



MUNICIPAL CRISIS MANAGEMENT RESPONSE TO COVID-19 PANDEMICS, MUNICIPAL FINANCING AND AFFECTED SERVICES IN THE REPUBLIC OF NORTH MACEDONIA

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ABBREVIATIONS

ADCOM	Association of Water Utilities and Communal Enterprises
CMC	Crisis Management Center
CMS	Crisis Management System
DRM	Disaster Risk Management
DRR	Disaster Risk Reduction
DPGRNM	Deputy President of the Government of the Republic of North Macedonia
EARNM	Employment Agency of the Republic of North Macedonia
EU	European Union
GIS	Geographic Information System
ICTs	Information and Communication Technologies
IMCSW	Inter-Municipal Centre for Social Work
LSGU	Local Self-Government Unit
MKFFIS	Macedonian Forest Fire Information System
MoAFWE	Ministry of Agriculture, Forestry and Water Economy
MoC	Ministry of Culture
MoD	Ministry of Defense
MoES	Ministry of Education and Science
MoEPP	Ministry of Environment and Physical Planning
MoH	Ministry of Health
MoI	Ministry of Interior
MoLSP	Ministry of Labor and Social Policy
MoTC	Ministry of Transport and Communications
MoLSG	Ministry of Local Self-Government
NICS	Next-Generation Incident Command System
PCE	Public Communal Enterprise
PE	Public Enterprise
PGRNM	President of the Government of the Republic of North Macedonia
PRD	Protection and Rescue Directorate
RCMC	Regional Crisis Management Center
RHCM	Regional Headquarters for Crisis Management
SOPs	Standard Operating Procedures
TFFU	Territorial Fire-Fighting Unit
UNDP	United Nations Development Programme
ALSGURNM	Association of the Local Self-Government Units of the Republic of North Macedonia

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EXECUTIVE SUMMARY

The **first phase** of the institutional management of the health crisis in North Macedonia began at the third week of February 2020 when proactively (before the WHO declared a pandemic) the Crisis Management Body of the Ministry of Health and the Steering Committee for coordination and management in the system of crisis management, together with the Assessment Group was activated.

At their suggestion, the Government of the Republic of North Macedonia in late February and early March made the first concrete decisions to tackle the covid19 crisis that unfolded.

Due to the growth of the number of newly infected persons, March 10 and 11, 2020¹ marked the making of some of the essential decisions that had a severe socio-economic impact. These decisions included: putting a halt to the educational process and teaching in all kindergartens, primary and secondary schools, as well as the operation of daycare centers, libraries, cinemas, theaters, museums, and dormitories.

Additionally, for families that had children below the age of 10, one parent could stay at home. At the same time, we saw a ban on all mass gatherings and events in open and closed spaces, as well as all cultural events and manifestations. What marked this first phase of the crises, was a decision for a crisis situation²² to be declared in the municipalities of Debar and Centar Zhupa.

The institutional response was further strengthened by the decision to establish the Main Crisis Coordination Headquarters³ and for them to be headed by the Prime Minister of the Government of the Republic of North Macedonia.

The institutional response to the health crisis in the first phase culminated with the decision made by the President of the Republic of North Macedonia to declare a state of emergency with the validity for a maximum of 30 days, which from March 18 was extended several times until June 22, 2020. In this period of a declared emergency situation, that lasted for a total of 96 days, the Government by its powers in conditions of emergency adopted a series of Decrees with legal force and other acts, with some of them referring to the implementation of municipal services in the areas subject to analysis in this Report.

The first phase of the institutional response to the health crisis practically ended at the end of May 2020. At that moment, the total number of infected persons in the country (for a period of three months) reached approximately 2,150, with over 100 deaths reported. This result was one of the best in the region of Southeast Europe, but also globally, and as such received positive verification from relevant EU institutions and the World Health Organization (WHO).

The **second phase** began in early June 2020, when restrictions on economic activities in several economic sectors were eased as an attempt to revitalize the economy. The focus of the Government in this period was on the adoption of protocols and packages of measures aimed at overcoming the socio-economic consequences of the health crisis, protect jobs, encourage private consumption, and improve the liquidity of enterprises.

1 <https://vlada.mk/node/20446>

2 https://vlada.mk/sites/default/files/dokumenti/odluka_krizna_sostojba.pdf

3 <https://koronavirus.gov.mk/glave-koord-shtab>

The need to adopt and implement these measures was used as an explanation for the extension of the state of emergency until June 22, 2020. Regarding the primary, secondary schools, and kindergartens, the decisions previously made for termination of work are still in force at the time of writing this Report.

Regarding cultural services, an appropriate protocol has been prepared for the activation of libraries, museums, galleries, and exhibition spaces in June 2020. Another protocol has been prepared for kindergartens and daycare centers for children and persons with disabilities, but not for primary and secondary schools (announced for the second week of August 2020)⁴.

The second phase of the so-called “opening” (period June-July 2020) came to an end at the beginning of August 2020, resulting in an additional total of 9,000 infected persons (or a total of over 11,150 people since the beginning of the crisis) and over 500 deaths (since the beginning of the crisis). Extraordinary parliamentary elections were held in this period (July 15, 2020), and in terms of economic effects, it should be noted⁵ that after the realization of total revenues in June, which decreased by -9.6% compared to 2019, when the restrictive measures began to loosen and economic activity was reviving, in July 2020, total revenues were higher by 1.4% compared to July 2019.

This report does not assess the benefits of different approaches to the management of the health crisis. Nevertheless, from the available data a more general conclusion can be drawn that the approach in the first phase of the management of the health crisis has resulted in a relatively small number of infected and consequently deceased persons, but with negative economic and financial effects.

While the approach in the second phase provides gradual financial and economic consolidation as an end result, the number of newly infected persons and consequently the number of deceased persons has multiplied. The characteristic of both approaches is that the measures that were implemented as well as the measures that are currently being implemented apply to the entire territory of the country regardless of the epidemiological conditions in different municipalities, settlements, and areas.

An exception to this rule was the declared crisis in the municipalities of Debar and Centar Zhupa, where it was managed at the level of case clusters and with measures that referred only to that area.

The analysis of the impact of the COVID-19 pandemic on LSGUs’ financing and the effects of the implemented measures indicate significant socio-economic changes and trends. The financial/fiscal aspect of these trends is especially important as a consequence of its direct dependence on the efficiency in dealing with the pandemic and providing the necessary services at the local level.

The analysis clearly shows that in the second quarter of 2020, the situation at the local level has significantly deteriorated. This is evident from the growth of 11.8% of the total LSGUs’ revenues in the first quarter of 2020 compared to 2019, which decreased to only 1.8% in the second quarter of 2020.

4 <https://treker.mk/mk/>

5 <https://lokalno.mk/angelovska-realizatsijata-na-budhetot-vo-juli>

Additionally, compared to the significant growth in all types of municipalities in the first quarter, in the second quarter urban municipalities saw a decline of 2.2% in revenues (part of this is due to measures to deal with COVID-19, which primarily affect the structure, production, and activities in urban areas).

On the other hand, the total expenditure of LSGUs in the country shows a significant downward trend, beginning from the first to the second quarter of 2020. Namely, a modest growth of only 0.76% in total expenditures in the first quarter of 2020, compared to 2019, transforms into a decline of 17.8% during the second quarter of 2020, which shows that the policies of consolidation initiated by the municipalities have a strong impact on the volume of services provided. Moreover, the urban municipalities recorded a decline of 28% in the expenditures in the second quarter of 2020, compared to 2019, which makes them the most affected category of municipalities in both the revenues and expenditures.

The Property Tax, which has a significant share of 6.37% in the first and 8.36% in the second quarter of 2020, in both quarters in 2020 compared to 2019 decreased, i.e., in the first quarter by 8.87% and in the second quarter by 19.14%.

Taxes on specific services decreased by 10.97% in the first quarter, and even 21.18% in the second quarter in 2020, compared to 2019. There is also a decline in collection of fees and charges, where a decline of 5.1% in the first quarter of 2020 rose to 63.42% in the second quarter. Donations from abroad, given the specific situation, are one of the few revenues that have increased; from a decrease of 23.28% in the first quarter of 2020 to 13.21% in the second quarter of 2020 compared to 2019.

The only significant revenues that buffer the impact of municipal revenues (and in fact significantly reduce the decline in total revenues) are the transfers from the central government, which increased by 27.48% in the first quarter and increased even further by as much as 20.25% in the second quarter in 2020, compared to 2019.

This is one of the few income sources of LSGUs that shows growth, but it must be noted that these transfers (where block grants are dominant) are exclusively related to certain specific competencies of LSGUs (education, culture, kindergartens, fire protection) and the municipalities cannot use them for different (urgent) needs in the period when they will need them. Given that, in the period from the beginning of the year, the municipalities' own revenues are particularly vulnerable and show a significant decrease (especially in the second quarter of 2020), **it becomes clear that the role of the central government is becoming bigger, and the financial dependence of municipalities on the central government is greater** (the share in the revenue structure 2020/2019 has increased by as much as 8 percentage points).

However, this also indicates the delayed effects that municipalities should expect, considering that the effects of COVID-19 on the state budget this year were significant. On the expenditure side, the reduction of most of the municipalities' expenditures, which are primarily related to their own budget, is evident. One of the few categories of municipal expenditures that significantly increased is the Public Subsidies.

Fiscal decentralization is continuously on the reform agenda but with very modest progress and this is seriously affecting the sustainability and the quality of the local services. Further fiscal decentralization is especially important given that crises like the COVID-19 pandemic highlight bottlenecks in the decentralization process even more so.

On the other hand, the municipalities should also invest more fiscal efforts in the collection of revenues from their own sources, which has been improved, but in a very slow manner. The prolonged health crisis requires the state to consider allocating enough additional funds to the local government units through fiscal transfers in order to mitigate the negative impact of the pandemics on the local services, especially those delivered by the rural

municipalities. The latter would not have been necessary if a strong fiscally decentralized system of municipal financing was already in place, but the ongoing system for the financing of the municipalities provides for only 4-6% of the GDP (on average for the last decade) in public expenditures realized by the municipalities compared to the EU 27 average of over 11%.

For over a decade, the municipalities in North Macedonia are univocal in advocating for reconsideration of the municipal financing system urging state authorities to perform a real fiscal decentralization and create an objective, fair, and transparent financing system, as well as to design an adequate financial equalization system with the aim of ensuring sufficient financial resources for smaller and poorer mainly rural municipalities that continuously have small tax collection capacities and large fiscal needs. In addition, the Council of Europe's Charter of Local Self-Government is almost entirely reflected in the 2002 Law on Local Self-Government, but it can be concluded that the financial/fiscal autonomy of municipalities is insufficient given the fact that almost continuously over 60% of municipal revenues (on average) are provided through transfers (grants) and donations.

The findings from this research additionally emphasize the need of furthering the fiscal decentralization process in the direction of:

(1) securing enough funds for implementation of the local competencies by reforming the system of fiscal transfers, (2) improving the public finance management (PFM) and administrative capacity at the local level, (3) increasing the fiscal transparency and accountability, and (4) reinforcing the new fiscal rules that apply to municipalities and are focused on increased fiscal discipline and fiscal sustainability during economic/social downturns

Having this in mind, the actions could be directed towards undertaking comprehensive analyses of the effects of the fiscal decentralization (the financial and capital transfers system, assessment of the revenue base of all LSGUs, simulations of fiscal equalization scenarios, formulation, and implementation of measures to decrease the fiscal disparities, local financial transparency, and participation) and regular application of the public expenditure and financial accountability (PEFA) tool at the municipal level.

From the findings of the in-depth research on the implementation of services in the five areas of local competence (communal services, culture, social and child protection, and education) and in terms of horizontal coordination and communication at the municipal level, it can be concluded that the municipal crisis management bodies played a key role in the management of the health crisis together with the network of public health centers of the Ministry of Health.

The work of the municipal crisis management bodies can be assessed as efficient and effective, including the aspects related to transparency, i.e., providing efficient access to information for all relevant stakeholders and the general public. However, in addition to the Public Communal Enterprises (PCEs), who were regularly and actively engaged within the municipal crisis management bodies, there is no evidence of direct participation of local institutions (schools, kindergartens, daycare centers, and cultural institutions) and their involvement as permanent members or observers.

The findings from the research indicate that the vertical coordination in the management of the health crisis was efficient, concerning the municipal crisis management bodies and the Main Crisis Coordination Headquarters. This structural connection and communication

were deepened by the Ministry of Health and the Ministry of Labor and Social Policy through enhanced participation by their networks of regional centers.

The Ministry of Education and Science underwent regular communication with the municipal schools and addressed several operational challenges, primarily related to the distance learning program. As a finding, it should be noted that the Ministry of Transport and Communications and the Ministry of Environment and Physical Planning has not established a more direct relationship with PCEs although they regulate the delivery of the services by the utilities, and the same applies to the Ministry of Culture regarding the local institutions in the field of culture. However, for the latter, an appropriate protocol for their activation was adopted in time.

There is also a lack of decisive action and commitment of these three ministries to share good practices and survey the needs of PCEs and local cultural institutions, as well as a lack of a commitment to providing better conditions for their action in times of health crisis, including mobilization of technical and financial assistance.

The Ministry of Environment and Physical Planning and the Ministry of Culture is not part of the Main Crisis Coordination Headquarters although it is advisable to include them. The same applies to the Ministry of Local Self-Government.

Regarding the delivery of the municipal services, it should be noted that all communal services were delivered smoothly although PCEs for the entire duration of the health crisis relied on their resources (human and financial), financial transfers from municipalities, and were deprived of direct emergency transfers from the state and of donations.

The increased financial transfers from the municipal budget to PCEs resulted in a reduction of funds for other programs and services of the municipalities. Following the urgent needs, the volume and scope of activities for the disinfection of public space and facilities were increased, which in some PCEs has caused an extraordinary but still temporary reorganization to allocate more human and financial resources for this service. Regarding the services in the field of culture, they started to be implemented in June 2020 (only regarding libraries and museums, following the prepared protocol).

Concerning social protection, it should be noted that perhaps the most essential and most effective measure with the best results was the distribution of humanitarian packages, which also served to gain direct insight into the needs of the most vulnerable segments of the population. These findings justify the need for the work of volunteer teams to be further regulated and integrated into the crisis management system.

The volunteers were mobilized through a call from the municipalities to non-governmental organizations, the Red Cross, and interested citizens. However, the rather ad-hoc mobilization of the volunteers indicates a shortage of professionals in the crisis management system at the municipal level to deal in particular with the distribution of aid and humanitarian packages although it is not an uncommon practice in the country, in times of crisis to make a wider mobilization of part of the population for this specific purpose.

Several operational challenges have been identified, including the lack of specific protocols for the operation of nursing homes (although detailed guidelines have been shared by the MoLSP), and the ban on admitting new beneficiaries is still in force despite findings that there is a large number of potential beneficiaries without proper health care.

Regarding the daycare centers, even though a generic protocol has been prepared, there is a need to further elaborate it for each specific group of users. An identified challenge is interoperability in terms of data available to different institutions related to vulnerable groups.

The key data sets are managed by the inter-municipal centers for social work that operate under the umbrella of the MoLSP and they are available to the municipalities, but only based on specific requests and explanation without providing an appropriate and procedurally defined way for permanent access to these registers.

A specific finding is that municipalities are generally not involved in addressing the challenges associated with the increasing incidence of domestic violence, leaving the issue to police stations and inter-municipal centers for social work, that fall under the umbrella of the MoLSP. Regarding the kindergartens, although a protocol for activation has been prepared, until the moment of finalization of this report, they do not provide services. Similarly, schools and kindergartens are conditioned by the adequacy of space and some of them face challenges to meet the requirements of the protocols.

Regarding primary and secondary education, the Government of the Republic of North Macedonia adopted Decrees on distance learning, but several challenges were encountered in their implementation.

Although the level of digital literacy of students is assessed as sufficient (over 85% of them possess minimum required skills), the digital literacy of some parents, especially from vulnerable groups and part of the teaching staff, presents a challenge.

This is compounded by the lack of adequate equipment for distance learning (up to 15% of students) and outdated ICT equipment in many schools.

To some extent, Internet access was provided through the joint action of several stakeholders, including the private sector for the procurement of internet cards for children from socially disadvantaged families.

Previous efforts to digitize education have borne fruit and in such extraordinary circumstances not only is the existence of the integrated platform of the Ministry of Education and Science - Eduino.gov.mk - beneficial, but it should also be continuously upgraded. Since it is certain that the new school year will start off with a model of combined teaching, it is advisable to provide employment of professional IT staff for groups of schools in one municipality or to find other solutions for continuous IT support in order for distance learning (and assessment) to be performed sustainably.

It is more than desirable to intensify the activities of the existing networks of employees in all local institutions to exchange experiences and good practices.

With regard to the financing of the analyzed municipal services, the findings indicate that PCEs have increased expenditures on several grounds (extraordinary temporary employment, increased needs for equipment and disinfectants, protective equipment for employees, etc.), which are mostly covered by the collection of fees for delivered services and additional transfers of funds from the municipal budget.

In terms of revenues, no major setbacks have been observed, although it is to be expected that fee collection could deteriorate if the economic crisis deepens.

Due to these risks, PCEs cut unproductive costs and tries to meet the needs of service users and especially the socially and economically disadvantaged through deferred payment or payment of increased installments. In such a situation, there is an obvious need for the central government to create a purposeful intervention program for PCEs (either in financial means and/or equipment) to be able to continue to perform communal activities and implement specific measures to prevent and reduce the consequences from the health crisis.

Regarding cultural institutions, the research resulted in a finding of an income gap of almost 50% due to the ban on work in the first phase of the health crisis management (decreased self-financing) and increased spending on disinfection, maintenance of space hygiene, and procurement of protected assets and equipment from the moment of activation.

The situation is similar with kindergartens, where the income gap is estimated at 40% - generated by the lack of funds from regular co-payments of parents (before the crisis this source participated with approximately 25% in funding) as well as increased expenditures for consistent implementation of the protocol for their activation.

As in the case of PCEs, there is a need to create an intervention package of measures to help kindergartens to overcome the crisis period. Regarding schools, the continuous challenge is the adequacy of the funds determined by the block grants.

The schools found justification for the request for intervention packages of assistance in the changed conditions of the educational process, requiring additional investments for effective and efficient adjustment. The overall impact of the health crisis on the competencies of the crisis management system on the local level was significant, but the system absorbed the initial shock and continued to function successfully. Operational and

expert bodies were timely activated and functional, whether the local level entities were prepared for the response or not, even though the epidemics were not a part of the planning documents and training activities. This condition has positively influenced the whole system and incorporated the learning-by-doing approach in response to the health crisis, which has never happened before.

The only bottlenecks were identified in the vertical hierarchical communication lines between the Kumanovo municipality and its relations with the Main Crisis Coordination Headquarters.

The municipality complained about the saturation of the communication lines, limited access to the resources, as well as insufficient cooperation on the side of the Main Crisis Coordination Headquarters regarding the needs and requests from the municipality.

Existing shortcomings of the crisis management system could be summarized as the existence of legal gaps related to the establishment and functioning of the municipal headquarters, absence of a resilient recovery framework from natural and human-made disasters, as well as potential overlapping of competencies between the crisis management and protection and rescue systems.

Even though they are part of the overall system, there is still a sentiment that the protection and rescue system is more localized than the crisis management system. Hence, one of the conclusions of this Report is that improvements are primarily needed in the crisis management system in the direction of decentralization, including health crises management through a strengthened LOCAL RESPONSE of municipalities in a way that reduces the direct consequences of the pandemics (number of infected and deceased) as well as the negative impacts on local services and their financing. Thereby, the possible transfer of new crisis management competencies to the municipalities must be accompanied by a transfer of adequate human and financial resources.

Taking into account the above key findings of the research and the conclusions drawn, the following is recommended:

In order to effectively mitigate the negative financial and fiscal impact of the health crisis on the delivery of the local services:

1

Stable increase of the financial resources, especially for the implementation of measures and activities for prevention and mitigation, preparedness, and resilient recovery is deemed as necessary at this particular moment but also in the medium and long term;

2

Creating a comprehensive system of monitoring and evaluation of the situation and fiscal health (as well as the needs) in the LSGUs, so that a timely undertaking of appropriate actions, changes, and measures is possible. This could help maintain strong local governments that will be ready to undertake necessary measures to prevent and overcome the effects of COVID-19. In addition to the abovementioned, this system needs to provide mechanisms for informing municipalities in a timely manner, about any potential policies (possibilities) concerning local public finance management, which could be significantly useful in the process of functioning/adjustment of municipalities in times of pandemics and similar crises. This is especially important given the need that there is still no mechanism that closely monitors the financial vulnerability of municipalities and takes primarily preventive measures; often the economic measures taken to support municipalities are to deal with the consequences, not the elimination of the causes;

3

Ensuring safe and appropriate transfers from the central government, in accordance with the real value of the transferred competencies and the real financial needs of the LSGU. This will understandably be a challenge during the COVID-19 epidemics, given the situation in the central budget, but it will be necessary in order to create minimum conditions for normal functioning of the municipalities at a time when the own revenues of the municipalities are significantly reduced. In this context, the regular and timely payments of the block and earmarked grants for the transferred competencies, which are also one of the key public services provided by the municipalities, will be extremely important. The transfer from VAT, which shows the strongest equalizing effect, should be kept at its level from the current 2020, with a special decision, having in mind that this transfer is calculated as a percentage (4.5%) of the collected VAT amount in the current year, as a result of significantly reduced VAT revenues in the current 2020. This implies a delayed effect of these transfers for the upcoming 2021 and beyond. If such a possibility exists, it is recommended to increase the percentage that LSGUs receive from taxes collected on a national level. Given the role of municipalities in terms of COVID-19, preparing a plan for a gradual increase of these percentages can be one of the measures that will significantly mitigate the effects of COVID-19 at the local level;

4

Increased investment activity of the central government in the LSGUs, taking into account the gap that was created in the first half of the year when the decline in capital expenditures in most municipalities is greater than 50%. The investment activity of the state (coordination of investment plans with LSGUs), as well as the provision of favorable investment capital (with favorable interest rates, state guarantee credit lines from IFIs, etc.), will stimulate local economic development and mitigate some of the effects of COVID-19 on local economies;

5

Especially important in times of crises and pandemics is the real planning of budget revenues and expenditures. The budget preparation by the municipal administration should be based on the real situation and the opportunities by the LSGUs. In previous years, there was a significant deviation in the percent of actual revenues and expenditures concerning the planned revenues and expenditures. Additionally, the projections showed that this can cause significant effects on revenues/expenditures in the medium term, hence imposing the need to control the planning process (real planning) and to discourage the creation of unrealistic obligations, since it further undermines the stability of the LSGUs. This situation can also accelerate the process of the already announced medium-term budget framework at the local level, which will enable better connection of the implemented projects with the strategic goals of the LSGUs and continuity in the implementation of local projects. It remains open whether this would be done with additional charges in the Law on Budgets and the Law on Financing of LSGUs.

6

Designing a framework and specific procedures for repairing the system and the consequences of COVID-19 in each of the municipalities, while setting a clear plan, indicators, and reforms that the municipality will transparently refer to in the period while repairing local finances during pandemics. In the context of the abovementioned, it is necessary to create a system for support of municipalities in the near future (as a last resort), i.e. a simplified system through which policymakers could assist only in certain specific situations without major bureaucratic procedures to take part in stabilizing public finances in certain municipalities facing significant financial challenges, which can cause instability. The central government should be especially careful and monitor the situation in the municipalities to avoid a situation in which it will be necessary to “pull out” the “bad” municipalities, thus creating a risk of moral hazard and disrupting general fiscal discipline

7

Changes in the direction of expansion of the borrowing capacities of the LSGUs, having in mind that their borrowing capacity is related to the actual current-operating revenues in the current 2020, which implies a reduced borrowing capacity of the LSGUs in the upcoming 2021. Given the consequences of the pandemic, as well as the need for financial injection, it is of particular importance that the changes will increase the borrowing capacity of LSGUs. These changes could be: simple procedures for short-term/long-term borrowing from the central budget, temporary easing of legal restrictions, interest-free loans for the most affected LSGUs, deferral of existing credit liabilities, provision of favorable credit support (with guarantees and mediation from the central government) from International Financial Institutions and other sources;

8

Last but not least, in the conditions of the COVID-19 pandemic, the trust in the system (directly related to the improvement of good governance in the municipalities), the increase of transparency and accountability in the public financial management, as well as the increase of the capacities, is especially important for the effectiveness of the undertaken measures in the administration in the context of efficiency and greater involvement of stakeholders in planning and implementation. This includes a need for an increased role of the Municipal Councils in setting the priorities at the municipal level and efficient provision of goods and services to the citizens in conditions of a pandemic.

In order to more efficiently and effectively mitigate the negative impact of the health crisis on the delivery of the most critical municipal services:

1. Regarding the functioning of the municipal crisis management bodies, as key bodies for health crisis management at the local level, it is advisable to enable, in addition to the municipal public enterprises, the directors or employees of local institutions (education, kindergartens, nursing homes, daycare centers, and cultural institutions) to have full participation in or to provide them with the role of observers. Consequently, to integrate measures and activities related to the services provided by the municipal institutions and the inter-municipal centers for social work in the operational plans of the crisis management bodies;
2. Regarding communication and vertical coordination, it is advisable to give the status of full members in the Main Crisis Coordination Headquarters to representatives of the MoLSP, MoC, MoLSG, and MoEPP (related to utilities) and these ministries, except the MoLSP (where there is established a strong structural connection with the municipalities through the inter-municipal centers for social protection), are to strengthen communication and coordination with the municipalities and make sufficient efforts to provide adequate technical and financial assistance to the municipal public utility companies and the institutions whose work is regulated;
3. Specific protocols should be enacted for the operation of nursing homes and the ban on admitting new beneficiaries, which is still in force, should be reconsidered in line with the safety requirements of the protocols;
4. The generic protocol for the functioning of the daycare centers needs to be further elaborated for each specific group of users;
5. Interoperability in terms of data available to different institutions related to vulnerable groups needs to be improved and formalized;
6. Normative and institutional reform is needed to empower municipalities to become operationally involved in addressing the challenge associated with the increasing incidence of domestic violence;
7. Regarding the schools and kindergartens, the protocols need to be further elaborated to reflect the adequacy of spatial and technical conditions, which differ significantly between the various institutions;
8. Regarding online and distance learning, the state, and the municipalities need to invest in the provision of adequate ICT equipment and functional internet access, especially for children from socially disadvantaged families. The integrated platform of the Ministry of Education and Science - Eduino.gov.mk - should be continuously upgraded. It is advisable to provide employment of professional IT staff for groups of schools in one municipality, or to find other solutions in order for continuous IT support for distance learning (and assessment) to be performed sustainably;
9. It is strongly suggested to intensify the activities of the existing networks of employees in all local institutions to exchange experiences and good practices;

10. With regard to the financing of the analyzed municipal services, there is an obvious need for the central government to create a purposeful intervention program for PCEs (either in financial means and/or equipment) to be able to continue to perform communal activities and implement specific measures for prevention and reduction of the consequences from the health crisis. Similar intervention programs should be developed and implemented for elementary and secondary schools, kindergartens, and cultural institutions;
11. The last general recommendation refers to the need for the local self-government units to start preparing plans for recovery or an exit strategy from the crisis, and the Government of the Republic of North Macedonia to prepare and publish a national recovery plan (exit strategy), listing strategic and other benchmarks for leading the process of post-crisis recovery of municipalities. In this regard, it is recommended that the Government of the Republic of North Macedonia complete the process of preparation of protocols related to primary and secondary schools (announced for the second week of August 2020), and nursing homes, and to transform the existing protocol for the functioning of daycare centers for social services in multiple protocols according to the specific needs of different user groups.

It is also suggested to create a program from the State Budget with sufficient financial resources to assist municipalities, local institutions, and public utilities in managing the crisis, but also to facilitate their recovery.

When preparing recovery plans it is advisable to integrate responses (measures and activities) to key development challenges related to disaster risk reduction, adaptation to climate change, protection of the environment, social protection, health care, and communal infrastructure, which is critical to the population but also for local economic development.

These plans should be based on the analysis of vulnerable groups and gender analysis, especially related to the labor market but also to all areas of specific services provided by municipalities and their institutions and public enterprises. No less important are recovery plans (POST-CRISIS RENEWAL) to address the challenges associated with young unemployed people in a way that measures and activities will be based on the needs of the labor market, connecting young people with companies and aimed at acquiring appropriate knowledge and skills.

For that purpose, the existing partnerships of the municipalities and the schools with the private sector will have to be deepened, as well as the cooperation of the municipalities with the Employment Agency of the Republic of North Macedonia.

In order to better integrate the health crisis management aspects into the overall crisis management system and at the municipal level:

1. To improve the approach in the management of the health crisis by achieving health benefits (to reduce the number of newly infected and consequently deceased persons) and simultaneously to maintain the trend of gradual socio-economic recovery. In this regard, the first general recommendation would address the need **to strengthen the local decentralized response to the health crisis** through additional transfers of competencies and resources to local authorities, which are the level of government best known to local communities (because municipalities and municipal institutions and public enterprises are closest to them, and communities monitor and evaluate the results of their work daily, including primarily the local services), but also the level of government that knows the local communities best (speaking the different languages of the communities, acknowledging and accommodating to cultural differences, etc., which is of utmost importance regarding the contact tracing).

Such a decision, if adopted, will require amendments to existing laws and related policies:

a. To ensure greater decentralization of competencies and resources related to health crisis management, especially in the area of health care, public health, and management of the health crisis caused by epidemics.

b. To provide for the competence of municipalities to introduce bans and restrictions and adopt operational measures arising from and appropriate to the local context, which often differs from one municipality to the next (i.e., to strengthen the aspect of operational management of the health crisis bottom-up while maintaining vertical coordination).

c. To establish a quality and functional local monitoring system as a basis for establishing an early warning system and operational procedures for a rapid and effective response to the appearance of clusters with newly infected persons.

2. To optimize the scope of testing (as a direct competence of the Centers for Public Health) with logistical support provided by the municipalities (additional space, access to target groups of the population with emphasis on employees in local institutions and their users, assisting in organizing a mass serological research, etc.);
3. To ensure efficient and effective contact tracing and isolation of contacts of infected persons. It is recommended that at least 5 people per a population of 20,000 (introduced as a standard currently in Germany) be employed and professionally trained, and they would perform work tasks related to contact tracing of infected persons. In this way, the Centers for Public Health, other health care institutions, and their staff would be relieved of a serious obligation that requires time, energy, and resources, and health care staff as a whole could be directed to people in need of hospital treatment or other types of health-related services;
4. Municipalities to take additional measures that would stimulate the use of the mobile application for monitoring contacts, accompanied by a local campaign for mass use;

5. To create complete normative and institutional preconditions for LOCAL GOVERNMENTS to be able to balance the risk of “opening” and increasing the cases of newly infected and deceased persons with the socio-economic cost of “lockdown”, i.e. for the existing approach to managing a health crisis top-down it is advisable to transit to the establishment of DECENTRALIZED CRISIS MANAGEMENT, especially in the larger units of local self-government, which compared to the smaller and mostly rural municipalities have more adequate capacities and resources. This commitment is supported by the current state of health crisis management in the EU, where almost all European Union countries in determining their policies and methods of health crisis management as a key basis take the situation with the reproductive number of infected persons at the regional and municipal level, and sometimes at the district level.

In order to adjust the overall crisis management system to an untypical crisis, such as pandemics, and reduce risks and vulnerability at the local level:

1. It is necessary to proceed with **further decentralization** by enabling the municipalities with full mechanisms and resources for prevention, response, and resilient recovery. Only in this case could the municipalities become effective and efficient first responders/ first preventers;
2. Comprehensive analysis of the disaster risk management system in the country is recommended with a separate assessment of the existence and functionality of ad-hoc coordination bodies for a response to natural and human-made disasters, and recommendations for transformation with an action plan;
3. A country strategy for crisis management incorporating the new and untypical risks and threats, such as pandemics, should be prepared;
4. The municipalities should receive clearly defined roles and responsibilities, particularly regarding local level risk and hazard assessment and early warning processes;
5. Resilient recovery framework from natural and human-made disasters should be defined as a benefit of the crisis management and an opportunity for the municipalities to transform and further develop after crisis and disasters;
6. To further strengthen the inter-municipal cooperation segment in the context of disaster risk management through adoption of joint policies and plans, the establishment of joint bodies, implementation of synchronized activities for assessment, early warning, response, and recovery with joint resources, and assets.

INTRODUCTION

Since the outbreak of the COVID-19 pandemic, as of July 21⁶, 2020, there have been 14.86 million confirmed cases globally, with a reported death toll rising to 613,542. The first case in the Republic of North Macedonia was reported on February 26, 2020, and since then there have been a total of 9,249 cases of COVID-19 and 432 deaths. On March 18, 2020, the Government declared a state of emergency throughout the territory, lasting until June 22, 2020.

The Republic of North Macedonia has taken several measures aimed at protecting the health and well-being of the population, but the current health crisis has a continuous detrimental impact on the economy and social status, especially on the most vulnerable segment of the population, including women.

It is estimated that the impact on the economy of North Macedonia will range from reduced demand, production, and trade through increased unemployment and increased budget expenditures for crisis management, reduced budget revenues, and higher budget deficits and public debt.

As in many other countries, the pandemic has created a socio-economic crisis that has a direct impact on the delivery of public services by local government units. Municipalities and Mayors face a whole new reality conditioned by the need to prevent the spread of the virus and to protect the well-being of local communities through the uninterrupted delivery of services. All this is happening against a background characterized by limited municipal budgets and human resources.

In the context of the abovementioned, UNDP decided to assist the Republic of North Macedonia in assessing and understanding the impact of the COVID-19 pandemic by developing a rapid yet comprehensive socio-economic assessment, and formulating measures that can be integrated into an appropriate program or a plan for recovery of local self-government units, local communities and the private sector, especially small and medium-sized enterprises.

This report focuses on identifying institutional and social gaps and needs related to crisis management, the impact of the health crisis on the state of local revenues and expenditures, and municipal services in the areas of education, social protection and child protection, culture, and communal activities.

The report is a compilation of key findings and recommendations from three separate research reports, whose common goal is to create a solid analytical-information basis for making well-informed decisions in times of crisis and directing scarce resources to key sectors and segments of the population that need them most.

⁶ <https://www.worldometers.info/coronavirus/>

METHODOLOGY

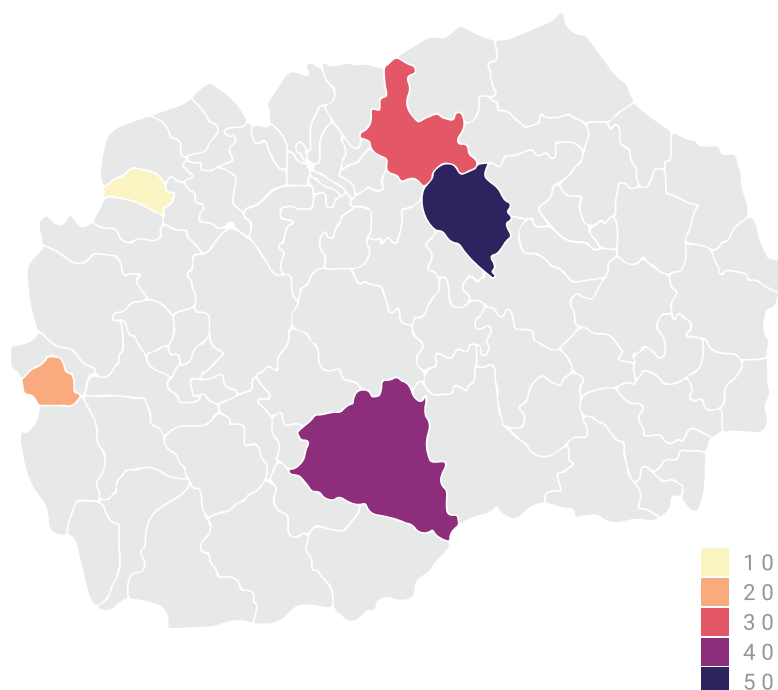
To identify institutional and social gaps and needs related to crisis management, the impact of the health crisis on the state of local revenues and expenditures, as well as municipal services in the areas of education, social protection and child protection, culture, and communal activities, an appropriate approach, and methodological framework were defined. They are in line with the subject and objectives of the work of a team of three national consultants, according to whom the following research activities were carried out:

- Review of key strategic, normative, program documents, reports, etc., related to the subject of research and analysis;
- Preparation and implementation of semi-structured questionnaires for collecting information and data on areas of interest, and field application in 5 pilot municipalities.

The methodological framework is balanced between the research framework and the goals to be achieved, and the following research methods are applied:

- Content analysis - during the first part of the task, the content of all submitted acts, documents, and reports were reviewed and analyzed;
- Comparative analysis - comparison of selected solutions (conceptual, normative, and practical);
- Quantitative and qualitative research method - applied to collect primary data through the use of semi-structured questionnaires with designated persons from the pilot municipalities and relevant regional institutions.

From the very beginning of the implementation of the tasks, the consultants contributed to the formulation of criteria by which the selection of 5 pilot municipalities was made (Kumanovo, Prilep, Sveti Nikole, Bogovinje, and Centar Zhupa), where later in-depth research was conducted, and the abovementioned methodological tools were applied, but limited only to local institutional actors.



Map – Territorial distribution of the municipalities that are part of this analysis⁷

⁷ Territorial distribution is spatially presented using theDatawrappertool, and the municipalities are presented in the following order: 1.0 Bogovinje, 2.0 Centar Zhupa, 3.0 Kumanovo, 4.0 Prilep, and 5.0 Sveti Nikole.

Key respondents and research sample: To better understand the local context of dealing with the health crisis caused by the COVID19- pandemic, the key respondents from the crisis management system at the local level, municipal public enterprises and institutions, and employees in the organizational units in the municipal administration that are responsible for managing public funds, were identified in the 5 pilot municipalities.

Data collection, analysis and synthesis of information: The required data and information were collected using the approach for review of relevant materials, as well as semi-structured questionnaires and interviews, and were verified through the method of triangulation. The aim was to validate the information and data through verification from multiple sources in a structured way.

To collect the necessary primary data, the following semi-structured survey questionnaires were prepared and distributed by the consultants:

Crisis management questionnaire;

Health care questionnaire;

Questionnaire for communal activities and services;

Questionnaire for services in the field of culture;

Questionnaire for social protection;

Child protection questionnaire;

Questionnaire for primary and secondary education.

The National Crisis Management Consultant, with their analysis and the prepared Report, covered the areas of local competence related to the protection and rescue of citizens and goods, as well as fire protection.

The data on the quarterly movements used in this Report are from the official website of the Ministry of Finance of the Republic of North Macedonia, the data on the measures taken at the central level are from the officially available websites of the affected institutions, while the data on monthly movements and local measures for dealing with COVID-19, and other data for the 5 selected municipalities (Kumanovo, Sveti Nikole, Centar Zhupa, Bogovinje, and Prilep), were obtained upon requests submitted by us with the support of the UNDP Office.

The adopted methodology implies analysis according to the items determined in accordance with the legal regulations and segmentation of the municipalities in the Republic of North Macedonia by type and aspect of rural/urban planning, where the data for urban, rural municipalities and the City of Skopje (and the municipalities in the City of Skopje) are treated separately.

Regarding the analysis of the impact of COVID-19 on the financing of the local self-government units, the focus was placed on the key available data related to the financing of the LSGU in the first two quarters of 2020, covering the first wave of COVID-19, as well as the restrictive measures taken at central and partly at the local level, which had significant implications for the financing and fiscal stability of the LSGUs.

In addition to the key data related to the structure of the revenue and expenditure side, the analysis elaborates on the different effects of the pandemic of different types of municipalities (urban/rural), and also covers the measures that were taken. In addition to the analysis of data in the first two quarters of 2020, it was especially important to consider the expected delayed effects of COVID-19 on the fiscal health of LSGUs in 2021 and in the years to come, given that the COVID-19 pandemic had a significant effect on the central state budget, as well as the expected transfers and the available fiscal capacity of the municipalities.

To cover the mid-term effects of the pandemic on the financing of the LSGU, three scenario analyses were also created, which indicate the effect of the pandemic on the local budgets and what the stakeholders could expect in the future.

Each of the abovementioned analyses, in addition to being conducted first at the level of all municipalities in the country, were also conducted at a more detailed level in the 5 selected municipalities to determine more closely the effects of the pandemic. For the purpose of clearly determining whether there are some significant changes in the financing of LSGUs and whether the pandemic changed the trends in local finances in the country, the analysis makes a comparison of the current period (2020) with the period 2018/2019.

There is a **limitation of the research** in several aspects: the availability of key respondents to participate in the survey, the potential sensitivity of the answers and refraining from participating in the survey, the so-called saturation of key respondents to participate in the survey given a large number of ongoing online surveys, questionnaires and virtual meetings that take place in the meantime, the pre-election period, the holiday season, the situation with the COVID-19 pandemic, as well as the agility and diligence of municipal coordinators for organizing and facilitating the whole process of practical implementation of surveys at the local level.

All of these constraints were timely and effectively addressed by the UNDP project team, which resulted in the submission of extensive documentation and **67 completed questionnaires** by all 5 pilot municipalities.

An additional request from the consultant's ToRs, after applying the above methodological tools was:

- To identify areas of services delivered by local government units affected by the health crisis and key stakeholders including vulnerable groups;
- Based on the findings, to assess the impact of the health crisis on the services provided by the local self-government units with a focus on vulnerabilities, bottlenecks, difficulties, and gaps in the delivery of local services;
- To formulate recommendations (measures) for establishing a more efficient system for delivery of services by the local self-government units, adapted to the current health crisis;
- To prepare scenarios for delivery of essential services to the population by the units of local self-government, in conditions of a health crisis.

The conducted research resulted in the preparation of three separate analytical reports:

1. **Assessment of the response to the local crisis management system at the local level of the COVID-19 pandemic**, Vasko Popovski, MA, July 2020;
2. **Impact of COVID-19 on the financing of the local self-government units**, Prof. Borce Trenovski, PhD, July 2020;
3. **REPORT on the assessment of the impact of the health crisis caused by the infectious disease COVID-19 on the delivery of services by the local self-government units in North Macedonia**, Toni Popovski, MA, August 2020.

This **Integral Assessment Report** is practically a compilation of the key findings, recommendations and scenarios elaborated in more detail in the respective reports listed above. Regarding the applied methodological tools from the aspect of research limitation, it should be noted that questionnaires were not prepared for three areas of local competence: urban planning, environmental and nature protection, and local economic development.

The main reason behind this decision of the consultants and the project team was to keep the focus on the management of the health crisis, the impact of municipal revenues and expenditures, and those areas of local competence where services are delivered through local institutions and public enterprises, taking into account the distribution of tasks within the team of consultants.

Thereby, a common assessment was to avoid overburdening the municipalities with the obligation to fill in too many questionnaires, especially in conditions of an ongoing health crisis and parallel entry into the period of conducting early parliamentary elections. It should be noted that all areas of the competence of the local self-government have been previously analyzed at a general level in the Report from the survey conducted with the local self-government units, based on completed survey questionnaires from 49 municipalities, including the 5 pilot municipalities of this intervention.

This Survey Report titled “Existing State of Local Government Capacity and Delivery of Local Services in Crisis and Declared State of Emergency Caused by the COVID-19 Coronavirus Pandemic” was finalized on June 5, 2020, and is authored by one of the members of the team of consultants that prepared this integral Report.

An additional reason why we do not go deeper into the analysis of the impact on economic development is related to the limited power and real competencies of municipalities to influence the local economic development, where most of the state aid is realized through directly responsible state bodies and specialized state agencies, before but also during the health crisis and the state of emergency. The last but essential limitation of this research is the lack of insight into the perceptions and attitudes of the public, i.e., users of municipal services, because a survey of a representative sample of the population by the method “face-to-face” was conducted but after the completion of this report.

**ASSESSMENT OF THE COVID-19
PANDEMICS ON THE DELIVERY OF
THE MUNICIPAL FINANCING IN NORTH
MACEDONIA**

This chapter of the Report is focused on presenting the key findings related to the impact of the pandemics on the municipal financing system, the municipal revenues and expenditures in the first half of 2020, the scenarios about potential effects and consequences of the pandemic on the revenues and expenditures until 2025 as well as a set of recommendations for overcoming the identified challenges.

3.1 IMPACT OF THE COVID-19 PANDEMICS ON MUNICIPAL REVENUES – KEY FINDINGS

- A large decline in actual revenues in the first quarter of 2020, compared to the first quarter of 2019 in absolute amounts, can be seen in key local revenues: property taxes, specific services taxes, entrepreneurial income and property income, fines, court and administrative fees, taxes and fees, other government services, other non-tax revenues, land sales and intangible investments, capital donations, International Development Agencies, and securities sales.
- It is important to note that in the first quarter of 2020, the key own revenues of the municipalities show a particularly significant decline (with the exception of transfers from the central government, which increased by 27.5%), which also cover most of the structure of total revenues, such as the tax on specific services (with a planned share in the income structure of 13.6%), the property tax (with a planned share of 7.3%), taxes and fees (with a planned share of 3.7%), etc.
- A decline in actual revenues in the second quarter of 2020 (compared to the second quarter of 2019) continues at an intensified pace, and a significant decline can be observed in many types of revenues. In the first half of 2020, compared to 2019, there was a decline in as many as 13 types of income. The largest decline was registered in the revenues from International Development Agencies by 99.3%. These are incomes that have a strong variation in certain periods, e.g. in 2018 -0 denars, while last year (2019) there was as much as 43 million denars collected. These inflows are the same as loans, which means that in one period they may not grow at all compared to the next. The first half of 2020 was marked by a disturbance in the international financial markets due to increased demands, which also slowed down these flows. The country had to wait even at the central level to receive funds from the IMF and the EU. Last but not least, this is basically a modest amount of funds and not crucial in the budget revenues structure.
- Further decline is registered regarding entrepreneurial income and property income by 87.88%, and other non-tax revenues by 67.97%. A decrease was also registered for the items utilization fees or licenses for performing activity by 50.9%, fees by 36.35%, sale of land and intangible investments by 26.22%, current donations by 19.71%, fines, court and administrative fees by 19.12%, other domestic borrowing by 17.73%, capital donations by 16.35%, taxes on specific services by 16.1%, property taxes by 14.79%, and sale of capital assets with a decrease of 6.24%. Compared to the first quarter, a decline in similar items can be noticed.
- When second quarter is compared to the first quarter of 2020, a decline in a large proportion of similar types of income can be observed. With COVID-19 effects getting stronger further decline in key types of own source revenues of municipalities can be noted, as of the second quarter. This is partly due to the fact that unlike March 2020, when the first restrictive measures were implemented and the effects of the pandemic were significant, in the first two months of the year we had a significant increase in a large part of municipal revenues.

Furthermore, as the pandemic intensified in the second quarter, due to the repeated state of emergencies, quarantines and significant restrictions on economic activity, the effects on municipal budgets also intensified significantly. For example, there is a decline in property taxes, which increased in the second quarter by 6 percentage points (from 8.87% to 14.79%) compared to the decline in the first quarter.

Additionally, there is a decline in specific services taxes, which also increased by almost 6 percentage points (from 10.97% to 16.1% decline). Fees and charges undergo a significant decline, from 30 percentage points (from 5.5% to 36.35%), etc.

- Growth of revenues in the first half of 2020 compared to the data from the first half of 2019 is recorded in only four sources of revenue: other government services (with a growth of 49.6%), income tax, profit and capital gains (with a growth of 48%), transfers from other levels of government (with a growth of 23.86%), and donations from abroad (with 10.01%).
- Having in mind the types of municipalities in terms of actual revenues in the first quarter of 2020, property taxes are declining, compared to 2019 in the rural municipalities and the City of Skopje with the municipalities, but they increased by 8.54% in the urban municipalities.
- Regarding the growth of certain types of revenues in the first quarter of 2020, compared to 2019, and having in mind the type of municipalities we can note that: donations from abroad increased by 156.53% in the City of Skopje and the municipalities, while they increased by 94.81% in the urban municipalities. Current donations increased by 307.30% in the City of Skopje and the municipalities, while in the rural municipalities they increased by as much as 99.53% for the item other domestic borrowings.
- Regarding the growth of certain types of interest income as of the second quarter of 2020, compared to 2019, and having in mind the type of municipalities we can see, the current donations increased by 178.36% in the City of Skopje with the municipalities, while they decreased by 95.58% in the rural municipalities, and decreased by 40.26% in urban municipalities. Donations from abroad increased by 156.53% in the City of Skopje and the municipalities, and by 94.81% in the urban municipalities.

Table 1 Structure of actual revenues and growth rate of actual revenues for Q1 and Q2 in 2018, 2019, and 2020

Type of municipality	Structure of actual revenues in Q1			Structure of actual revenues in Q2			Growth of actual revenues in Q1			Growth of actual revenues in Q2		
	2018	2019	2020	2018	2019	2020	2019/2018	2020/2019	2020/2018	2019/2018	2020/2019	2020/2018
Rural	14,28	15,25	14,3	15,46	12,84	14,24	13,85	4,87	19,4	-18,30	12,90	-7,76
Skopje	33,01	33,81	34,56	34,11	33,04	33,79	9,17	14,27	24,75	-4,73	4,14	-0,79
Urban	52,71	50,94	51,14	50,43	54,12	51,97	3,01	12,25	15,63	5,53	-2,22	3,18
Total	100	100	100	100,00	100,00	100,00	6,59	11,81	19,18	-1,65	1,82	0,14

Source: Ministry of Finance and author's own calculations

3.2 IMPACT OF THE COVID-19 PANDEMICS ON MUNICIPAL EXPENDITURES – KEY FINDINGS

1. Total actual expenses for the first quarter in 2020 amount to 8,298,528,573 denars, which in absolute amount is higher compared to the first quarter of 2019 and 2018. The total actual expenditures in the first half of 2020 amount to 16,114,481,239 denars. This is less in absolute amount compared to the data until the second quarter of 2019, when the total expenditures amounted to 17,744,995,485 denars. This indicates an initial trend of adjustment by the municipalities.
2. A large increase in the actual expenditures in the first quarter of 2020, compared to the first quarter of 2019, in absolute amounts can be seen for the items basic wages, social security contributions, allowances, permanent reserve (unforeseen expenditures), utilities, heating, communication and transport, subsidies for public enterprises' purchase of furniture, and capital subsidies for non-governmental organizations.
3. At the same time, a large decline in expenditures in absolute amounts in the first quarter of 2020, compared to the first quarter of 2019 can be seen in current reserves (miscellaneous expenditures), materials and small inventory, repairs and current maintenance, contractual services, miscellaneous transfers, buildings and other construction objects.
4. An increase in the actual expenditures in the first quarter of 2020, compared to the first quarter of 2019, in absolute amounts can be seen in 10 different expenditures. A simultaneous decline in expenditures in absolute amounts in the first half of 2020, compared to the data until the first half of 2019, can be noticed even with twice as many expenditures (20 items).
5. The largest percentage decline in expenditures in the first quarter of 2020, compared to the first quarter of 2019, can be noticed in the following expenditures: expenditures for construction (decreased by 53.5%), repairs and ongoing maintenance (decreased by 24.94%), other construction (decreased by 24.41%), investments and non-financial assets (decreased by 24.09%), and utilities, heating, communication and transport (with a decrease of 19.62%).
6. The largest percentage of decline in expenditures in the first half of 2020, compared to the first half of 2019, can be observed in the expenditures for permanent reserve (unpredictable expenditures) with a decrease of 75.39%, expenditures for construction (with a decrease of 72.59%), expenditures for miscellaneous transfers (with a decrease of 64.22%), expenditures for contractual services (with a decrease of 46.00%), expenditures for investments and non-financial assets (with a decrease of 38.38%), and expenditures for utilities, heating, communication and transport (with a decrease of 38.04%).

Moderate decline was also registered for the expenditures for transfers to non-governmental organizations (with a decrease of 30.21%), travel and daily expenditures (with a decrease of 29.06%), materials and small inventory (with a decrease of 27.76%), interest payments to domestic creditors (with decrease of 23.39%), interest payments to non-resident creditors (with a decrease of 22.98%), and repairs and current maintenance (with a decrease of 21.91%).

7. As many as 48 municipalities recorded a decline in expenditures, while 33 municipalities recorded an increase in expenditures in the first half of 2020.
8. In the first quarter of 2020, compared to the first quarter of 2019, there is a decline in the following expenditures in all types of municipalities (urban/rural/Skopje): utilities, heating, communication and transport; materials and small inventory; repairs and ongoing maintenance; contract services; interest payments to domestic creditors; buildings and other buildings.
9. In the first half of 2020, compared to the data in the first half of 2019, there is a decline in the following expenditures in the three types of municipalities (urban/rural/Skopje): fees; utilities, heating, communication and transport; materials and small inventory; repairs and ongoing maintenance; contractual services; interest payments to domestic creditors; transfers to NGOs; miscellaneous transfers; construction; investments and non-financial assets; and repayment of principal to other levels of government.
10. Having in mind the type of municipalities, in the first half of 2020, compared to the data from the first half of 2019, expenditures for subsidies for public enterprises increased by 60.98% in the City of Skopje with the municipalities. The social benefits increased by 27.86% in the City of Skopje with the municipalities and increased by 15.95% in the urban municipalities. Capital subsidies for enterprises and non-governmental organizations increased significantly by 153.83% in urban municipalities.

3.3 SUMMARY OF THE COMPARATIVE ANALYSIS OF THE EFFECTS OF COVID-19 IN THE FIRST VS. THE SECOND QUARTER OF 2020

1. In the first quarter of 2020, compared to the first quarter of 2019, there is a decline in revenues in 18 municipalities, while in the first half of 2020 the number of municipalities with a decline in revenues has increased to as many as 26 municipalities.
2. In the first quarter of 2020, compared to the first quarter of 2019, there is a decline in expenditures in 37 municipalities, while in the first half of 2020 the number of municipalities with a decline in expenditures increased to 49 municipalities.
3. It is important to note that there are as many as 19 municipalities in the first quarter of 2020 and as many as 23 municipalities in the first half of 2020 which despite having revenue growth, still reduced a significant part of their expenditures, given the expected negative effects of the pandemic that would follow.
4. As many as 28 municipalities (almost 35% of the municipalities) in the first six months of 2020 have seen an increase in revenues and an increase in expenditures, with some quite significant, such as: Lozovo, Aerodrom, Kratovo, Krushevo, Prilep, Radovish, Sopsishte, the City of Skopje, and others.
5. The Municipality of Centar is one of the isolated rare cases where despite the significant decrease in revenues in the first and ending in the second quarter, there is an increase in expenditures.

6. In general, despite the total revenue growth as of the second quarter (first six months) of 2020/2019 of almost 6.8% in the same period, the total expenditures of the municipalities decreased by 9.2%, hence indicating the sensitivity/uncertainty which the municipalities are faced with in terms of COVID-19.
7. In general, by quarters by types of municipalities, it is evident that in the second quarter the situation significantly deteriorated given that the growth of total revenues of 11.8% in the first quarter of 2020/2019 decreased to only 1.8% in the second quarter, and from a significant growth in all types of municipalities in the first quarter in the second urban municipalities already show a decline in revenues of 2.2%.

Skopje shows a moderate growth of only 4.1%, while only rural municipalities increased their revenue growth from 4.8% to 12.9%. Part of this is due to the measures for dealing with COVID-19, which primarily affect the structure, production and activities in urban areas.

8. Expenditures show a significant downward trend passing from the first to the second quarter, i.e. from a modest growth of only 0.76% in the first quarter of 2020/2019 in the second quarter, the decline in expenditures is 17.8%. What is particularly interesting is that despite the growth of revenues in rural municipalities in the first quarter they recorded a significant decline in expenditures of as much as 14.1%, while in the second quarter the decline was 4.6%.

Rural municipalities are the only ones that show a decrease in expenditures, while the urban municipalities and Skopje have already recorded a significant decrease. Urban municipalities recorded a decrease in expenditures in the second quarter of 2020/2019 of as much as 28%, which makes it the most affected category of municipalities both on the revenue side and on the expenditure side.

Table 2: Structure of actual expenditures and growth rate of actual expenditures for Q1 and Q2 in 2018, 2019, and 2020

Type of municipality	Structure of actual expenditures in Q1			Structure of actual expenditures in Q2			Growth of actual expenditures in Q1			Growth of actual expenditures in Q2		
	2018	2019	2020	2018	2019	2020	2019/2018	2020/2019	2020/2018	2019/2018	2020/2019	2020/2018
Rural	14,54	16,86	14,37	14,19	12,49	14,49	38,79	-14,13	19,17	15,10	-4,61	9,80
Skopje	32,65	33,19	34,76	33,90	28,36	33,70	21,65	5,53	28,38	9,37	-2,31	6,84
Urban	52,81	49,96	50,88	51,92	59,16	51,80	13,23	2,62	16,19	48,98	-28,02	7,23
Total	100	100	100	100,00	100,00	100,00	19,69	0,76	20,6	30,74	-17,81	7,46

Source: Ministry of Finance and author's own calculations

Comparative analysis of the changes in the key revenues and expenditures of the LSGUs, between the first and the second quarter of 2020:

REVENUES

Property tax has a significant share (6.37% in the first and 8.36% in the second quarter) in both quarters; decreased by 8.87% in the first quarter and decreased by 19.14% in the second quarter of 2020, compared to 2019.

There is a decrease in the share of taxes on specific services in the structure, and a decline of 10.97% in the first quarter and 21.18% in the second quarter in 2020, compared to 2019.

Transfers from other levels of government increased by 27.48% in the first quarter and by 20.25% in the second quarter of 2020, compared to 2019.

Donations from abroad increased by 23.28% in the first quarter, but decreased by 13.21% in the second quarter of 2020, compared to 2019.

Taxes and fees recorded a decrease of 5.1% in the first quarter and in the second quarter a significant decline of 63.42%.

EXPENDITURES

Expenditures for utilities, heating, communication and transport decreased by 19.62% in the first quarter and by 52.13% in the second quarter of 2020, compared to 2019.

Expenditures for contract services decreased by 52.13% in the second quarter of 2020, compared to 2019.

Subsidies for public enterprises increased by 118.33% in the first quarter and 13.04% in the second quarter in 2020, compared to 2019, given the role of public enterprises in a time of pandemic.

Various transfers decreased by 12.71% in the first quarter and by 78.96% in the second quarter of 2020, compared to 2019.

Buildings decreased by 53.5% from the first quarter and by as much as 87.74% in the second quarter of 2020, compared to 2019, while other buildings decreased by 24.41% in the first quarter and by 12.23% in the second quarter.

Particularly interesting for analysis is the increase of expenditures during the pandemic for basic salaries (growth Q1 = 13% Q2 = 15%), temporary employment (growth Q1 = 33% Q2 = 5%), furniture (growth Q1 = 8% Q2 = 59%), vehicles (growth Q1 = 5% Q2 = 145%), machinery and equipment (growth Q1 = 24% Q2 = 11%), social benefits, etc.

3.4 IMPACT OF THE COVID-19 PANDEMICS ON PUBLIC FINANCES OF 5 SELECTED MUNICIPALITIES

The analysis of the budgets of the 5 municipalities (especially in the second quarter of 2020, when the effects are evident) indicated different effects of COVID-19 in different municipalities: some municipalities have a significant increase in revenues, such as Centar Zhupa (with a growth of 35.63%), Prilep (with a growth of 24.11%), Bogovinje (with a growth of 19.71%), while the municipality of Kumanovo had a decrease by 5.09%, and the municipality of Sveti Nikole had a decrease of total revenues by 18.05%.

Key mutual characteristics, as a result of the COVID-19 pandemic, in the revenues of the 5 selected municipalities are:

A significant decrease in revenues from:

- Property tax (with the exception of Centar Zhupa)
- Fines, court and administrative fees
- Other fees
- Other non-taxable income
- Sale of land and intangible investments

Increasing revenues from:

- Transfers from other levels of government
- Donations from abroad
- Other government services
- Income tax, profit tax and capital gains

The analysis of the expenditures of the 5 municipalities that are subject to this analysis, in the second quarter of 2020, when the effects were most visible, showed that some municipalities recorded an increase in expenditures and that Prilep increased its expenditures by 19.14%, Centar Zhupa recorded a slight increase of 0.41%, while the other municipalities recorded a decrease in total expenditures, namely Bogovinje decreased their expenditures by 1.64%, Sveti Nikole by 7.44%, and Kumanovo by 19.13%.

Key mutual characteristics, as a result of the COVID-19 pandemic, in the expenditures of the 5 selected municipalities are:

A significant decrease in expenditures from:

- Travel and subsistence expenses
- Utilities, heating, communication and transport
- Materials and small inventory (with the exception of Centar Zhupa)
- Repairs and ongoing maintenance
- Contractual services
- Transfers to NGOs

A significant increase in expenditures for:

- Basic salaries and social security contributions
- Current reserves (miscellaneous expenses)
- Temporary employment
- Subsidies for public enterprises
- Social benefits
- Purchase of machinery and equipment

3.5 SCENARIO ANALYSIS - EXPECTED EFFECTS IN THE MID-TERM

3.5.1 Background

Given that the COVID-19 pandemic will have short-term and mid-term effects, we have attempted to develop a simple scenario analysis. This analysis should provide initial general results on the effects and potential consequences of the pandemic on the revenues/ expenditures until 2025.

In order to simplify the analysis and the obtained results, and according to the available data, **three scenarios for the revenues/expenditures have been created for each of the 5 selected municipalities**. We assumed that it would be particularly important for the projected revenue/expenditure items to have a more detailed analysis (six digits) in order to obtain more specific information on specific revenue and interest expense.

The available database with more detailed analysis for the selected municipalities, providing a basis for the projections and scenarios, refers to the period 2014-2018 (annual data). For each of the municipalities we have created three scenarios:

The first is a basic baseline scenario (basic model), where the projections ignore the existence of the COVID-19 pandemic and predict what the assumed movement/trend of revenues and expenditures would be like if the COVID-19 pandemic did not happen;

The second scenario (Corona-realistic scenario) is more realistic and in accordance with the decrease in revenues, expenditures (% of the decrease in Q2) are taken into account and the potential effects of the COVID-19 pandemic are presented;

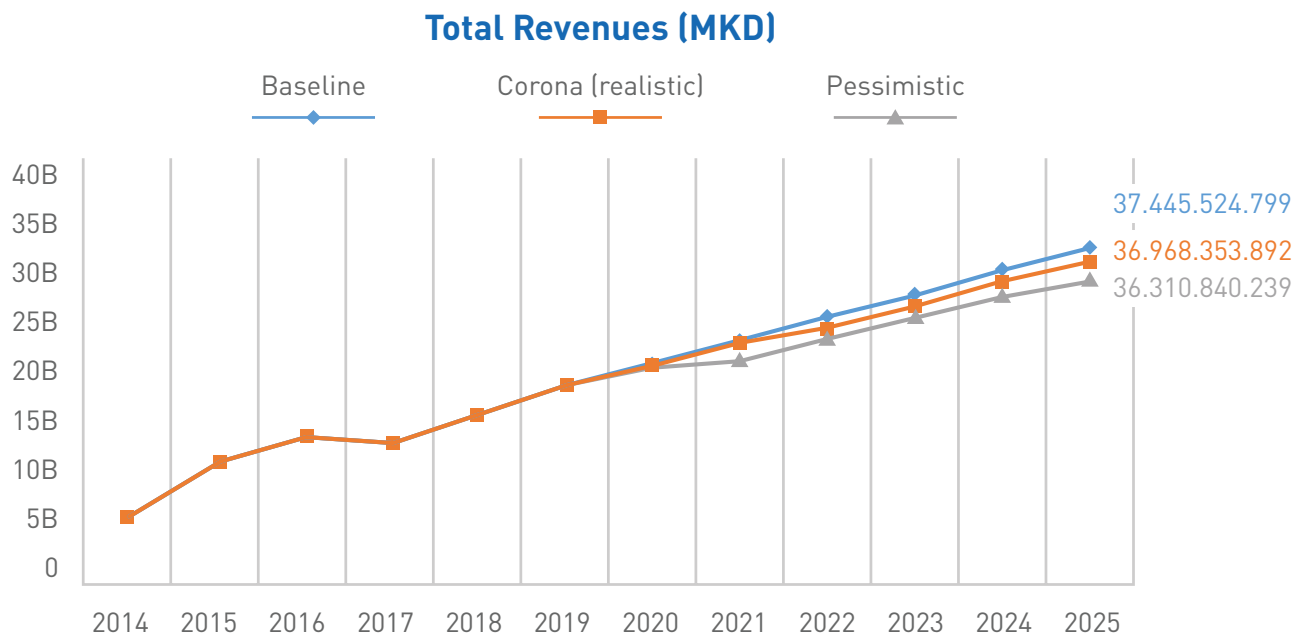
The third scenario is pessimistic and takes into account an extended effect from the COVID-19 pandemic in the next period 2020-2021.

Predictive models on which scenarios are based are made using a special technique in Excel, for the purpose of making predictions for the future using historical data as inputs and trend analysis.

This method is most often used to make educated assumptions about cash flow, to plan budgets, to predict future revenues and expenditures, etc. It should be noted that this model and the scenarios do not tell the future with certainty, but only show different probabilities for the movements of the selected parameters.

3.5.2 Results from the scenario analysis of revenues

Graph 1: Revenue scenario analysis



Source: Ministry of Finance and author's own calculations

The results show that a decrease in total revenues is expected according to the corona-realistic scenario, whereas a significant reduction is expected according to the pessimistic scenario.

What is evident is that if the realistic scenario is realized in the mid-term, the decline in total revenues of municipalities by 2025 will range from 1 to 1.5%, while in the pessimistic scenario the medium-term decline ranges from 1 to 3%.

The modest deviation in the total revenues in the two scenarios that were made could be explained by the following factors: 1) The relatively short data points to change in financial flows, as well as the fact that the scenarios were created based on the effect of the pandemic only for the first 6 months, while the delayed effect of the pandemic may increase the decline in revenues; 2) The differences between municipalities, considering the fact that some of the municipalities, despite the effects of the pandemic, had an increase in total revenues, and so the average is much less than the standard deviation; 3) We should also keep in mind that in the given period, the significant decline in total revenues of all municipalities was mitigated by the significant increase in transfers and grants from the central government (which play a significant role in municipal budgets), as opposed to the significant decline that municipalities had in their own revenues, especially property taxes, local fees, taxes for specific services, etc.

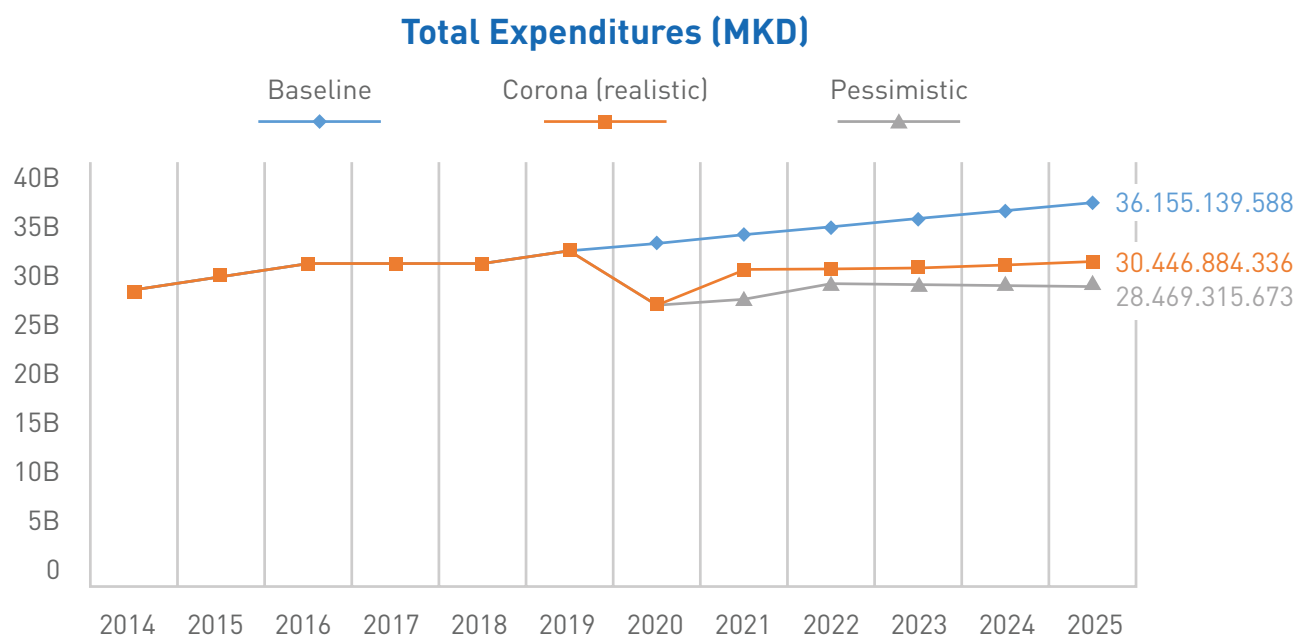
Analysis of the individual items on the revenue side and comparison of the realistic corona scenario with the basic model (without COVID-19) generally showed:

- The decline in property tax revenues from individuals (similar to the decline in real estate sales tax) will range from 13% in 2022 to 18% in 2025, while cumulative losses are even greater.
- The expected decline in revenues from the Communal Tax for use and maintenance of public lighting, compared to the baseline scenario, ranges from 14% to 20% in the period 2022-2025.

- The expected decline in compensation for arrangement of construction land will range from 13% to 17% in the period 2022-2025.
- The expected annual decline in revenues from lease of agricultural land, compared to the new scenario, would be around 5% in the period 2022-2025.
- According to the realistic corona-scenario analysis, a potential growth of revenues related to transfers from the central government is expected, as follows: expected growth in block grants from 13% to 18% in the period 2022-2025, as well as expected growth in capital transfers from 14% to 22% in the period 2022-2025.
- The comparison with the pessimistic scenario, which in the interest of space is not elaborated in detail, will bring to the surface even stronger negative effects on the revenues from the COVID-19 pandemic.

3.5.3 Results from the scenario analysis of expenditures

Graph 2: Scenario analysis of total expenditures



Source: Ministry of Finance and author's own calculations

The results show that if the realistic scenario is realized in the medium term, the decline in total expenditures of municipalities by 2025 will range from 12 to 16%.

The comparison between the basic model (without COVID-19) and the realistic corona scenario indicates an evident reduction of expenditures at the local level, which is directly related to the quality and level of local services that are/will be provided:

- The expected decline in expenditures for the Municipal Council, compared to the baseline scenario, ranges from 12% to 17% in the period 2022-2025.
- The expected decline in expenditures for the Mayor, compared to the baseline scenario, ranges from 13% to 20% in the period 2022-2025.

- The expected decline in expenditures for Municipal Administration, compared to the baseline scenario, ranges from 12% to 16% in the period 2022-2025.
- The expected decline in expenditures to support local economic development, compared to the baseline scenario, ranges from 10% to 15% in the period 2022-2025.
- The expected decline in expenditures for encouraging the development of tourism, compared to the baseline scenario, ranges from 10% to 12% in the period 2022-2025.
- The expected decline in expenditures for Energy Efficiency Projects, compared to the baseline scenario, ranges from 10% to 12% in the period 2022-2025.
- The expected decline in expenditures for Public Cleanliness and Maintenance and protection of local roads, streets and regulation, compared to the baseline scenario, ranges from 10% to 15% in the period 2022-2025.
- The expected decline in regional development expenditures, compared to the baseline scenario, is around 10% in the period 2022-2025.
- The expected decline in expenditures, compared to the baseline scenario, in the period 2022-2025 is evident in the competencies Environmental Protection, Education, Culture, Social Protection.
- The comparison with the pessimistic scenario shows even stronger negative effects on the expenditure side of the COVID-19 pandemic.

In the detailed analysis that was prepared, a scenario analysis was additionally made with three scenarios separately for each of the 5 selected municipalities - Bogovinje, Kumanovo, Centar Zhupa, Prilep, and Sveti Nikole. The detailed results are presented in a special report, but in the interest of space, and given that the results do not differ significantly from the results for all municipalities, they will not be elaborated separately.

The analysis of the results from the Corona-realistic scenario, and especially from the pessimistic scenario, showed that most of the municipalities will be affected by the COVID-19 pandemics, with a significant impact on their own/local revenues. However, the effects of the pandemic on small and poor (often rural) municipalities are particularly significant, in which, as the results of the scenarios have demonstrated, part of their own revenues will significantly decrease and even disappear (in our case, e.g., Centar Zhupa and Bogovinje). Currently, the effects on the budgets (total revenues) of these municipalities are relativized given the share of central government transfers, which despite the pandemics had adequate growth in the first half of 2020.

However, for these reasons small/rural municipalities (as well as part of the urban municipalities with a limited revenue base) will be much more affected in the upcoming period, given the expected long-term effect of the pandemic on the central budget, and indirectly on transfers to municipalities in the upcoming years. Furthermore, these municipalities, which are characterized by limited own revenues and limited fiscal capacity, will need to be treated separately by the central government in order to enable the provision of key local services at a satisfactory level, especially in times of pandemic and the upcoming recovery period. The central government, primarily the Ministry of Finance, in order to maintain fiscal stability (as well as the minimum/necessary level of local services)

in this part of the municipalities will have to act seriously in regard to several directions: strengthening the administrative/technical capacity to collect their own revenues; providing clear guidance and support on managing budget structure, debt levels, and financial needs; providing opportunities for long-term borrowing from the central budget; providing fast interest-free loans for the most affected LSGUs; and if necessary, enabling the postponement of existing credit liabilities.

3.6 RECOMMENDATIONS – Mitigation measures for strengthening fiscal capacity/resilience at the local level

1. Creating a comprehensive system of monitoring and evaluation of the situation and fiscal health (as well as the needs) in the LSGU, in order to timely undertake appropriate activities, changes and measures. This could help maintain strong local governments that will be ready to undertake necessary measures to prevent and overcome the effects of COVID-19. In addition to the abovementioned, this system needs to take the shape of a platform for timely information of municipalities regarding any changes in policies on the revenue side; whether for competencies or expenditures that can significantly affect the process of functioning and adjustment of municipalities.
2. Ensuring safe and appropriate transfers from the central government, in accordance with the real value of the transferred competencies and the real financial needs of the LSGU. This will understandably be a challenge in the time of COVID-19 epidemics, given the situation in the central budget, but it will be necessary, to create minimum conditions for normal functioning of the municipalities at a time when the own revenues of the municipalities are significantly reduced. In this context, the regular and timely payments of the block and earmarked grants for the transferred competencies, which are also one of the key public services provided by the municipalities, will be extremely important.
3. The transfer from VAT, which shows the strongest equalizing effect, should be kept at its level from the current 2020, with a special decision, having in mind that this transfer is calculated as a percentage (4.5%) of the collected VAT amount in the current year, as a result of significantly reduced VAT revenues in the current 2020. This implies a delayed effect of these transfers for the next 2021 and beyond. This is especially important because VAT transfer is distributed (largely) based on population and land area and retain/increase in VAT share would benefit poorer, more rural jurisdictions. This measure will offer an appropriate balance on the lack of finances, especially in poorer/rural municipalities.
4. If there is a possibility, partial realization of the requests can be considered (ALSGURNM and the municipalities' VAT at more than 7.5%, income tax at more than 30%) to increase the percentage that LSGUs receive from taxes collected on a national level. Currently, the portion of the VAT (4.5%) and income tax (3%) that the municipalities are receiving, together with the amount they acquire from the Property Tax, are at the lower level, compared with the neighboring countries. Having in mind that the budget deficit in the current year has increased several times, which indicates the possibility that the upcoming 2021 and the coming period will require rationalization and consolidation of the expenditure side in the central budget, makes this change/reform questionable. Given the role of municipalities in terms of COVID-19, preparing a plan for a gradual increase of these percentages can be one of the measures that will significantly mitigate the effects of COVID-19.

5. The pandemic has emphasized the differences between bigger and smaller, and urban and rural municipalities. While at the beginning of the crisis larger and urban municipalities were most affected, over time smaller and rural ones that have particularly fragile budgets, critical tax base and tax collection capacities, and lower economic activities became more exposed to the crises.
6. The weaker fiscal and financial capacity of the rural municipalities should be attributed to the symmetric decentralization of the competencies and resources to all municipalities in the country, only one administrative level of local government that does not take into consideration the specific socio-economic differences, location, and population factors amongst municipalities. In this regard, there is a strong need to ensure a sustainable system of equalization, an issue that was discussed many years ago but is related to the eventual Census, which was held only in 2002 and which has been postponed several times. The pandemic highlighted the need to establish a proper fiscal equalization mechanism that would balance the significant disparities in the fiscal capacity of municipalities and the collection of municipal revenues, taxes, and fees.
7. Maintaining the fiscal discipline and continuation of increasing efforts of the municipal administration to administer its own revenues, for better records of taxpayers, as well as undertaking more intensive activities by the municipal administration in this regard. This is particularly important given the numerous measures at central and local level to deal with COVID-19, which have fiscal effects particularly on the fiscal discipline at the local level.
8. In time of COVID-19 pandemics, it will be extremely important to define specific procedures and measures related to the distribution/allocation of capital grants in accordance with defined socio-economic characteristics and specific needs of LSGUs, in order to use them rationally. In this regard, the simplification of the fragmented system of granting capital grants and its strategic connection as well as strengthening the capacities and access of small/rural municipalities to capital grants is of particular importance.
9. Increased investment activity of the central government in the LSGU, taking into account the gap that was created in the first half of the year where the decline in capital expenditures in most municipalities is greater than 50%. The investment activity of the state (coordination of investment plans with LSGUs), as well as the provision of favorable investment capital (with favorable interest rates, state guarantee credit lines from IFIs, etc.), will stimulate local economic development and mitigate some of the effects of COVID-19 on local economies.
10. Enabling greater flexibility of the LSGU in the use/reallocation of public expenditures according to the previously determined and adopted programs (strategic documents, etc.) and specifically determined purposes of budget funds accepted by the Municipal Council in accordance with the needs that arise in conditions of pandemic and especially in the recovery period.
11. Having in mind that part of the LSGUs in conditions of COVID-19 focused on certain exemption and postponement of fees from their citizens in order to facilitate their position, it is necessary to undertake specific activities in order to accurately, timely and fully record these obligations and analyze the short-term and long-term effects of such on the municipal budgets.

12. Simplification of the procedures and the system of mobilization/giving donations from individuals and legal entities from the country and abroad, which are especially important during a pandemic, primarily for activities that are directly related to prevention and reduction of the consequences of COVID-19.
13. Analysis of the specific financial needs related to the prevention and management of COVID-19 in the different municipalities in the country, and preparation of specific regular transfers from the central government that would cover a significant part of the financial needs of local activities to deal with the pandemic (primarily for health and social purposes). Due to frequent changes in the situation, periodic needs reassessment will be required.
14. Especially important in times of crisis and pandemic is the real planning of budget revenues and expenditures. The budget preparation by the municipal administration should be based on the real situation and the opportunities by the LSGUs. In previous years, there was a significant deviation in the percent of actual revenues and expenditures in relation to the planned revenues and expenditures.

Additionally, the projections showed that this can cause significant effects in revenues/expenditures in the medium term, hence imposing the need to control the planning process (real planning) and discourage the creation of unrealistic obligations, since it further undermines the stability of the LSGU.

This situation can also accelerate the process of the already announced mid-term budget framework at the local level, which will enable better connection of the implemented projects with the strategic goals of the LSGU and continuity in the implementation of local projects. It remains open whether this would be done with additional changes in the Law on Budgets and the Law on Financing of LSGUs.

15. Designing a framework and specific procedures for repairing the system and the consequences of COVID-19 in each of the municipalities, while setting a clear plan, indicators and reforms that the municipality will transparently refer to in the period while repairing local finances in a pandemic.

In the context of the abovementioned, it is necessary to create a system for support of municipalities in the near future (as a last resort), a simplified system through which policy makers could assist only in certain specific situations without major bureaucratic procedures to take part in stabilizing public finances in certain municipalities facing significant financial problems.

The central government should be especially careful and monitor the situation in the municipalities in order to avoid a situation in which it will be necessary to “pull out” the “bad” municipalities, thus creating a risk of moral hazard and disrupting general fiscal discipline.

16. Changes in the direction of expansion of the borrowing capacities of the LSGUs, having in mind that their borrowing capacity is related to the actual current-operating revenues in the current 2020, which implies a reduced borrowing capacity of the LSGUs in the upcoming 2021. Given the consequences of the pandemic, as well as the need for financial injection, it is of particular importance that the changes will increase the borrowing capacity of LSGUs. These changes could be:

- Simple procedures for short-term/long-term borrowing from the central budget, with temporary easing of legal restrictions,
- Interest-free loans for the most affected LSGUs,
- Deferral of existing credit liabilities,
- Provision of favorable credit support (with guarantees and mediation from the central government) from International Financial Institutions and other sources,
- Providing credit support to public enterprises at the local level, which have a particularly important role to play in preventing the spread of the pandemic,
- The Ministry of Finance needs to increase its capacity to support and provide clear guidance to municipalities on managing debt levels and financial needs.

17. In the conditions of the COVID-19 pandemic, the trust in the system, which is directly related to the improvement of good governance in the municipalities, the increase of transparency and accountability in the public financial management, as well as the increase of the capacities, is especially important for the effectiveness of the undertaken measures in the administration in the context of efficiency and greater involvement of stakeholders in planning and implementation. This includes the increased role of the Municipal Councilors in order to determine the priorities in the LSGU and efficient provision of goods and services to the citizens in conditions of pandemic.

**ASSESSMENT OF THE COVID-19
PANDEMICS ON THE DELIVERY
OF THE MUNICIPAL SERVICES IN
NORTH MACEDONIA**

This Chapter of the Report is focused on the key findings regarding the impact of the COVID-19 pandemics on the most critical municipal services. It contains the key findings and recommendations regarding the horizontal and vertical coordination, the most important service delivery challenges of the municipalities during the prolonged health crisis, including its impact on financing of each of the specific services that were subject of the research. In addition, scenarios have been developed regarding the delivery of education services.

4.1 THE FOCUS OF THE MUNICIPAL RESPONSE

The focus of the **municipal response** in the first phase of crisis management was more on implementing activities related to maintaining public hygiene and disinfection of public space and facilities (tasks of PCEs) as well as organizing the delivery of humanitarian packages to the most vulnerable segments of the population, while less on the delivery of local services by municipal institutions, taking into account that except schools where teaching continued through online and distance learning using available ICT tools, other institutions stopped providing services. Related to the services that are the subject of this in-depth analysis, most often LSGUs provide the following additional and adapted services: disinfection of public spaces and public buildings, establishment of teams to support vulnerable categories of residents, and free provision of personal protective equipment for the population that is at social risk, while rarely are the following services provided: increased frequency of public transport to reduce the number of beneficiaries, provision of safe housing for women victims of domestic violence, and adaptation of cultural services to the crisis situation.

An extremely significant finding from the desk research (see Table 3 below) is that 4 out of 5 municipalities in the country have not started preparing an appropriate recovery plan or an exit strategy from the crisis and that they will do so after the Government of the Republic of North Macedonia announces a national recovery plan (exit strategy). This finding is indicative and important as information especially for the Government because despite the scope of local competencies a large majority of LSGUs expect to receive strategic and other benchmarks from the Government for leading the process of post-crisis reconstruction and recovery of municipalities. It should be noted that in this regard, the Government still took steps primarily through the preparation of protocols for reactivation of some local institutions, but at least until the finalization of this Report, no specific integrated program or plan of measures aimed at meeting the needs of LSGUs, especially related to financial and human resources, for efficient and effective management and recovery from the health crisis has been prepared.

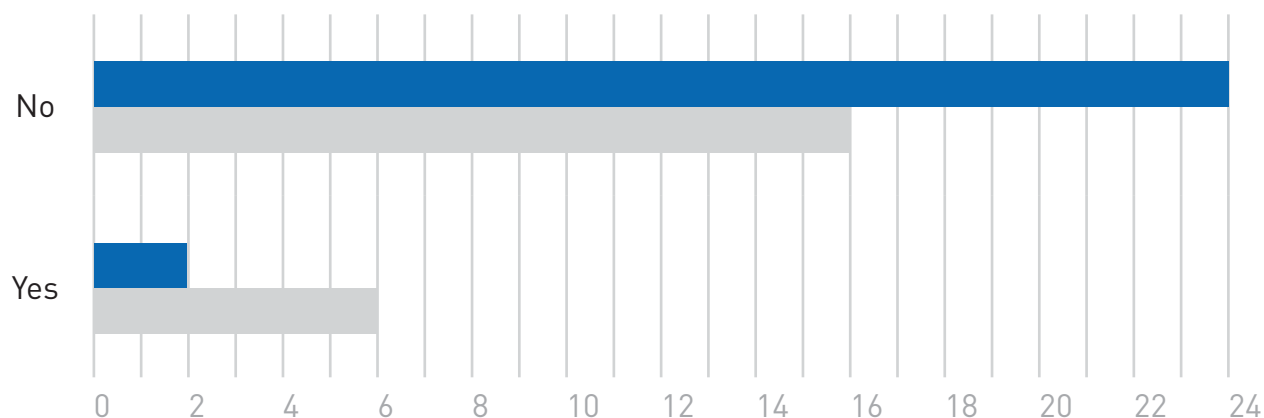
Table 3: Have you started preparing a recovery plan (exit strategy) for your local self-government unit for the period after the peak of the COVID-19 epidemic?

YES	NO	Total
8	39	47
17%	83%	100%

Source: Report from the Survey of the LSGUs' current state of capacity for local governance and delivery of local services in conditions of crisis and a state of emergency caused by the COVID-19 pandemic, Toni Popovski, May 30, 2020 (commissioned by the UNDP Office in North Macedonia)

It is of even greater concern (see Graph 3 below) that only 2 rural, as opposed to 6 urban, municipalities have a recovery plan, i.e. 23 rural vs 16 urban municipalities have no recovery plan.

Graph 3: Urban and rural municipalities with recovery plans



	Yes	No
Rural	2	23
Urban	6	16

Source: Report from the Survey of the LSGUs' current state of capacity for local governance and delivery of local services in conditions of crisis and a state of emergency caused by the COVID-19 pandemic, Toni Popovski, May 30, 2020 (commissioned by the UNDP Office in North Macedonia)

The findings from the desk research were validated by surveying 5 pilot municipalities (Kumanovo, Prilep, Sveti Nikole, Bogovinje, and Centar Zhupa) and the common finding is that in these municipalities the focus of priority measures is on disinfection of public space and facilities, and organizing the preparation and distribution of humanitarian packages for the most vulnerable segments of the population. Regarding these municipalities, it is important to point out that temporary but purposeful forms of inter-municipal cooperation have been created and as such, solidarity is demonstrated, especially with the smaller neighboring and mostly rural municipalities. The efforts made by the municipalities to achieve cooperation with all the institutions at the local and regional level and in the function of a better (more efficient and effective) LOCAL response to the crisis are to be welcomed. Municipal crisis management bodies have placed relatively less focus on online and online learning and the need to improve stakeholder information systems as well as to find alternative forms of cultural and social protection services delivery. From a procedural point of view, the strengthened involvement of the Prilep Municipal Council in confirming and implementing the priority measures is to be welcomed, as it provides a greater sense of ownership of all political actors in the action plan of the municipality. Compared to other pilot municipalities, the Municipality of Prilep has progressed in elaborating procedures and rules, including the protocol for the work of volunteer teams, and this approach can be assessed as good practice worth disseminating and upgrading in other municipalities.

The pilot municipalities also pointed out the need for educating all the members of the municipal crisis management bodies to acquire communication skills and achieve reputation management for the purpose of strengthening the trust and confidence of the population that the municipal crisis management bodies do act expediently and effectively,

and also strengthening their self-confidence - that in times of crisis they can make quick yet at the same time quality and safe decisions.

4.2 IMPACT OF THE COVID-19 PANDEMICS ON THE DELIVERY OF THE MUNICIPAL COMMUNAL SERVICES

Regarding the **communal activities and services** in terms of coordination and communication at the vertical level, from the responses of relevant representatives of the 5 pilot municipalities, it can be concluded that PCEs have not received closer guidelines from the MoTC and MoEPP for acting in crises, which could have served as a basis for the preparation of their operational plans, and also that the focus of their action is placed on acting on the guidelines and requirements of the municipal crisis management bodies and the municipality. Although the lack of guidance from the MoTC and MoEPP is not recognized as an operating deficit by PCEs and municipalities, a proactive relationship with these two ministries would be desirable, especially in terms of overseeing the implementation of all communal activities in times of crisis, sharing good practices and surveying the needs of PCEs, as well as advocating for providing better conditions for their operations in times of crisis, including mobilization of technical and financial assistance. Therefore, according to the findings of this research, it can be concluded that PCEs throughout the crisis relied on their resources (human and financial), financial transfers from municipalities, and were deprived of direct donations because they were predominantly directed to the municipality, the local institutions, and citizens' associations. Regarding the delivery of services in times of crisis, the available data indicate that for the most part services were implemented smoothly, which is an indicator of the adequate and satisfactory capacity of the PCEs and the municipal administration to work in times of crisis.

According to the urgent needs, only the volume and scope of activities for the disinfection of public space and facilities were increased, which in some PCEs has caused an extraordinary but still temporary reorganization to allocate more human resources for this service.

There is no evidence of significant adjustment of PCEs' operations to the most vulnerable groups of the population besides responding to individual requirements.

Regarding the financial challenges related to the delivery of communal services, from the analyzed data it can be concluded that the financial resources even under regular conditions were insufficient and in conditions of a health crisis, PCEs have increased expenditures on several grounds (extraordinary temporary employment, increased needs for equipment and disinfectants, protective equipment for employees, etc.). Regarding the revenues from the collection of fees, their decrease was noticed only in the two rural municipalities: Bogovinje and Centar Zhupa. The increased expenditures of PCEs so far have been compensated in all PCEs through transfers (donations/grants) from the municipal budget. To balance the expenses and not create operating losses, the PCEs stopped conducting public procurement procedures that are not of special importance, reduced the unproductive costs for representations, per diems, hotel accommodation, seminars, and conferences to a minimum, reduced funds for the payment of compensation for annual leave, cut funds for projects, reduced funds for legal fees, and requested delays in the payment of credit obligations. From these applied measures, it can be concluded that PCEs had a proactive and engaged approach to reducing risks related to financial stability. Although faced with financial challenges, except for the PCE from Centar Zhupa, other PCEs have implemented measures to alleviate the effects of the health crisis on the population and the private

sector in a way that exempts them from paying for municipal waste (applied to socially disadvantaged users and single parents), postponed the process of suing users for debts incurred based on delivered communal services, and enabled deferred payment or payment of increased instalments of the fees for delivered services. These attempts of PCEs to reduce expenditures and within their capabilities to help users through measures that result in delayed and reduced revenues are impressive, and there is not only a high degree of justification, but also a more emphasized need for the central government to create a targeted program for PCEs' urgent assistance (either in financial means or equipment) to be able to continue with the uninterrupted performance of communal activities and implementation of specific measures for prevention and reduction of the consequences of the health crisis.

4.3 IMPACT OF THE COVID-19 PANDEMICS ON THE DELIVERY OF THE MUNICIPAL SERVICES IN CULTURE

Regarding the **services in the field of culture**, they started to be implemented by the Protocol prepared by the Ministry of Health and in coordination with the Ministry of Culture and the Main Crisis Coordination Headquarters, i.e. the Government of the Republic of North Macedonia in June 2020. Nevertheless, there is still a need for enhanced cooperation between the MoC and the municipalities, and related to the challenges faced by local cultural institutions, where the MoC, although not part of the Main Crisis Coordination Headquarters, can still inform the Government about the situation and try to mobilize technical and financial assistance for achieving less risky and better delivery of local services in the field of culture.

4.4 IMPACT OF THE COVID-19 PANDEMICS ON THE DELIVERY OF THE MUNICIPAL SOCIAL PROTECTION SERVICES

Regarding **social protection**, it should be noted that the distribution of humanitarian packages also served to gain direct insight into the needs of the most vulnerable segments of the population, which justifies the need to create and operate volunteer teams procedurally (a good practice in Prilep) and share experiences with other municipalities in the country.

Regarding the coordination and communication at the vertical level, it should be noted that specific protocols from the MoLSP for nursing homes have not been prepared, but detailed guidelines have been shared. The State Office for Social Activities has requested information taken over by nursing homes since the beginning of the crisis, and later regular communication has been established, more frequent professional directions have been shared, and nursing homes have also started sharing weekly reports. It should be noted that the MoLSP has prepared a Protocol for the activation and operation of daycare centres. Compared to the areas related to communal activities and culture, it can be concluded that in the field of social protection there is more regular and more specific communication and cooperation with the competent state administration bodies, where the inter-municipal centres for social work (local network under the MoLSP umbrella) play the important role of an effective mediator.

An identified challenge is interoperability, especially in terms of data available to different institutions related to vulnerable groups. The key data sets are managed by the inter-municipal centres for social work and they are available to the municipalities but only based on a specific request and explanation without providing an appropriate and procedurally defined way for permanent access to these registers.

Regarding the nursing (elderly) homes, the most serious problem at the moment regards the ban on the admission of new users, taking into account the fact that there are elderly people with serious health problems who are without any constant care. Several specific challenges are mapped in terms of providing services to people with intellectual disabilities as users because the existing protocols can only be partially applied and therefore require deeper expert analysis and formulation of recommendations for the most appropriate ways to deliver services and keep the risk of infection minimized. Regarding the increased incidence of cases of domestic violence from the findings of the in-depth research, it can be concluded that this challenge is not addressed by the surveyed municipalities and is left to the police stations and inter-municipal centres for social work.

The research also resulted in findings related to the existence of significant financial challenges, i.e. a gap of almost 50% of funds based on the perception of the surveyed local authorities that would be sufficient for optimal delivery of services by municipal institutions, especially in times of crisis with increased disinfection costs, maintaining space hygiene and procurement of protection means and equipment. This is compounded by the constant pressure associated with the growing needs of the most vulnerable individuals and families.

4.5 IMPACT OF THE COVID-19 PANDEMICS ON THE DELIVERY OF THE MUNICIPAL CHILDREN PROTECTION SERVICES

Regarding the **protection of children**, it should be noted that a protocol has been prepared for the activation and operation of kindergartens and daycare centres by the MoLSP, but until the finalization of this Report, these municipal institutions have not been activated. In the meantime, the kindergartens have prepared an operational plan and are preparing for activation through the consistent implementation of the protocols. It should be pointed out as a good practice the example of the kindergarten in Kumanovo, which based on the generic protocol of the MoLSP has developed a series of internal protocols with a recommendation to share with other kindergartens in the country.

The institutions point out that disinfection should be further elaborated in the protocols because there are risks for pre-school children resulting from the use of inappropriate disinfectants and the aspect of dynamics of disinfection. The space conditions in the playrooms in the kindergartens are a limiting factor for consistent application of the minimum distance between the children's desks and it is a challenge to organize isolation rooms for children with symptoms due to limited space conditions. It is also a challenge to organize work in smaller groups due to limited human resources in kindergartens.

From the findings of this in-depth research, however, the impression is that at the level of specific services for child protection, the leading institutions are the inter-municipal centers for social work (IMCSW), which in times of crisis have facilitated the way of submitting a request for social and child protection rights, actively participated in the distribution of disinfectants and hygiene products as well as food packages for families beneficiaries of a right to social or child protection, users of public kitchens, single parents and victims of domestic violence. The IMCSW distributed internet cards to the children of the users of educational and children's allowance, and the packages with didactic material were distributed to the users of the daycare centres. These regional centres, which are under the umbrella of the MoLSP, continuously provide services to all families and children who are in a position of social risk despite the health crisis, but there are challenges especially for children in need of special care, which is difficult to achieve if children and employees wear protective equipment and should keep their distance.

As well as in terms of social protection and child protection, and in comparison to the communal activities and culture, it can be concluded that there is a strong structural relationship with the MoLSP and the institutions within it. This especially refers to the daycare centres for social and child protection, which are mostly managed by the inter-municipal centers for social work or are delegated to the management of specialized citizens' associations according to procedures established by law and the principles and objectives of the deinstitutionalization policy.

The majority of respondents of the child protection questionnaire (8 out of 10) agree with the possible recommendation that pre-school children living in a community with the chronically ill or the elderly over the age of 65 should stay at home.

Regarding the perceived financial challenges, the grades vary from sufficient funds to a request for their increase up to a maximum of 40%. It should be noted that not all municipalities allocate funds from the budget to supplement the block grants for kindergartens, and funds raised through co-payments and due to non-provision of services, the situation worsens because there is a refund of paid funds for co-payments, which together necessitates the creation of intervention packages of measures to help institutions to overcome the period of crisis.

Expenditures for procurement of disinfectants vary from institution to institution, but there are also completely new expenditures related to the procurement of means for self-protection and additional equipment (contactless thermometers, several sets of bedding, etc.) to implement protocols that increase the financial burden on institutions. All the surveyed kindergartens and daycare centres have received donations of equipment, food products, and didactic materials, but they cannot compensate for financial losses due to the inactivity of institutions.

4.6 IMPACT OF THE COVID-19 PANDEMICS ON THE PRIMARY AND SECONDARY EDUCATION SERVICES

Regarding **primary and secondary education**, the cooperation with the Ministry of Education and Science is assessed by the municipalities and institutions as productive and expedient, but it is pointed out that at the moment of completing the survey questionnaires there are no working protocols and there are concerns about insufficient time to prepare for the new school year. It was noted that the Ministry of Education and Science has prepared protocols for enrollment of students, which have been acted upon, and also that the Government of the Republic of North Macedonia has issued Decrees for conducting online and distance learning, which has also been acted upon.

The capacity of human resources in the institutions is assessed as sufficient, but the challenges related to the lack of electronic devices for teaching and access to the Internet through the procurement of internet cards for children from socially disadvantaged families were addressed by the MoES, inter-municipal centers for social work, municipalities, and other donors, but unfortunately not through schools due to lack of own funds. Valuable time was spent on detecting students who are unable to attend classes online for any technical reasons.

A serious challenge faced by many families is the lack of tablets, laptops, or personal computers for every school-age child in large families. This challenge is still insufficiently addressed. A related and also serious challenge in the schools is the outdated devices of the

teachers (on average up to 10 years) and the schools (in comparison with the municipality and the citizens' associations) hardly receiving any donations.

The respondents estimate that in schools in urban areas the percentage of students who face a lack of adequate equipment for online and distance learning ranges from 1 to 7%, while in rural areas it is much higher and the approximate overall estimate is that 15% (one in 6-7 students) do not have adequate conditions for online and distance learning. Regarding the digital literacy the perception is that it ranges between around 85-90% of the students. In the context of digital literacy, there is an even bigger deficit among the teaching staff compared to the students.

All schools have shared directions with students and parents to use the national platform - Eduino.gov.mk - but despite the welcomed functionalities of the platform by the students and the parents, the schools point to the lack of recorded lessons for certain subjects, and especially for secondary vocational schools, so in that direction, they suggest further development of the platform by supplementing it with new recorded materials and lessons, and preparing a new user manual.

Some schools are trying to overcome this deficit on their own by recording lessons and posting them on school websites and social media. In this context, it is advisable to network teachers who cover identical subjects to exchange experiences and good practices. The recommendation of the respondents is to enable employment of professional IT staff for groups of schools in one municipality or to find other solutions for continuous IT support for online learning (and assessment) to be performed sustainably.

Disinfection of the schools, even though there were no classes held there, was performed regularly and mostly every week, and hygiene is maintained daily, so from this aspect, the schools are ready for face-to-face classes.

The institutions have not planned funds for the improvement of the ventilation systems and in some of them, there are no such systems. There are differences from one institution to the next in the level of provision of employees with means for self-protection, but the challenge is that they procure this equipment from their own means, and the needs related to the more certain activation of schools in September 2020 will increase multifold. It should also be noted that not all schools, due to the number of students and spatial conditions, can organize face-to-face classes in halved classes and multi-shift work, especially in schools that normally work in shifts.

3 out of 5 respondents agree that the activation of schools is expedient from the aspect of dynamizing the economy, but at the same time agree that students living in a community with the chronically ill and the elderly do not attend classes. However, 2 respondents leave the assessment to experts from the Ministry of Education and Science, the Ministry of Health, and the Government.

All respondents support the allocation of additional funds in block grants or finding other ways to possibly implement a measure to provide mentor services for students in online learning, which would reduce the burden on parents and teachers, in connection to the expectation that teachers work individually with each student who has difficulty attending online classes. This complex situation and circumstances are followed by a series of financial challenges, and the respondents assess that the funds are insufficient and in some cases, an increase of up to 50% is required. The justification for these demands is found in the changed conditions of the educational process, which requires additional investments for effective and efficient adaptation.

4.7 RECOMMENDATIONS

4.7.1 COMMUNAL ACTIVITIES

- Timely transmission of information about the adopted decisions by attaching information (from undertaken or initiated actions of the municipal crisis management bodies) not only on the bulletin board of the municipality, but also on the bulletin boards of the PCEs, and at the same time to have direct sharing of minutes, decisions and other materials with stakeholders, in order to improve the efficiency and transparency (especially through increased use of local media);
- Educating all members of the municipal crisis management bodies to acquire communication skills and achieve reputable management in crises, to strengthen the trust and confidence of the population that they do act expediently and effectively, but also to strengthen their self-confidence so that in crisis conditions they can make quick, yet quality and safe decisions;
- Establishment of a standard procedure for reporting by PCEs in a period of a health crisis (for the implemented activities and achieved results), with established regular time intervals aimed in addition to the municipal crisis management bodies as well as to the MoTC and MoEPP, and through them to the Government of the Republic of North Macedonia;
- The MoTC and MoEPP, from a reactive to a proactive relationship with the PCEs, through enhanced oversight of the implementation of all communal activities in times of crisis, sharing good practices, and surveying the needs of PCEs, together with advocating for better conditions for their operation in a crisis, including mobilization of technical and financial assistance;
- The necessity to adjust the communal services to the most vulnerable parts of the population in conditions of a health crisis (a more regular needs survey, and an innovative adjustment of services), expedient subsidization, but also flexibility expressed through the deferred payment of liabilities;
- Any municipality where there is a relevant number of people engaged in an informal waste collection should restrict their access to the containers due to contagious risks, providing them with the opportunity for minimum temporary employment in times of crisis, and thus the opportunity for alternative income;
- All municipalities and their PCEs to prepare and distribute materials for informing the citizens about the manner of handling municipal waste in their homes in conditions of a health crisis;
- PCEs and ADCOM to standardize the format of plans with emergency waste management measures (redistribution of resources by locations, areas, and other measures aimed at safer waste management).

4.7.2 CULTURE

- To establish and maintain regular communication of the responsible bodies of the state administration with the municipal administration, regarding the work protocols of the institutions in the field of culture; the MoC to strengthen the cooperation with the municipalities and related to the challenges faced by the local cultural institutions, to inform the Government about the situation and try to mobilize technical and financial assistance for achieving less risky and better delivery of local services in the field of culture;

- To establish innovative forms of cooperation of the municipal institutions in the field of culture with other municipal institutions (nursing homes, kindergartens, and daycare centres, primary and secondary schools) providing access to cultural products and services in times of crisis (e.g. the current activity of the library in Prilep having donated a small library to the home for the elderly in Prilep);
- To establish networks of local institutions in the field of culture to exchange experiences and good practices;
- To adapt the cultural services to the crisis and to prepare appropriate programs with a cultural offer (onsite or online) adapted to the most vulnerable categories of the population (e.g. bringing books in the homes of users who are faced with the challenge of moving, free membership cards in libraries, meetings with authors and “reading” for the protégés of nursing homes, booking an appointment to visit the institutions and thus a safer stay in the institution, etc.).

4.7.3 SOCIAL PROTECTION

- The creation and functioning of the teams of volunteers who distribute humanitarian packages to be further regulated (a good practice in Prilep) and to be shared as a practice with all municipalities in the country. Thereby, to optimize the realization of direct insight by the teams of volunteers in the needs of the most vulnerable segments of the population, and the findings to be properly documented;
- To prepare specific protocols for nursing homes (a protocol to enable the admission of new beneficiaries in conditions of a health crisis);
- The prepared protocol for work of the daycare centres to be transformed into several protocols that correspond to services for all specific categories of users;
- To strengthen and formalize interoperability, especially in terms of data available to different institutions related to vulnerable groups; to provide an appropriate and procedurally defined way for permanent access to the registers managed by the inter-municipal centers for social work by the municipalities;
- To find innovative ways to deliver services to specific groups of users, preferably by co-designing services (e.g., by expanding the services of nursing homes to help users at home, etc.);
- To develop an appropriate infrastructure of shelters for victims of domestic violence, thus enabling an enhanced role of the municipalities in addition to the inter-municipal centers for social work;
- To resolve the inherited challenges related to the indefinite employment of professional staff and support staff in social protection institutions;
- To initiate networking of social protection institutions to exchange experiences and good practices.

4.7.4 PROTECTION OF CHILDREN

- In the evaluation of the effects from the forthcoming application of the protocols for work of the kindergartens and daycare centres for children, besides the MoLSP and the institutions, direct involvement of the municipal administration;

- Based on the generic protocol of the MoLSP to develop internal procedures in kindergartens (an example of a good practice is Kumanovo) and to share with all kindergartens in the country;
- To promote transparency by providing access to reports generated by kindergartens and inter-municipal centers for social work;
- To enable greater participation and influence of the municipalities in the management of the daycare centres for social protection and child protection, and in general in the process of deinstitutionalization;
- To strengthen the functional and programmatic aspects of the work of the kindergartens to adapt the services for children from families or parents beneficiaries of social assistance and other vulnerable groups;
- The disinfection of the institutions should be further elaborated in the protocols because there are risks for pre-school children from the use of inappropriate disinfectants and the aspect of dynamics of disinfection;
- When developing scenarios for activating kindergartens and daycare centers for child protection, to enable pre-school children living in a community with the chronically ill or the elderly over 65 to stay at home during the health crisis, and some of the services institutions to innovate in a way that at least partially meets the needs of these children.

4.7.5 EDUCATION

- Regarding the delivery of educational services through online learning, to find the most appropriate and efficient way to detect students who are not able to attend online classes or use distance learning tools for any technical reasons, and consequently to find an appropriate way to supply each child from low-income families with electronic devices (for following the lectures) and internet access;
- The Government and the MoES to ensure sustainable renewal of obsolete equipment used by teachers;
- To continuously improve and upgrade the national platform - Eduino.gov.mk - with recorded lessons for certain subjects that are missing, while paying due attention to the secondary vocational schools, where there is the largest deficit of recorded lectures, and consequently to prepare a new user manual;
- Networking of teachers covering identical subjects is recommended for the purpose of exchanging experiences and good practices;
- To enable employment of professional IT staff for groups of schools in one municipality or to find other solutions (outsourcing) for continuous IT support for online and distance learning (and assessment) to be performed sustainably;
- With the upcoming protocols, to develop scenarios for the schools that due to the number of students and the spatial conditions are not able to organize regular classes in halved classes and multi-shift work, especially in schools that normally work in shifts;
- The scenarios developed by the Ministry of Education and Science to enable students living in a community with the chronically ill and the elderly not to attend classes;

- To allocate additional funds in block grants or to find other ways for possible implementation of a new/innovative measure for providing services by mentors for students in online learning, and especially for students who have objective difficulties in attending online classes.

4.8 SCENARIOS for delivery of services in education by the units of local self-government, in conditions of a health crisis

How the educational process will take place in primary and secondary schools in the school year 2020/2021 is one of the essential and most debated issues that mark the management of the health crisis in the country at the time of preparation of this Report. Three scenarios are possible:

1.	Online and distance learning in all primary and secondary schools in the way in which the teaching and assessment took place in the current period of the health crisis, or a STATUS QUO scenario;
2.	Return of students and teaching in schools by applying protocols for protection of students, teachers and staff in schools from risks associated with the spread of COVID-19 - a scenario with FACE-TO-FACE TEACHING THROUGH APPLIED PROTOCOLS ;
3.	A combination of teaching in schools and online learning - COMBINED scenario.

Each of these scenarios has advantages and disadvantages, which we analyze in the continuation of this chapter of the Report.

4.8.1 STATUS QUO scenario – Online learning in all primary and secondary school

The advantage of this scenario is that it allows social distance between students, as well as between the teaching staff and support staff in schools. Taking into account the experiences of other countries, this scenario has been applied in a period of deteriorating epidemiological situations to minimize all risks of further spread of the coronavirus. The basic indicator for assessing the epidemiological situation is the number of newly infected persons expressed per 100,000 or 1 million inhabitants. This indicator for the needs of the localized health crisis management can be expressed by up to 10,000 persons.

Below is a ranking of neighboring countries and their first non-EU land neighbors, according to input from <https://ourworldindata.org/> (download data from the European Center for Disease Control), which is updated daily on the website <https://treker.mk/mk/stats>, ranked according to the epidemiological situation for the period July 17-31, according to the indicator of newly infected in two weeks per a population of 100,000:

1.	Montenegro:	230.5	5.	Serbia:	74.2
2.	Kosovo:	128.6	6.	Albania:	44
3.	Bosnia and Herzegovina:	99.9	7.	Turkey:	14.4
4.	North Macedonia:	84.1			

In the European Union for the analyzed two weeks, the number of newly infected does not exceed 20 people per 100,000 inhabitants on average. From the ranking list, it can be noticed that North Macedonia is in the middle of the ranked countries, but still, the epidemiological situation was more than 4 times worse than the EU average.

Considering that the registration of newly infected persons is conditioned by the scope of testing for consistent assessment of the epidemiological situation, below is a ranking list of tests performed in the analyzed countries per 1 million inhabitants, and in parentheses is the number of tests performed for the period July 17-31 per 1 million inhabitants. The source of input data is:

<https://www.worldometers.info/coronavirus/#countries>

1. Serbia: 77,000 = 70K (15,000)
2. Turkey: 57K (8,000) and Montenegro: 36K (8,000) total or equivalent to 57 K (Montenegro has app. 620,000 inhabitants)
3. North Macedonia: 50K (10,000)
4. Bosnia and Herzegovina: 42K (6,000)
5. Albania: 13K (3,000)

*Author's calculations

What is characteristic for this region is the existence of large differences in the volume of testing (Serbia tests six times more than Albania). For the analyzed period of two weeks, Serbia has done the most tests, followed by North Macedonia, with Turkey and Montenegro in third place.

A progressively larger volume of testing validates the findings of the previous two-week indicator of the number of newly infected per 100,000 inhabitants per year in all the countries analyzed, except Albania, which has done a much smaller number of tests. If we take these findings as a starting point in assessing the epidemiological situation, then we can confirm the finding that North Macedonia has a comparatively 4 times worse epidemiological situation than the average in EU member states.

If this indicator is accepted as a key criterion, then the conclusion is that until the epidemiological situation improves, at least at the average level in the EU member states, teaching in primary and secondary schools should continue to take place remotely and electronically.

This scenario has advantages and disadvantages, which we analyze using findings from in-depth research in 5 pilot municipalities, listed in the previous chapters of this Report:

Advantages of the STATUS QUO scenario:

- This scenario, due to the social distance, provides the highest degree of prevention and protection of students and people living in the community with them from infection with COVID-19 compared to other scenarios;
- The capacity of human resources in institutions and municipalities for distance learning is assessed as positive;

- Tablets and mobile internet cards were donated to most of the children from socially endangered families, who also have a sufficient level of digital literacy;
- Regarding the digital literacy of the students, the perception of the institutions is that it is high and ranges at around 85-90%, but there are challenges with digital literacy of the parents and teachers who need knowledge and skills to be able to help the students;
- The schools have shared directions for using the national platform - Eduino.gov.mk - and are mostly satisfied with the functionalities provided by this platform, and to some extent, at least from the current public debate, the parents have a similar perception;
- Teachers in all schools are trained to act in conditions of a health crisis and additional training is planned in August 2020, among other things related to the use of the national platform - Eduino.gov.mk.

Disadvantages of the STATUS QUO scenario:

- Online and distance learning has consequences regarding the psycho-social development of students, and especially the youngest, because it prevents social contact and the acquisition of social skills despite the difficulties of maintaining concentration and focus on lessons delivered online or from a distance. Often inadequate learning conditions at home distract them and the students lack quality time for regular direct contact and supervision by teachers;
- For one in two parents, and according to recent research over 60% are mothers, this scenario requires staying home with children, which results in reduced productivity in work organizations, thus having negative financial and economic effects, potential career setbacks and related challenges, delegating work responsibilities to other employees in the organizations and consequently overloading them;
- Detecting students who are not able to attend online classes for any technical reasons was a challenge for schools and municipalities, for which time has been invested and as a consequence time was lost for attending classes by the affected students;
- Some of the teachers, at their own expense, visited the students at their home address and left them learning materials because due to technical reasons (lack of devices and internet) the students were not able to attend online classes;
- A serious challenge faced by many families is the lack of tablets, laptops or personal computers for every school-age child in large families;
- A related and also serious challenge in schools is the outdated devices of teachers (on average up to 10 years) and the schools (compared to the municipality and citizens' associations), hardly receiving any donations;
- In schools in urban areas the percentage of students who face a lack of adequate equipment for online learning ranges from 1 to 7%, while in rural areas it is much higher (the perception of principals of institutions), where the approximate estimate is that the total 15% of students do not have adequate conditions for online and online learning;

- On the national platform - Eduino.gov.mk - there is a lack of recorded lessons for certain subjects and especially for the secondary vocational schools, so in that direction, it is proposed that the platform be improved and a new user manual be prepared. Some schools are trying to overcome this deficit on their own by recording lessons and posting them on school websites and social media;
- Sustainable implementation of online and distance learning requires employment of professional IT staff in each school or other solutions for continuous IT support;
- All respondents provide support for allocating additional funds in block grants or finding other ways to possibly implement a measure to provide mentor services for students in online and distance learning;
- The funds allocated from the municipal budget (in addition to the block grants) are assessed by the respondents as insufficient, and it is proposed to increase them from 4 to 50%, and the respondents find justification for these requests in the changed conditions for the educational process that require additional investments for effective and efficient adaptation of the new situation at work in conditions of a health crisis, and sustainable and quality implementation of online and online learning.

4.8.2. SCENARIO WITH FACE-TO-FACE TEACHING THROUGH APPLICATION OF PROTOCOLS

We previously stated that if the epidemiological situation is taken as a key criterion, return to face-to-face classes in schools but through consistent application of protocols would be advisable for the entire country if the number of newly infected people is around 20 per 100,000 inhabitants for a period of two weeks, or taking into account the reproductive number of infected persons to be below 1 with a tendency to 0.5 and further decrease, i.e. one infected person should not transmit the infection to one or more persons, and two infected persons should transmit the infection to one person ($R_0 = 0.5$) with a tendency to decrease.

At the time of writing this Report, the reproductive number of infections was gradually falling under 1, which is a trend in favor of school opening initiatives.

Regarding the reproductive number of infections, it would be useful for the competent institutions to calculate it regularly (automatically - using the most appropriate model for the country context) at the municipal level.

To illustrate, the municipalities of Pehchevo and Valandovo at the time of compiling this Report do not have registered infected persons and although this does not mean that there are no asymptomatic unrecorded cases, there is still a high degree of justification for activating schools in these municipalities.

Advantages of a scenario with FACE-TO-FACE TEACHING THROUGH APPLICATION OF PROTOCOLS:

Children will have far better conditions for effective psycho-social development, and especially the youngest will gradually acquire all the necessary social skills;

Regular teaching enables better concentration and focus on lessons and quality time for regular direct contact and supervision by teachers;

Parents, depending on their work status, can focus on work responsibilities whether they go to work or perform work tasks from home, creating positive financial and economic effects for themselves and their families, for the organizations where they are employed and for society and the state as a whole;

Disinfection of the schools, even though no classes were held in them, was performed regularly and mostly weekly, and hygiene is maintained daily.

Disadvantages of a scenario with FACE-TO-FACE TEACHING THROUGH APPLICATION OF PROTOCOLS:

- Existence of an objectively higher risk of infection with COVID-19 and transmission of the infection in the home, to the persons with whom students and teachers, as well as school staff, live in the community, but also to other persons with whom they come into contact;
- Insufficient time in conditions of protocols not yet adopted (as of August 8, 2020) for completion of all the necessary preparations for consistent implementation of the protocols and regular classes by activating the schools in the new school year;
- The institutions do not have planned funds for the improvement of the ventilation systems and in some of them there are no such systems;
- From one institution to the next there are differences in the level of provision of employees with means for self-protection, but the challenge is that they procure this equipment from their own means and the needs when activating the schools will increase multifold;
- Activation of schools, if accompanied by a request for halved classes and work in shifts, in many schools will create unsurmountable challenges due to space constraints and ongoing (pre-crisis) work in multiple shifts;
- The costs of the institutions for procurement of disinfectants and disinfection are increased by 50% (and somewhere they are doubled), while the procurement of protective equipment for the employees is a new type of additional and unplanned cost.

4.8.3 COMBINED SCENARIO (SCHOOL TEACHING AND ONLINE AND DISTANCE TEACHING)

Taking into account the current epidemiological situation, where in the last two weeks of July the number of newly infected persons is 84 per 100,000 inhabitants (more than 4 times higher than the EU average), this scenario is imposed as a compromise and most appropriate to the situation in the country under the condition that the competent health authorities (firstly the Institute of Public Health, and consequently the Commission at the Ministry of Health for Infectious Diseases) continuously calculate the reproductive number of infections at the level of municipalities.

This scenario allows students and their parents in municipalities where the reproductive number of infections is lower than 1, with a decreasing tendency to have all the advantages listed in the scenario with FACE-TO-FACE TEACHING, and students (and parents) in municipalities where the reproductive number is 1 and higher than 1, to have the advantages of the STATUS QUO scenario.

Of course, in addition to the advantages of the two scenarios that are combined, the listed shortcomings are still valid and need to be overcome with appropriate measures and activities (some of them are recommended in the previous chapters of this Report).

For the COMBINED scenario, it should be noted that qualitatively and in comparison with the scenario of FACE-TO-FACE TEACHING, it leaves an opportunity (if confirmed by an appropriate decision of the Government at the proposal of the Ministry of Education and Science) for students whose parents have chronic diseases and students and parents living in a community with persons over 65 years of age in spatial conditions that do not allow a permanent social distance to continue attending classes remotely from their homes.

The advantage of the COMBINED scenario is that the schools can more systematically organize the recording and sharing of the recorded lectures as a useful step for the students who directly attended the classes, but also for those students who stayed at home. Even in the STATUS QUO scenario, those students who for technical and some other reasons cannot attend classes at home can attend it more safely in schools, given that most students will attend classes from home. That way there would be positive effects from combining the scenarios.

This Chapter of the Report is focused on the assessment of the COVID-19 pandemic's impact on the crisis management system on the local level. This assessment aims at supporting the resilient recovery of the municipalities and improvement of the preparedness for a future crisis through an analysis of the impact and provision of recommendations. Consequently, three scenarios are developed for the future establishment of the crisis management at the local level.

**ASSESSMENT OF MUNICIPAL CRISIS
MANAGEMENT RESPONSE TO COVID-19
PANDEMICS IN NORTH MACEDONIA**

5.1 GENERAL INFORMATION

Crisis management and health protection are areas with centralized competencies implemented by the CMC and MoH and their regional structures, which are outside the structures of the local governments. Municipalities still have some responsibilities determined by law and some resources. On the other hand, protection and rescue and fire-fighting activities are part of the local self-government competencies, and the municipalities have shared competencies with the relevant national authorities, resulting in the delivery of municipal services for the resilience of the citizens. CMS in the country is specific since it unites various structures and systems for multi-hazard, multi-risk and multi-sectoral prevention, preparedness, response and recovery. Municipal hazard profiles are dominated by floods, wildfires, extreme weather events, earthquakes, and other hazards. Infectious diseases represent a low risk, i.e. the condition is regular with rare manifestations of endangerment (see table below). Continuing deterioration of the environment and the increasing impact of climate change could lead to an increase in disastrous events with a serious impact on the communities. Furthermore, there are more and more risks with a low probability of occurrence and high impact to the resilience of the society and the communities, e.g. the migrant and refugee crisis since 2015, complex water-related events, epidemics, etc. It is expected that these risks will dominate the profile, which is needed to further build CMS that will be capable of their detection, mitigation and response, both on national and local levels.

Table 4– Municipal hazard profiles of the participating municipalities⁸

First Degree	No Risk (Regular Situation)	Municipality of Kumanovo – Other hazards (earthquake, environment pollution, epidemics). Municipality of Sveti Nikole – Earthquake, extreme weather conditions (storm, hail, drought), pollution.
Second Degree	Low Risk (Regular Situation with rarely manifested occurrences of endangerment)	Municipality of Kumanovo – Floods, fires, extreme weather conditions (heatwaves, cold waves, frost, torrential rain, snowstorm). Municipality of Sveti Nikole – Floods. Municipality of Prilep – Floods, fires, extreme weather conditions (torrential rains, windstorms, heavy snowfalls, frost), other hazards (epidemics, epizootics, epiphytoses, UXO). Municipality of Centar Zupa – Landslides, rock falls. Municipality of Bogovinje – Floods, fires, extreme weather conditions (heavy snowfalls, windstorms).
Third Degree	Increased Risk (Potential start of a crisis or crisis situation)	Municipality of Sveti Nikole – Fires. Municipality of Centar Zupa – Fires.
Fourth Degree	High Risk (Probability of a crisis or crisis situations)	Municipality of Centar Zupa – Earthquake
Fifth Degree	Highest Risk (Endangerment of the vital values and conditions or declaration of a crisis or crisis situations)	

⁸ Municipal hazard profiles are done in accordance with Article 6 of the Regulation on the Methodology for Preparation of the Assessment of the Endangerment of the Security of the Republic of Macedonia from all Risks and Hazards (Official Gazette of the Republic of Macedonia no.29/05).

5.2 KEY FINDINGS FROM THE ASSESSMENT OF THE LOCAL-LEVEL CRISIS MANAGEMENT RESPONSE TO THE COVID-19 PANDEMICS

5.2.1 Crisis management on the local level

- The crisis management system has successfully dealt with several crises and disasters, i.e. wildfires (2008, 2012), floods (2015, 2016), the migrant and refugee crisis (2015), and the COVID-19 crisis in Debar and Centar Zhupa. From the beginning of the pandemic in February 2020 until the declaration of the emergency, all coordination on the national level was implemented through the crisis management system and under the governance of the Steering Committee.

Afterwards, as in the case of several previous disasters when temporary ad-hoc coordinating bodies were established based on Government decisions (floods in 2015⁹, the August flood in 2005¹⁰, and the Skopje flood in 2016¹¹), in March 2020 the Main Crisis Coordination Headquarters¹² was established. These headquarters are composed of members of the Government, ministers, and directors of the CMC and PRD. Largely, the competencies, especially in the part of coordination, coincide with the Steering Committee of the CMS, and the composition is similar. The establishment of ad-hoc bodies went one step further and the Coordination Body for Coordination of the Municipal Crisis Management Bodies was established.

The Chief Coordinator heads it, and its members are the state secretaries of the Mol and MoD, and five inspectors from the PRD. This approach has shortcomings that can be seen in the lack of normative basis for their establishment (except the decision by the Government), duplication of the competencies, e.g. with CMS, insufficient knowledge and expertise in the crisis management area by most of the members (e.g. state secretaries), insufficient use of the experts' knowledge and skills from the relevant institutions, potential dominance of politics over the expert area, etc. Therefore, it is necessary to conduct a functional analysis of the establishment of these bodies, taking into consideration the existing crisis management framework and ongoing initiatives for transformation of the DRM system in the country.

- The key informants have good knowledge of the crisis management framework and essential competencies and responsibilities of the RCMC and the municipalities in prevention, early warning, and response to crises. They are familiar with the RHCM as an operational and expert body on the regional level and the measures and activities implemented before, during, and after crises. The municipal risk and hazard assessments are used as supporting tools in the pandemic response for analysis and evaluation of the risk, understanding of the exposure and vulnerability of the population and critical infrastructure, as well as the capabilities and capacities of the local level entities. They are the essential documents for the protection of the needs and interests of all citizens, including the ones that are disproportionately affected by the crisis while respecting the "leave no one behind" principle. The main drawback in this term is the fact that there is full ownership of these documents (they are prepared by RCMCs), and they are not frequently used for the creation of resilient strategies and policies and creation of new services on the local level.

9 <https://a1on.mk/macedonia/sostanok-na-koordinativnoto-telo-za-prevencija-od-prirodni-nepogodi/> [Accessed on 15.06.2020].

10 <https://tinyurl.com/yygfbxs9> [Accessed on 15.06.2020].

11 UN, WB, EU. (2016). Post Disaster Needs Assessment August 2016 Floods (draft version). p. 71.

12 <https://koronavirus.gov.mk/glave-koord-shtab> [Accessed on 14.06.2020].

- Most of the municipalities have already prepared operational plans for response to the pandemic, but they are very general and are not based on the comprehensive framework incorporating the health risks. Municipalities are regularly conducting their training activities as stipulated, but they are not using the multi-hazard and multi-risk scenarios that would include epidemics. This needs to be improved since there is a great possibility of occurrence of natural disasters during the COVID-19 pandemic, as it was the case with the earthquake in Zagreb, Croatia on March 22, 2020.¹³
- One of the foundations of the effective and efficient response to the COVID-19 pandemics is the use of ICT for planning and conducting a timely and comprehensive response. In that sense, the municipalities are using the basic ICT tools (including the applications for distance cooperation), Centres for Public Health have basic GIS solutions, most of them are using the NICS platform, and the CMC is using the MKFFIS platform.

This approach is turning them into a more technologically advanced system in the region. However, what is currently lacking is the complete and real connection of all CMS entities in one platform, which will significantly improve and facilitate the work of municipalities and municipal headquarters because they do not use GIS technology in their work and have limited human and technical resources. A good basis is the use of the National Infrastructure on Spatial Data, as well as the inclusion of the municipalities through the RCMC in the ICT platform of the CMC.

5.2.2 Response to the COVID-19 pandemic on the local level

- Coordination of the local response was done through the municipal crisis headquarters. The municipalities have activated their municipal protection and rescue headquarters, with most of them using the name Municipal Crisis Headquarters. RCMC Debar was activated in Centar Zhupa due to the declared crisis, and in Sveti Nikole through RHCM, and the Municipality of Lozovo was included as part of the regional crisis management. Some of the municipalities included the representatives from the local communities, and Prilep included in its work representatives from the non-governmental and private sector, which resulted in greater coordination and transparency in decision-making.
- Municipal headquarters were efficient, effective, well-coordinated, holding regular meetings, widely disseminating their decisions, as well as maintaining good cooperation with other local entities, resulting in timely and efficient delivery of local services. This is important because for the first time they were dealing with the so-called invisible enemy: the pandemic caused by the coronavirus. In the absence of previous experience, precise frameworks, plans and recommendations for action, the rule was once again confirmed that improvisation and creativity are important factors for successful emergency management (Kendra, Wachtendorf: 2007).

The only drawback in this sense is the gap in the normative framework that results in certain limitations, i.e. can they request execution of measures and activities from the main headquarters and state bodies, as requested by the Kumanovo headquarters; lack of full operational force of their decisions (especially the RHCM), information-sharing, and lack of financial resources for the work of the headquarters in the smaller municipalities.

13 <https://www.undrr.org/news/earthquake-zagreb-amid-covid-19-pandemic-opinion>

- The vertical institutional coordination needs to be strengthened through improved communication and coordination, material and logistical assistance and support, preparation of regular situation analysis with recommendations, and two-way communication between the headquarters and the citizens.

In this sense, only the Municipality of Kumanovo noted that the establishment of the Main Coordination Crisis Headquarters led to more difficult work of the local-level entities, poor functionality in the pandemic response, limited access to the resources, as well as insufficient cooperation on the side of the Main Crisis Coordination Headquarters regarding the needs and requests from the municipality. On the other hand, still, an overlap of the competencies can be detected in certain areas between the CMC and PRD, e.g. risk and hazard assessment. Local-level communication amongst the crisis management system entities is assessed as timely, efficient and effective, especially on the horizontal level, between the local-level entities of the crisis management system.

- Considering the resilient recovery, it can be mentioned that it is not sufficiently recognized by the crisis management legislative framework (except in the response phase¹⁴, adopting a post-crisis revitalization program¹⁵, or by clearing the field according to the Law on Protection and Rescue). On the other hand, in line with the existing trends for resilient recovery (Priority 4 of the Sendai Framework for Disaster Risk Reduction 2015-2030), as well as the global trends for sustainable development and the so-called green recovery from the pandemic¹⁶, it is necessary to establish a local framework for resilient recovery both through the adoption of the municipal recovery budget, adoption of relevant documents, and the implementation of sustainable measures.

Given the fact that there is no nationally defined recovery framework, municipalities have the advantage through a bottom-up approach, to initiate the adoption of such a framework and to pilot an appropriate approach at the municipal level, and to follow the existing normative framework while designing and delivering new services. This analysis validates the results of the previous survey in terms of the initial response of the municipalities to the pandemic, and largely overlaps with the results of the survey and the recommendations proposed to achieve sustainable progress in dealing with recovery locally.



Photo – PRD disinfection point at the entrance to the territory of the Municipality of Debar during the crisis in the municipalities of Debar and Centar Zhupa (Photo credit: PRD, 2020)¹⁷

14 <https://www.cadri.net/sites/default/files/FYR-Macedonia-DRR-Capacity-Assessment-Report-2011.pdf>

15 Law on Crisis Management (29/05). 2005. Article 5, paragraph 2, item 3.

16 <https://www.weforum.org/agenda/2020/06/five-ways-to-kickstart-a-green-recovery/>

17 <https://www.facebook.com/direkcijazastitaispasuvanje/photos/a.920893708035907/1905874116204523>

- Municipalities used standard communication channels and tools in their interaction with the general public and citizens, e.g. media briefings, municipal web sites, brochures, etc. Some of them went even further and actively used social media or opened COVID-19 hotline numbers for direct contact with citizens.

Additionally, there were frequent coordination meetings with representatives of the urban and rural communities, citizens and religious organizations to ensure prevention, respecting of rules and procedures, and supporting the response to the pandemics. In communication with the citizens with special needs, they used the tools developed by the MoH or developed their own video or audio messages.

Nevertheless, in order to have successful communication it is necessary to adapt the messages to the needs of the beneficiaries, e.g. different categories of citizens, as well as to ensure that the communication be dual, meaning citizens have an opportunity to ask questions or request solutions and actions.

5.2.3 Resources for local response to COVID-19 pandemics

- Most of the local-level institutions have a sufficient number of human resources needed for a timely and efficient response to the COVID-19 pandemics. The field response resources were increased with the composition of volunteer teams for implementation of preventive measures, i.e. disinfection of the public spaces and facilities and residential buildings (see photo below), distribution of necessary food supplies, medicines for the citizens in need or the citizens in isolation.

This also refers to the national institutions, especially in the areas of crisis management and health protection as centralized and specific competencies, e.g. development of epidemics models, the definition of protocols, and overall operational planning. In addition, the municipalities have a sufficient number of material-technical resources with a possibility for the supply of new and modern resources for a more effective and efficient response.



Photo – Volunteers for disinfection of residential buildings in Prilep (Photo credit: Municipality of Prilep, 2020¹⁸)

18 <https://www.prilep.gov.mk/trisetina-volonteri-gi-dezinficiraa-site-stanbenite-zgradi-vo-prilep/>

- Public communal utilities are one of the main resources of the municipalities, and their role in the local-level crisis management is enormous, as they provide the essential municipal services for response to this health crisis.

They are represented in the municipal headquarters and consequently, they implement required actions and works ensuring prevention from the COVID-19 pandemic and supporting the local communities and citizens. Nevertheless, additional training of their key resources is needed concerning the crisis management and crisis communications.

Cooperation with other entities from the local-level system is crucial, and it is realized through joint planning, organization and execution of measures and activities. In that sense, they cooperate with ADCOM as a professional organization of the water supply and communal enterprises for implementation of risk management standards and crisis management in the water sector. With regard to the planning documentation, they need the adoption of specialized operational plans for epidemics.



Photo – Disinfection of the area of the Prilep Hospital done by the PE Komunalec (Photo credit: Municipality of Prilep, 202019)

5.2.4 Monitoring, evaluation and lessons learnt

- The assessment of the local response revealed that there is no defined and comprehensive system for monitoring, evaluation of the decisions made, and measures and activities implemented, both at the municipal headquarters and at the other local-level entities. There are only a few practices of internal monitoring, report submission or working group activities.

The case of Kumanovo is the most specific one, where due to the absence of regular monitoring of the implementation of measures, the citizens did not respect those measures.

Best practices can be identified in several areas: joint coordination and activities of the municipal field teams; volunteering practices for supporting the distribution of food, medicines and protection equipment to the citizens in need, as well as disinfection of facilities and public spaces; and activities for support of the response to the pandemic implemented by the Volunteering Fire-fighting Association from Sveti Nikole, etc.

19 <https://www.prilep.gov.mk/prodolzhuva-dezinfekcijata-na-gradot-deneska-dezinficirani-zdravstvenite-ustanovi/>

5.2.5 Health protection on the local level

- Given the limited competencies of the municipalities in the health protection area, all the measures were implemented in coordination with other entities on vertical and horizontal levels.

This cooperation can be assessed as satisfactory. In general, participating municipalities fulfil the essential criteria regarding the required programme and planning documentation, with the distinction that their quality is different in different municipalities.

On the other hand, health aspects are not fully included in the crisis management on the local level, as well as in the municipal portfolio. Since this is the first significant health crisis in the country, it is necessary to strengthen the capacities of the responsible municipal personnel as well as to create an environment for further decentralization of competencies from the health sector to the municipalities.

- Establishment of the Centres for Public Health is specific since they are within the framework of the health sector on institutional and regional levels, and the municipalities co-finance them.

As a CMS entity, these centres have developed an individual system of health risks assessment, i.e. epidemics with consequent operational plans and SOPs, ICT solutions (limited use of GIS), but they are not part of the CMC platform or the National Infrastructure of Spatial Data.

Nevertheless, considering the volume and importance of the data collected, the analysis made, there are possibilities for networking with other institutions, especially in the big data analysis through modelling and development of operational scenarios.

5.2.6 Lessons learned

In the event of this type of high impact, low probability crisis, the learning-by-doing approach is one of the modalities for effective response.

Personal protection is key for prevention – “There are no clusters of positive persons to the coronavirus, but there are clusters of irresponsible and undisciplined individuals.”

Coordination and communication between the institutions and implementation of the health measures are key for a successful response to the pandemic.

Joint implementation of the actions by all the crisis management entities on the local level resulted in the most efficient response.

The establishment of mobile teams of volunteers contributed to the timely and efficient distribution of food, medicine, and supplies to the citizens in need and the persons in self-isolation achieving the “leaving no one behind” principle

Open support phone lines during the lockdowns due to the COVID-19 pandemics proved to be a successful tool for continuous communication and provision of direct support to the citizens.

Disobeying of rules and measures, as well as too restrictive measures, resulted in an increased number of cases.

Municipalities and citizens should be prepared and stockpile essential quantities of food, hygienic items, medicines, and protective equipment.

Municipalities should also take into account the importance of Permanent reserves, which are extremely important in municipal budgets in cases where unpredictable expenditures occur.

5.2.7 General recommendations

- Given the fact that competencies in these areas (crisis management/health protection) are mainly centralized or shared, it is necessary to proceed with the decentralization of some of the central competencies, and in that way to enable municipalities with the full mechanisms and resources for prevention, response and resilient recovery. Only in this way could the municipalities become effective and efficient first responders/first preventers.
- On a general level, a central strategic document considering the new and untypical risks and threats is necessary to be adopted.
- A comprehensive analysis of the disaster risk management system in the country is recommended with a separate assessment of the existence and functionality of ad-hoc coordination bodies for a response to natural and human-made disasters and recommendations for transformation with an action plan.
- Municipalities need to be fully integrated in the risk and hazard assessment process and the early warning systems with clearly defined responsibilities.
- It is necessary to define the resilient recovery framework from natural and human-made disasters as a benefit to the crisis management, and as an opportunity for the municipalities to transform and further develop after crisis and disasters.
- Assessment of the potential transfer of existing central and shared competencies to the municipalities, and designing of new local services aimed at supporting the resilience of the communities.
- Stable increase of the municipal financial resources, especially for the implementation of measures and activities for prevention and mitigation, preparedness and resilient recovery.

Additional regulation of the inter-municipal cooperation segment in the context of disaster risk management through adoption of joint policies and plans, the establishment of joint bodies, implementation of synchronized activities for assessment, early warning, response and recovery with joint resources and assets.

5.2.8 Specific recommendations for resilient recovery

Specific recommendations for resilient recovery are presented in the table below and they are defined in four areas: national crisis management framework, local level crisis management system, operational response at local level, and health protection. They should ultimately lead to enhancement of the delivery of the existing services by the municipalities, as well as designing of new resilience-related services.

1. National Crisis Management Framework

Revision of the DRM normative framework as per the Sendai DRR Framework and other global documents for sustainable development and resilience;
Update of the Regulation on the Methodology for the Preparation of the Assessment of the Endangerment of the Security of the Country from all Risks and Hazards (13/11) for integration of the electronic assessment and sharing of the document with other entities;
Development of a framework and guidelines for the preparation of adapted operational plans and SOPs for response including the COVID-19 pandemic;
Update of the framework for exercise and training activities for response to other hazards during the COVID-19 pandemic, also including the epidemics;
Definition of an incident command system for health crisis and determination of the vertical and horizontal hierarchy;
Preparation of an educational curriculum for prevention and response to epidemics and complex crises and disasters with three levels of difficulty (beginners, intermediate and advanced).

2. Local-Level Crisis Management System

- Review of the framework for operation and responsibilities of the municipalities and their headquarters with possibilities for strengthening of their executive functions and competencies, and stable financial resources in line with the first responders'/first preventers' principles;
- Update of the Assessments of Endangerment of the Municipalities from all Risks and Hazards with the inclusion of the COVID-19 pandemics in an inclusive and participatory manner with all the municipalities;
- Update of the existing operational plans for response to the COVID-19 pandemic;
- Development of the training module for crisis management on the local level, crisis leadership and crisis communications;
- Building the capacities of the relevant personnel from the local-level entities for crisis communication and utilization of new communication channels and tools, adapted to the citizens with special needs;

- Mainstreaming of the resilient recovery principle through sensitization of the key stakeholders, adoption of relevant policies, allocation of resilient budget, and implementation of pilot measures and activities;
- Development of a Municipal Contingency Plan and continuous delivery of services;
- Establishment of a monitoring, evaluation and quality control system, for the operational and expert bodies on the local level (Municipal Headquarters and RHCM) and other entities;
- Gender mainstreaming in crisis management on the local level through the preparation of a training module, sensitization of the local key stakeholders, as well as update of key operational documents and procedures.

3. Local-Level Operational Response

- Adoption of a normative framework for work of the headquarters with defined competencies, resources and sources of financing;
- Strengthening of the capacities of the municipal headquarters through additional training for crisis management, ICT skills, communication, leadership, etc.;
- Training activities (simulations or training drills) for response to real situations;
- Increase of the transparency of the work of the headquarters with live streaming of the meetings on the regional televisions, social media, as well as opening of social platforms and accounts for communication with the public and the citizens;
- Development of ICT solutions and mobile applications for the facilitation of the work and coordination, communication and cooperation of the municipal headquarters, including a digital repository of resources;
- Granting access to the municipalities and firefighters to the ICT solutions and platforms of the Crisis Management Center alongside a supply of required resources and training of the staff;
- Timely supply and stockpiling of resources for response to the COVID-19 pandemic;
- Strengthening of the capacities of the communal utilities as the local resources on the crisis management and crisis communication.

4. Health Protection

- Forward-looking assessment of future health risks (including pandemics), including integrated response planning for health risks, with the pandemic as an initial type of crisis;
- Analysis of the possibility for using big data from the areas of competencies of the Ministry of Health for piloting solutions for better prevention, preparedness, and response to health crises;
- Systematic integration of the Centers for Public Health in the local-level crisis management system, in terms of competencies and provision of data, and with the aim of better assessment, prevention, and preparedness for the health crisis;
- Deepening of the cooperation between the municipalities and the Centers for Public Health through the utilization of data from the municipal databases, support for mapping and monitoring of contacts of infected persons, as well as support for mass testing and regular screenings.

5.3 SCENARIOS FOR CRISIS MANAGEMENT ON THE LOCAL LEVEL

5.3.1 Background

This health crisis has a significant cascading effect in other areas of the society and the uncertainty as to what lies ahead and what can happen pushes the national and local governments to make strategic decisions, however, paralyzing society is not an option. Therefore, taking actions and making decisions now are critical inputs for the absorption of the pandemic's impact and transformation of the systems ensuring the resilience of the society and the communities.

In that sense, national and local authorities should be early actors in times of crisis and uncertainty, ensuring an effective and efficient crisis management response, from the lockdown period through the existing situation until the new normality is achieved.

This can be achieved, among other things, by building scenarios and creation development pathways for local-level crisis management. Furthermore, this is emphasized by the recent government-led initiative for the transformation of the disaster risk management system in the country.

Accordingly, it is necessary to consider three potential scenarios/pathways for crisis management on the local level:

Status quo scenario – The crisis management system will stay the same and the municipalities shall continue to operate within the existing normative and institutional frameworks.

Linear scenario – Essential improvement of the normative framework for crisis management and gradual transfer of more competencies to the municipalities within the existing vertical subordination and institutional framework.

Dynamic scenario – Reform of the disaster risk management sector, modifications of the normative and institutional frameworks with transfer of increased competencies to the municipalities.

Table 5: Three potential scenarios/pathways for crisis management on the local level:

SCENARIO	STATUS QUO SCENARIO	LINEAR SCENARIO	DYNAMIC SCENARIO
MODEL	Business as usual	Streamlining local level system	Disaster riskmanagement system reform
OPTIONS	To continue to operate within the existing frameworks	Enhancement of the normative framework	Establishment of new normative and institutional frameworks e.g. new legislation, new institution
TIME FRAMEWORK	Continuous	6-12 months	12-18 months
FORECAST	Most likely to happen	Somewhat likely to happen	Least likely to happen
BUDGET	\$	\$\$	\$\$\$

5.3.2 STATUS QUO SCENARIO

The **STATUS QUO SCENARIO** is based on the assumption that the crisis management system will stay the same and the municipalities shall continue to operate within the existing normative and institutional frameworks.

All entities from the crisis management system shall keep their competencies and responsibilities, and enhancements can be done only in the aspects of improvement of internal procedures, internal capacities of the institutions, as well as the communication, coordination and cooperation modalities.

Available human, material and technical resources shall continue to be utilized as per the existing procedures.

Pros:

So far, the crisis management system in the country has successfully dealt with several crises and disasters.

The crisis management system is well established on the local level, and generally performed well during this health crisis, especially in the municipalities of Debar and Centar Zhupa.

This scenario shall ensure a satisfactory response to the COVID-19 pandemic since there are almost six months of continuous response by the national and local authorities. During the response to the pandemic, the system gradually adapted and lessons learnt were codified. Additionally, given the previous experience in crisis response, the local-level entities are familiar and knowledgeable about their competencies and responsibilities.

Many simulations and training drills on various hazards on local level contributed to the successful level of preparedness of main local-level resources.

The existing normative framework defines competencies and responsibilities of the Crisis Management Center and its regional offices, as well as the regional headquarters and the municipal responsibilities and competencies.

The response capacities to the COVID-19 pandemic were assessed as positive and sufficient.

SOPs for standard operating procedures for communication, coordination and cooperation among the crisis management system entities in a declared crisis are adopted and used.

Cons:

There is a lack of a strategic approach to new and untypical risks and threats.

The existence of the ad-hoc coordination bodies on the national level can lead to duplication of competencies, insufficient usage of the available institutional expertise and capacities, as well as the increased influence of politics in the decision-making process.

Except during the declared crisis, the crisis management and protection and rescue systems practically function as separate systems that in certain aspects overlap, e.g., risk and hazard assessments, and the existence of municipal and regional headquarters. Very often, this situation causes an additional burden to the municipalities that with the existing resources have to respond to the requirements of both systems; not only in terms of assessments and operational measures but also in terms of planning documents and activities

Municipalities are not fully included in the local-level risk and hazard assessment process and accordingly the Assessment as document and tools are not fully mainstreamed in the local-level strategic and development programming and planning.

Municipalities don't have all the mechanisms and resources for prevention, response and resilient recovery.

Municipalities have limited responsibilities and competencies in the area of crisis management, especially in the event of a health crisis, although they are part of the centralized system and provide funds for some of the activities.

Insufficient funding of the crisis management system, on national and local levels.

Lack of business continuity planning and a resilience recovery framework.

This scenario is relatively simple to implement and is the least disruptive to the existing normative framework and institutional structures. The scenario retains a strong focus on continuous delivery of services as per the existing modus operandi.

Given the existing political and economic situation, as well as the challenges and uncertainties resulting from the COVID-19 pandemics, this scenario is most likely to fulfil. Considering the timeframe for implementation of this scenario, there is no limitation since it shall be implemented until the reform of the disaster risk management system is not being implemented.

5.3.3 LINEAR SCENARIO

The **LINEAR SCENARIO** is based on the assumption that limited modification of the crisis management and disaster risk management system in the country will happen to result in essential improvement of the normative framework.

The primary focus of this scenario is on the enhancement of the normative framework through the provision of additional competencies and responsibilities of the municipalities, as well as improvement of the stakeholder capacities and the collaboration on horizontal and vertical levels.

Besides, both the Review of the Competencies for Crisis Management on the Local Level (UNDP, 2020)²⁰ and the Assessment of the Response of the Crisis Management System on the Local Level to the COVID-19 pandemic (UNDP, 2020)²¹ refer to the needs for enhancement of the system in terms of its adaptation to the contemporary and global resilience frameworks, as well as the transfer of additional competencies for disaster risk management to the municipalities.

This approach should lead to improvement of the crisis management system on the local level, incorporating the protection and rescue and health systems.

This scenario shall be implemented through minimum legal intervention in the respective normative acts, strengthening of the local-level capacities, provision of additional resources for response, better operational planning, as well as mainstreaming the resilient recovery framework in local-level strategic and programming documents.

Accordingly, the competencies and responsibilities of the municipalities will be strengthened, transforming them from first responders to first preventers.

20 Popovski, Vasko. (2020). Review of the Competences for Crisis Management on Local Level. UNDP North Macedonia.
21 Popovski, Vasko. (2020). Assessment of the Response of the Crisis Management System on Local Level to the COVID-19 Pandemic. UNDP North Macedonia.

Pros:

Strengthening of the local-level capacities for prevention, early warning, response and recovery.

Strengthening of the role and competencies of the Municipal Crisis Headquarters.

Better assessment and operational planning on the local level.

Better equipped and trained municipal resources that are ready and prepared for timely, efficient and effective response.

Resilient recovery framework on local level established.

Business continuity planning of delivery of services of the municipalities.

Streamlined financing of the local level resilience activities.

Designing of local-level policies and measures with the inclusion of the vulnerable categories of citizens.

Further enhancement of the inter-municipal cooperation.

Improvement of the operational and strategic coordination amongst the local-level entities through the adoption of additional protocols and execution of training drills.

Strengthening of the municipal capacities for health protection, including a health crisis.

Integration of the municipal Centers for Public Health in the local-level crisis management framework, including distribution and analysis of information and data.

Cons:

Time framework needed for implementation of the scenario.

Given the COVID-19 pandemic, this enhancement of the system can take longer and request additional resources.

Some of the stakeholders on the local level can be defiant to the normative improvements.

Bigger investment needed during the initial period.

This scenario is more difficult to implement and can be disruptive to the existing normative framework and institutional structures. The duplication of competencies and functions between the main institutions shall be considerably reduced. Given the existing political and economic situation, as well as the challenges and uncertainties resulting from the COVID-19 pandemics, this scenario is somewhat likely to happen. Considering the timeframe for implementation of this scenario, the minimum period for its implementation is six to twelve months.

5.3.4 DYNAMIC SCENARIO

The **DYNAMIC SCENARIO** is based on the assumption that a reform of the disaster risk management sector in the country is required through the modifications of the normative and institutional frameworks, with a transfer of increased competencies to the municipalities.

A dynamic scenario in terms of the transformation of the disaster risk management system has also been elaborated in the EU Peer Review North Macedonia (2018)²², as well as in the sectoral analysis done by the Government and led by the Ministry of Interior (2018). The Peer Review Report refers to the merge of the Crisis Management Center and the Protection and Rescue Directorate to form a Civil Protection Directorate within the structure of the Ministry of Interior. The Directorate should have two pillars: Operations (formerly PRD) and Strategy (formerly CMC).

Each pillar should be headed by a Deputy Director, and both Deputy Directors shall report to the Director of the Civil Protection Directorate. Consequently, the two existing laws on protection and rescue, as well as on crisis management, should be merged into one new law and there should be one regional Civil Protection Office in each of the eight regions of North Macedonia.

Nevertheless, this scenario for this report does not confirm or favour this modality, but refers to the possibility of the transformation of the disaster risk management system in the country.

Pros:

Main competencies and responsibilities in the area of disaster risk management shall be unified, thus preventing duplication, overlapping, or the existence of blank spots.

Increased competencies on the local level, and the municipality shall have complete accountability during prevention, response and recovery of crises and disasters.

All major/critical resources shall be utilized through a centralized approach - hosting and maintaining specific equipment needed for Disaster Response Teams.

Strengthening of the role of the Mayors in disaster risk reduction and retainment of a good level of decentralization in the system.

Optimization of the command, control and coordination structures.

Establishment of an Incident Command System on the local level.

Transparent and sufficient provision of financial resources for the risk management system on the local level.

Increased inter-municipal cooperation between the municipalities as a sustainable mechanism for risk management.

22 https://ec.europa.eu/echo/sites/echo-site/files/peer_review_-_report_north_macedonia_v3_290419.pdf

Cons:

Time framework needed for implementation of the scenario.

Given the COVID-19 pandemic, this enhancement of the system can take longer and request additional resources.

Some of the stakeholders on the local level can be defiant to the normative improvements.

The proposed Directorate may become “top-heavy” with professional staff and less innovative in management adaptation responses.

Staffing issues can appear in some municipalities, e.g., existing offices of CMC, PRD, and municipal staff that are responsible for crisis management and protection and rescue.

Accountability and equity can be strong on the national level, but it can be weak on the local level.

This scenario is most difficult to implement and can be moderately disruptive to the existing institutional structures and professionals. The duplication of competencies and functions between the main institutions shall be completely reduced.

The hierarchy of institutions in disaster risk management in the country can be potentially reduced to a single management authority. Coordination, consistency and standardization of functions shall be optimized.

Given the existing political and economic situation, as well as the challenges and uncertainties resulting from the COVID-19 pandemics, this scenario is least likely to fulfil.

Considering the timeframe for implementation of this scenario, the minimum period is twelve to eighteen months given the complex normative and institutional transformation.

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