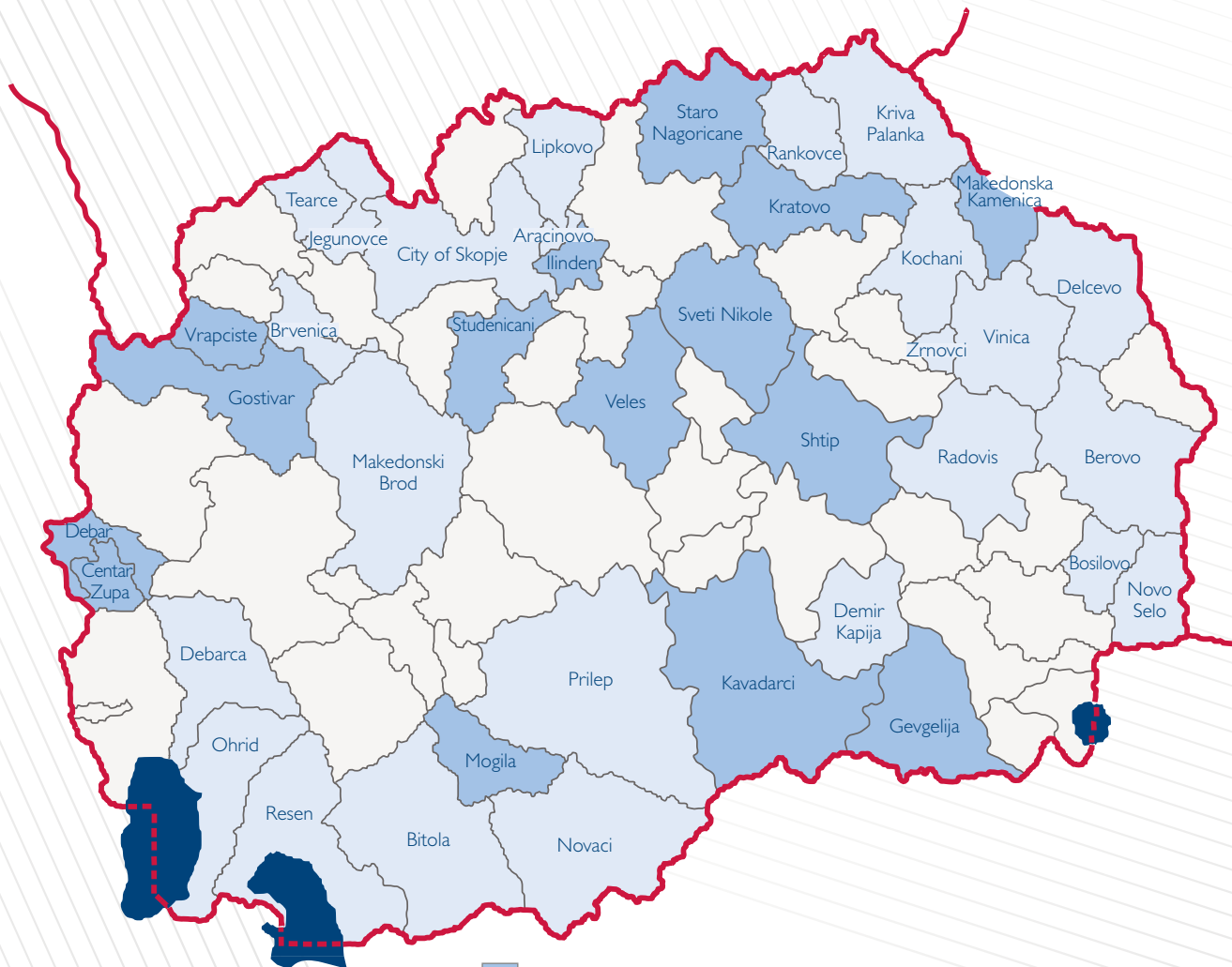
Currently, USAID's Strengthening Resource Mobilization Activity is helping 39 partner municipalities to increase their own-source revenues, secure higher external funding, and increase their budget execution rate.

Please join us in enhancing municipal capacities and advancing the decentralization process of North Macedonia.

Sincerely,

Bardhyl Marku,

Chief of Party, USAID's Strengthening Resource Mobilization Activity



- Cohort I Municipalities
- Cohort II Municipalities

OBJECTIVE I

Local Government Own-Source Revenues Increased

ENHANCE THE QUALITY OF MUNICIPAL TAX AND FEE COLLECTION SYSTEMS



All 15 partner municipalities from the first cohort increased their property tax collection rate by 40% thus contributing to the overall increase of own-source revenue collection rate by around 46%.



12 municipalities upgraded their property tax software with additional operating modules which resulted in a significant improvement of the functionality and effectiveness of the local tax administration system.



36 partner municipalities increased the taxpayers' awareness and tax morale by providing relevant information to the wide audience on paying property tax and how the municipalities are investing these funds to improve the lives of their citizens.



68 activities were implemented for 39 partner municipalities to: enhance their capacities for own source revenue diversification, planning, and collection; explore possibilities for increasing property tax rates and introducing new local taxes and fees.



358 municipal staff were trained on the property tax database update, including planning, and implementing fieldwork activities for reregistration and revaluation of all real estates.



The Young Professionals Program provided assistance to five partner municipalities for a period of six months to update their property tax database.



OBJECTIVE 2

Greater Amounts of External Funding Accessed

INCREASE LSGUS' CAPACITY TO ACCESS EXTERNAL RESOURCES FROM THE NATIONAL GOVERNMENT, INTERNATIONAL ORGANIZATIONS, AND/OR CAPITAL MARKETS AND BANKS



13 partner municipalities developed and submitted 39 project applications with the technical assistance of the project team. Both national and international donor programs attracted the partner municipalities to develop applications and submit their projects for funding. A practical **Guide for Project Management in Seven Steps** was developed and delivered to the municipalities. Available at <https://sdc.com.mk/publikacii/>.



73 funding opportunities were identified and presented to 226 municipal officers from the two cohorts through a monthly bulletin sent to all 39 partner municipalities.



Throughout mentorships, trainings, and on-the-job mentoring, a total of 96 municipal officers have increased their capacity for the development of project ideas and preparation of project applications.



The Urban Audit was introduced to all municipalities as an innovative tool for prioritizing projects at a local level with the developed Methodology for Urban Audit, and six partner municipalities are in a process of implementing this activity.



OBJECTIVE 3

Local Governments' Budget Execution Rate Increased

IMPROVE LOCAL GOVERNMENTS' ABILITY TO PLAN, MANAGE, AND IMPLEMENT PUBLIC SECTOR REVENUES IN COMPLIANCE WITH NATIONAL REGULATIONS



Achieved a 17.3% average increase of Active Transparency and a 2.5% average increase of Fiscal Transparency for the first cohort partner municipalities.



Eight partner municipalities developed and adopted procedures for segregation of duties in the budget expenditure process through mentorship support and on-the-job training.



Improved the capacity of 74 municipal staff from 34 partner municipalities on budget planning and gender-responsive budgeting. The Project team developed a **Guideline for Budgeting in LSGUs**, available at <https://sdc.com.mk/publikacii/>.



Improved the capacity of internal auditors from 15 partner municipalities on the preparation of key documents for internal audit. Additional mentoring was provided to at least four partner municipalities on the establishment of an internal audit. The Project team developed a **Guideline for Internal Audit** and presented and distributed it to all partner municipalities, available at <https://sdc.com.mk/publikacii/>.



Developed and adopted a procedure for internal communication including protocols/procedures for improving the information flow.



29 representatives from 14 partner municipalities were trained to conduct budget forums as a participatory tool for developing the budget with citizen participation, received mentorship, and six partner municipalities are already implementing the forum process independently.

OBJECTIVE 4

Decentralization Process Enhanced

ADVANCE CENTRAL GOVERNMENT'S EFFORTS IN IMPROVING THE DECENTRALIZATION POLICY



Developed **Analysis and Recommendations for the Improvement of Intergovernmental Capital Transfers Intended for Local Self-Government Units in the Republic of North Macedonia**. The analysis provides an overview of the system of capital transfers from the central government to LSGUs; identifies key weaknesses and challenges and proposes recommendations for improving the distribution and management of the capital transfers from the central government to LSGUs. The analysis is available at: <https://sdc.com.mk/wp-content/uploads/2022/03/Analiza-na-vladini-kapitalni-transferi-kon-ELS.pdf>.



Based on a developed policy paper “**Moving Forward on Municipal Debt Management in North Macedonia**”, the Law on Financing the Local Self Government Units was amended (August 1st, 2022) to reflect the immediate recommendations to the key identified problems with financial instability of the municipalities. Moreover, to enable smooth implementation of the Law, a **Guide for Municipalities Declaring Financial Instability** was developed in partnership with the Ministry of Finance (MoF). The Guide is available at: <https://finance.gov.mk/wp-content/uploads/2022/10/Priracnik-za-postapuvanje-na-opshtinite-vo-uslovi-na-finansiska-nestabilnost.pdf>



Developed a **Code of Transparency at the Local Level**, disseminated to all 81 LSGUs and available at the website of the Ministry of Local Self Government <https://mls.gov.mk/publikacii/lokalna-samouprava/kodeks.pdf>.



Two **Policy Briefs for Policymakers on Asymmetric Decentralization of the Local Self-Government in the Republic of North Macedonia** were prepared to address the challenges in financing and administration of the local self-government and ensure equal access to public services for all citizens in the country. An expert round table on the **Continuation of the Decentralization Process in the Republic of North Macedonia through the Asymmetric Decentralization Model** was organized. The discussion was focused on several initiatives for asymmetric decentralization of locally transferred competencies, which can have immediate and practical importance for further expansion of the decentralization process. The roundtable brought together the best local government and decentralization experts in the country.



TECHNICAL ASSISTANCE ACTIVITIES

From the beginning of the Project, 173 activities were implemented to build the capacity and improve the local government functions of the partner municipalities. These efforts resulted in:

- Around 1,000 municipal employees (47 % women and 53% men) from 39 partner municipalities strengthened their competencies and capacity to perform more efficiently and effectively.
- Mayors and representatives of 30 partner municipalities participated at the mayors' forums and discussed the challenges they are facing, and what can be done better or differently to make their municipalities more efficient and successful.
- 100 representatives of Finance and Tax Departments of the 39 partner municipalities became familiarized with international and domestic best practices to mobilize and diversify municipal own-source revenues.
- 15 partner municipalities increased their capacities to establish active local public-private dialogue and provide targeted information and services for businesses.
- 7 partner municipalities developed Local Economic Development (LED) Plans, and the Municipal Council of one of them accepted the LED plan.





The USAID's Strengthening Resource Mobilization Activity is assisting North Macedonia's municipalities in becoming more self-reliant, accountable, and able to deliver effective services for their citizens.

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