



ANALYSIS

of the possibilities
for improvement of the existing and
development of new models
**FOR AIR POLLUTION
REDUCTION SUBSIDIES**

-how to create available subsidies
for socially/economically
vulnerable categories of citizens-



**Analysis of the possibilities for improvement
of the existing and development of new models
for air pollution reduction subsidies**

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EXECUTIVE SUMMARY

- ✓ **Inclusion of socially/economically vulnerable categories of citizens** and proposing measures for their subsidizing using existing laws, government programs, Ministry programs, and programs of the local self-government Units (LSGUs).
- ✓ **Unification of the legal terminology regarding the categorization of socially/economically vulnerable categories of citizens**, providing legal consistency by accepting simpler categories where the criteria for fulfilling are simple and easily provable (e.g. **low-income households and/or vulnerable categories of citizens**).
- ✓ Selection of the **most suitable Ministry** for implementation of the subsidy measures: a Ministry with the most resources and operational preparedness, knowledge and experience in implementing such measures.
- ✓ Building **intra-organizational capacities of the LSGUs** for implementation of the subsidy measures.
- ✓ Provision of **flexibility and autonomy** of the institutions that create and implement the subsidy measures.
- ✓ **Strengthening the communication** between all the involved institutions by establishing **contact points** within each institution.
- ✓ **Timely informing (multi-channel information system)** of target citizens about the existing measures and the terms of applying and exercising their right to a subsidy.
- ✓ Establishment of an **electronic platform** with available data of interest to multiple institutions, and which by the nature of things is prepared by one institution or should be prepared by multiple institutions.
- ✓ **Setting fewer and clear criteria** in the calls for implementing the measures that will be understandable to the citizens that should apply.
- ✓ Providing **applicant support** (in all segments of the subsidy process) via involving the non-governmental sector, and the social care centres.
- ✓ Providing **inclusiveness** of socially/economically vulnerable categories of citizens via targeted public calls.
- ✓ A possibility for including **energy certifiers**, which under prescribed conditions will provide the **necessary technical assistance to citizens at risk** of energy poverty that are interested in the calls.
- ✓ Using the **'first come, first served'** principle in the allocation of funds to the applicants. **Additionally, it is possible to correct this method and accept a modified version, used by countries like Croatia and Slovenia and other EU countries.** For certain types of subsidies even the **applicant scoring system** can be used, according to previously set objective criteria.
- ✓ The decision-making about the realization of the entire process of subsidies measures **should remain in the hands of the bodies that implement the measures and not be rigidly set and regulated by law.** Subsidies measures are a fluid category, i.e. the need for existence/amendment/abolition/introduction of new a measure should be constantly evaluated. If the measures are set by law, instead of being regulated with bylaws, the legislator would not be able to keep track of the change dynamics.
- ✓ Introduction of the possibility for applicants to apply without having to buy the product themselves. **The main critique of the existing subsidy models is that they are based on money refund**, which is not a suitable option for socially/economically vulnerable categories of citizens. Hence new models should enable these categories of citizens to receive subsidies without the need for them to provide their own funds.
- ✓ Provision of subsidy models that **will completely cover the amount necessary to implement the measure.** The measures so far, even for socially/economically vulnerable categories of citizens, included only a partial reimbursement of funds.
- ✓ Establishment of new models where the institutions purchase the products and then provide them to socially/economically vulnerable citizens. The institutions provide the products and services that are subject to subsidy measures either through a **public call for selecting the most favourable supplier, through**

a public call for concluding a framework agreement with all economic operators, or through a public call for selecting a non-governmental organization to conduct the measure. Such a model type provides a higher level of **control of the implemented measures**, since institutions do not give money but products and services, which reduces the possibility of abuse.

- ✓ Proposed systemic change – **creating a special fund for environmental protection, energy sustainability and renewable energy sources** – which will have authority over management of financial funds from the government budget and potential EU funds for this type of subsidies. This fund can contribute to better reallocation of funds, better organization at a central, regional and local level, and better dissemination of information on calls..

1. INTRODUCTION

Environmental subsidies are financial instruments that allow subjects responsible for causing certain pollution (persons, private companies, and public institutions) to reduce the production and emission of potential pollutants in the environment. The subsidies can include: grants, low interest rate loans, preferential taxes and policies for preferential acquirement of products that cause a low level of environmental pollution, etc.

A correct understanding of the relation between economic subsidies, environmental protection and people's health, can produce constructive reforms in the system of subsidies and in creating appropriate measures.

Air quality is one of the key strategic interests of the Republic of North Macedonia (RNM). In recent years, the pollution problems are becoming greater and greater. High concentrations of pollutants are present in the air in most of the country. Air pollutant emissions come from various economic and social activities such as traffic, the industry, mines and the energy sector, households, construction activities, landfills, and agricultural activities.

According to the latest European Environmental Agency's report, the Republic of North Macedonia is among the worst ranked countries in Europe. The cities of Skopje, Tetovo and Bitola have been ranked among the ten most polluted cities in Europe in recent years. According to the World Health Organization (WHO), air pollution causes 1.300 deaths per year and increases the number of people with respiratory illnesses. On the other hand, according to the World Bank, air pollution costs the country around 2,5% of GDP each year for additional health services, or around 300 million euros annually.

Having in mind the current situation in the country, primarily in terms of air pollution and the fact that the environment has become one of the main priorities and challenges for policy creators, the analyses of different measures and activities for air pollution reduction are of particular interest. In this direction, subsidies are part of the proactive measures that have given appropriate

results in the last few years, however by increasing their efficiency and enhancing the procedures related to them, things can still be substantially improved. A special challenge that has thus far rarely been analysed is the access (needs) of vulnerable (economically) citizens to measures/subsidies related to air pollution and enhancement of the energy efficiency. This is of great importance considering the fact that these groups of citizens most often use heating methods that contribute to air pollution, due to lack of funds and substandard living conditions. In addition, inclusion and analysis of these categories of citizens is also significant because of the specific needs that arise from their status, and because such an analysis is characterized by a three-sided approach: economic aspect - social aspect - environmental protection aspect.

2. METHODOLOGICAL APPROACH

Considering our intention to analyze and elaborate this multidimensional issue covering several segments, our research is based on a few methodological approaches that we believe enable the necessary width for setting the goals of our interest. We use methods that rely on analysis of primary and secondary data.

The analysis of secondary data is based on two pillars:

- Analysis of the available secondary data on granted subsidies, their characteristics, and an analysis of the associated expenditures related to the environment;
- Analysis of the relevant legislation regarding defining of subsidy-awarding processes, and numerous aspects related to the procedure, award criteria, and the possibilities for inclusion of socially/economically vulnerable citizens.

The analysis of primary data and information is based on two pillars:

- Analysis of the results from the questionnaire distributed to relevant civil society organizations that work with different socially/economically vulnerable categories of citizens; in order to determine their perception on the situation and bottlenecks in previous and current subsidy models;
- Elaboration of information from interviews conducted with stakeholders, representatives of the City of Skopje, the Municipality of Aerodrom, the Ministry of Economy, the Ministry of Labour and Social Policy, and UNDP. In this part the findings from the stakeholder (both on the supply and demand side) workshop co-organized with the UNDP are also of extreme importance.

With the aforementioned we provide a solid basis for designing a framework of conclusions and recommendations that can contribute in two directions:

- - Enhancement of the existing air pollution subsidy models, especially aimed at greater inclusion of socially/economically vulnerable categories of citizens.
- Proposals for new subsidy models, procedures and processes in order to reduce air pollution/environmental protection with particular focus on socially/economically vulnerable categories of citizens..

3. ANALYSIS OF THE EXISTING SITUATION REGARDING SUBSIDIES FOR AIR POLLUTION REDUCTION AND ENVIRONMENTAL PROTECTION WITH PARTICULAR FOCUS ON SOCIALLY/ECONOMICALLY VULNERABLE CATEGORIES OF CITIZENS

3.1. Analysis of the subsidy process and legislation with a review of the existing subsidy model

3.1.1. Analysis of the subsidy process and legislation with a review of the existing subsidy model

In the national legislation of the Republic of North Macedonia there is no unique legal framework for categorization of vulnerable categories of citizens, but this is done according to the needs for achieving a concrete social goal. Hence, the provisions for categorization are found in multiple laws that regulate aspects and processes for achieving a given social goal (e.g. protection of vulnerable categories of citizens - financial assistance in case of unemployment, guaranteed financial assistance for low-income persons, financial assistance for persons with disabilities, assistance for people that have lost their job at a given period [bankruptcy workers], assistance for people that have participated in conflicts and have made a special contribution to the country, etc.).

Regarding the classifications based on income, there are several laws that regulate this field:

- Law on Social Protection (LSP): Official Gazette of RNM No. 104/2019, 146/2019 and 275/20191
 - This is the most important law that classifies persons - beneficiaries of financial assistance from social protection - by several types (Article 27):
 - Guaranteed minimum assistance;
 - Disability benefits;
 - Benefits for assistance and care for another person;
 - Wage benefits for part-time work;
 - Housing allowance;

- Permanent benefits/allowance; and
- One-time financial assistance.

The most basic item in this law is the **category of citizens - beneficiaries of guaranteed minimum assistance** (LSP Articles 28-43). This category includes **households that are materially deprived and do not possess property or property rights that can provide subsistence** (LSP Article 28 (1)). A materially deprived household is a **household whose average amount of all incomes of all family members on all grounds in the last three months prior to applying for exercising the right and during the exercising of that right is lower than the amount of the established guaranteed minimum assistance**, according to this law (LSP Article 28 (2)). The basis for guaranteed minimum assistance is 4.000 denars a month.

- Law on Social Security of Elderly Citizens (LSSEC): Official Gazette of RNM No. 104/20192
 - This law regulates the conditions for financial assistance for a certain category of elderly citizens.

Elderly citizens with the right to social security - according to the Law, **elderly citizens are considered to be people aged 65 or more** (LSSEC Article 3). Beside the age limit, LSSEC prescribes that in order to exercise the right to social security it is necessary that the person:

1. Has a nationality of the Republic of North Macedonia;
2. Has a permanent residency in the Republic of North Macedonia in the last 15 years prior to filling in the application;
3. Has no ownership of property or property rights that could support him;
4. Is not a beneficiary of a pension in the Republic of North Macedonia or of old-age benefits, disability benefits, or survivor benefits from another country; and

¹ http://www.mtsp.gov.mk/content/pdf/zakoni/2019/28.5_zakon_SZ.pdf

² http://www.mtsp.gov.mk/content/pdf/zakoni/2019/28.5_zakon_SZ_Starilica.pdf

5. Has not earned any income on any ground in the last three months prior to applying (LSSEC Article 4).

The monthly amount of the social security right for elderly citizens is 6.000 denars, which can be additionally adjusted and corrected according to the growth of costs of living for the previous year, published by the State Statistical Office (LSSEC Article 4).

- Law on Energy (LE): Official Gazette of RNM No. 96/2018³

- The law prescribes a methodology for definition of the category of 'vulnerable consumer'.

A **vulnerable consumer** is "a household which includes a person who due to their social condition and/or health condition is given the right to use the network and/or is provided with electric energy, natural gas or heating under special conditions" (LE Article 58(3)).

Yet this definition is only a framework because it does not set any conditions that a certain household needs to fulfil in order to be included in that category. The law additionally stipulates that **the Government, upon proposal by the Ministry of Economy, and after a previously obtained opinion from the Regulatory Commission for Energy, adopt a Program for protection of vulnerable energy consumers for the following year** (LE Article 15). This program, among other things, prescribes which consumers will fall under the category of 'vulnerable consumers'. In the program for 2020 the **beneficiaries - category of vulnerable consumers** - are defined as a household:⁴

- That receives guaranteed minimum assistance and a financial allowance to cover a part of the expenses for energy consumption in the household in compliance with Article 42 of the Law on Social Protection, and Elderly Citizens in compliance with Article 7 of the Law on Social Security of Elderly Citizens; and
- Where a person in a social risk condition is living (motherhood, sickness, old age, injury, disability), and to whom the power supply and/or the right to use the network is provided under special conditions and in a manner prescribed by the rules for certain energy supply (Point II.2 of the Program).

- Program for promotion of renewable energy sources and enhancing energy efficiency in households for 2020⁵ - adopted by the Government of the Republic of North Macedonia upon the proposal of the Ministry of Economy.

- This Program prescribes measures for promotion and enhancement of energy efficiency. Even though it includes measures that address all citizens, it prescribes special measures and conditions that apply to **low-income persons**.

According to the Program, **low-income persons** are:

- a) Persons that are employed or where one spouse is employed and the monthly earnings in the family do not exceed a net income of 30.000 denars;
- b) Pensioners or a family where one spouse is a pensioner and their monthly family earnings do not exceed a net income of 20.000 denars;
- c) Vulnerable consumers as defined in the Program for vulnerable consumers for 2020 (part III).

- Decree with legal force for financial support of citizens and employees with low income, young people, and health workers via issuing a domestic payment card intended for purchasing Macedonian goods and services in times of emergency: Official Gazette of RNM No. 137/20, 147/20, 151/20, 156/20, 157/20 and 169/20⁶ - adopted by the Government of the Republic of North Macedonia.

- This Decree was adopted as part of the package of measures by the Government of the Republic of North Macedonia for preventing the adverse effects of the COVID-19 pandemic. The Decree defines the categories of people that it applies to: **low-income citizens and low-income workers**.

Low-income persons are adult citizens of the Republic of North Macedonia, recipients of financial assistance and benefits according to the Law on Social Protection, Law on Child Protection, and Law on Social Security of Elderly Citizens: owner of the right from a family that exercises the right to guaranteed minimum assistance; recipient of the right to social security of elderly citizens and unemployed people that are actively seeking jobs registered at the Employment Agency of the Republic of North Macedonia until 22.5.2020, who in 2019 earned an annual net income not exceeding 180.000 denars and for the period January - April 2020 earned a net income not exceeding 60.000 denars,

³ https://www.erc.org.mk/odlukij/23закон%20за%20енергетика_96_18.pdf

⁴ <https://dejure.mk/zakon/programa-za-zashtita-na-ranlivi-potroshuvachi-na-energija-za-2020-godina>

⁵ <http://www.slvesnik.com.mk/Issues/6bee392e96c64018a83788d4d91de9a8.pdf>

⁶ <http://www.ujp.gov.mk/files/attachment/0000/1273/169-20.pdf>

according to the records of the Public Revenue Office.

Low-income employees are citizens of the Republic of North Macedonia that have the status of an employed person and for the period January - April 2020 earned a net income on the basis of wage and benefits not higher than 60.000 denars for a full-time job, according to the records of the Public Revenue Office.

3.1.2. Challenges for the existing categorization and possible alternatives

A problem in the existing categorization is that there is legal inconsistency and variety in terms of naming the categories of citizens. It is evident that different regulations use categories: **low-income citizens, low-income employees, vulnerable consumers, low-income persons**. In most parts, the conditions set for these citizens overlap, hence the differing naming and definitions create confusion. In order to simplify the entire process, a recommendation stands for a categorization based on the **category income that is registered in the Public Revenue Office as the most objective and most reliable condition that can be applied**. Providing evidence for the earned income is simple both for the applicants that need to submit a confirmation for earned income and for the administrative workers that can easily verify the fulfilment of the conditions and in doing so will not question the credibility of the data because they come from the Public Revenue Office. Therefore, for the purpose of this document we suggest the following alternatives as a **proposal for a definition of socially/economically vulnerable categories of citizens**:

- **As a first alternative**, the category **low-income household** - this would incorporate people that live in a union (family, marital/extra-marital union, as well as relatives that live together and contribute towards a common living) and persons that live alone (single-member family).
 - Persons that live in a union will be considered persons with low income if in the previous calendar year all family members earned a total annual net income not exceeding 360.000 denars, according to the records of the Public Revenue Office.
 - Persons that live alone will be considered low-income persons if in the previous calendar year they earned a net income not exceeding 180.000 denars, according to the records of the Public Revenue Office.

The calculation of the sum of 360.000 and 180.000 denars is based on the last amount of the minimum

net wage set at 14.934 denars by the Ministry of Labour and Social Policy in April of this year (Official Gazette of RNM No. 75/20). This amount is multiplied by 12 for single-person households, and for families it is first multiplied by 2 (assuming that there are 2 members of the family that have some income) and is then multiplied by 12.

- **A second alternative**, if the income is refused as an inappropriate condition, is the category **vulnerable categories of citizens** - this would include citizens recipients of benefits based on Article 27 Point 1, 5 and 6 of the Law on Social Protection, and Article 3 and 4 of the LSSEC. This is also an indicating definition, **however during the subsidy application the applicants do not need to prove that they meet the requirements set in the two laws, but should simply provide confirmation that they belong to one of these categories that would be already issued by a competent institution, i.e. a social work centre**. Additionally, if there exists an **appropriate electronic platform that would enable access of Municipalities or certain Ministries to provide data on these categories of citizens**, the procedure would be further simplified.
- **A combination of these two alternatives, i.e., creating a wide definition of low-income persons that would incorporate both alternatives is not excluded.**

* Further in the document, especially in terms of suggestions and recommendations related to the introduction of new subsidy models, the use of the terminology **socially/economically vulnerable categories of citizens** will refer to the categories of **low-income households and/or vulnerable citizens based on Article 27 Point 1, 5 and 6 of the LSP, and Articles 3 and 4 of the LSSEC**.

3.1.3. Central government subsidies

The central government subsidizes groups of citizens via the line Ministries, depending on the field of subsidies. The issue of reduction of air pollution is prima facie in the scope of the Ministry of Environment and Physical Planning. **Although logically for subsidies aimed at protection and enhancement of the environment, a responsible body is the Ministry of Environment and Physical Planning, thus far all subsidies have been given by the Ministry of Economy. The Ministry of Labour and Social Policy is a line Ministry responsible for assistance for socially/economically vulnerable groups of citizens.**

Regarding the competencies of the Ministries, the Law on Organization and Operation of the State Administration Bodies (LOOSAB, Official Gazette of RNM No. 58/2000, 44/2002, 82/2008, 167/10, 51/11 and 96/19)⁷ does not contain a provision that explicitly prescribes how to act when the achievement of one goal falls into the scope of two or more Ministries, i.e. how to determine which Ministry would have the authority. It is logical when there is a “potential conflict” that the responsibility for implementation of the measure belongs to the Ministry whose scope includes the general aim of the measure, while the line goals of the other Ministries would fall under that general aim. This thinking is complemented by the fact that there is no legal provision that would prescribe otherwise. An additional factor that should be considered in deciding about the bearer of responsibility is of course the operational readiness of the Ministries, hence the Ministry that could operationally carry out the measure the best should be the one responsible.

Nevertheless, **the fact that there is flexibility regarding this issue, leaves room for the action, i.e. the project, to be carried out by the Ministry with the most resources, operational preparedness and experience in implementing similar measures, while the other Ministries would be included in the scope of their specific competences that would contribute to the achievement of the general aim.**

At the central government level, there is more rigidity regarding the process of granting funds for achieving a given goal. This arises firstly from the fact that the funds for achieving the goals are withdrawn from the state budget. Therefore, it is necessary for the process “idea-implementation” to go through several phases, therefore the transfer of funds from the budget to the users takes a significantly long time. Regarding the process of implementation of activities, LOOSAB is yet again the starting point, where the duties and areas in which the Ministries are responsible are listed.

These competencies established in a general way are later set more precisely in the laws that regulate the specific field. Specifically, in the part of energetics, which is under the Ministry of Economy, lex specialis are the Law on Energy and the Law on Energy Efficiency⁸. The Law on Energy prescribes numerous areas where the Ministry plays an important role, whether as a body responsible for carrying out bylaws or as a counselling body for acts that the government needs to adopt.

Regarding the **manner in which subsidy funds are allocated**, in the practice of central level subsidy programs so far the dominant principle has been ‘**first come, first served**’. Besides this principle, in some past public calls the **principle of lottery** and the **principle of linear distribution** of all funds to the total number of applicants have been used.

Regarding the **recipients of measures**, the subsidy calls at the central level in the past did not differentiate between different categories of citizens, that is the calls for subsidies did not specify a possibility for subsidizing socially/economically vulnerable categories of citizens.

- In 2019, for the first time, in one of the public subsidy calls of the Ministry of Economy, more precisely the call for compensation of part of the expenses for buying pellet stoves, it was stated that persons that fall into the category of **vulnerable consumers** will have a right to apply. What is interesting is that the public call was announced based on the Program for promotion of renewable energy sources and promotion of energy efficiency in households for 2019, **but from the text in the published Program on the official website of the Ministry of Economy it is evident that it does not differentiate between vulnerable consumers and consumers, meaning there is no categorization of citizens in the Program.** Such categorization is based on the later amendment of the Program in September 2019. This amendment includes a new point in the Program, which prescribes: “The compensation of a part of the expenses for purchasing pellet stoves from Part II Point 3 of this program, in the amount of 15.000.000 denars, will be received by low-income persons (further: vulnerable consumers) that are employed or one spouse is employed and the monthly earnings of the family do not exceed a net amount of 30.000 denars.”⁹ Additionally, the Program provides implementation of several measures, but as seen in the conducted calls in 2019 (provided in the tables in the Annex, Point 1), none of the remaining measures includes subsidies for the category of **vulnerable consumer, nor do they comprise any differentiation or categorization.**
- In 2020, for the first time there was a subsidy option for the category of **low-income persons.** This option for subsidy arises from the **Program for promotion of renewable energy sources and encouragement of energy efficiency in**

⁷ <http://fiskalntransparentnost.org.mk/upload/pdf/nacionalna%20pravna%20ramka/gragjansko%20ucestvo/izvrshna%20vlast/ZAKON%20ZA%20ORGANIZACIJA%20I%20RABOTA%20NA%20ORGANITE%20NA%20DRZAVNATA%20UPRAVA.pdf>

⁸ <http://www.economy.gov.mk/Upload/Documents/Zakon%20za%20energetska%20efikasnost.pdf>

⁹ <https://dejure.mk/zakon-izmena/programa-za-izmenuvanje-i-dopolnuvanje-na-programata-za-promocija-na-obnovlivi-izvori-na-energija-i-pottiknuvanje-na-energetska-efikasnost-vomadakjin-1>

households for 2020, where the subsidizing of this category of citizens was explicitly prescribed for all types of measures listed in the program.

Here it is important to note that the Program provides a different percentage of compensation of funds for the subsidies in the measures which vary from 30-50% for regular persons with a maximum set amount depending on the measure, while for low-income persons it is up to 70% for all the measures with a set maximum amount.

It follows that there is inconsistency between the program and some of the public calls regarding the announcing and defining of the conditions for the prescribed measures and between programs, public calls from different years, in the definition of the users of the measures. Contrary to the public call for compensation of a part of the expenses for buying pellet stoves from 2019, the category of **vulnerable consumers** was not used in the public call in 2020, but instead the category of **low-income persons** was used, as noted above.

The two above programs are typical examples of a case **when the achievement of certain social goals can be in the scope of several Ministries.** On the one hand, the energy efficiency inevitably leads to protection and enhancement of the environment, which is in the scope of the Ministry of Environment and Physical Planning. On the other hand, energy, promotion and development of renewable energy sources is one of the strategic goals of the Ministry of Economy. Assistance to socially vulnerable citizens is in the scope of the Ministry of Labour and Social Policy. **Yet despite the interest and possible belonging of the measures in the scope of several Ministries, achieving energy efficiency is identified as a primary aim. In achieving that goal, another goal is identified for assistance of low-income persons, thus counselling participation can be achieved by the Ministry of Labour and Social Policy.** Such an approach for cooperation has already been accepted in the Law on Energy, in the section of the program for vulnerable consumers, where the Ministry of Labour and Social Policy has a significant contribution. **If pollution reduction is set as a goal of some measure, then the Ministry of Environment and Physical Planning could join in an advisory role, by identifying the areas with the greatest needs for subsidies which would provide a bigger optimum from the measures.** Nonetheless, the fact that multiple Ministries can participate should not be characterized as an obstacle to the implementation of a certain measure, but as an additional benefit because everybody can contribute in their field of expertise.

representation below, above all to give a brief overview of concrete examples of past measures that have been implemented by the Ministry of Economy, with basic statistical data available on the website of the Ministry, before summarizing the conclusions and giving recommendations.

A general overview of the entire subsidy process for citizens at the central level is given in a schematic

Figure 1: Schematic representation of the subsidy-granting process



3.1.4. Subsidies by local self-government units

Unlike the Ministries in the Government, which are funded solely via the state budget, the Municipalities are financed from multiple sources in order to fulfil their duties that arise from the competencies prescribed in the Law on Local Self-Government. Article 10 of the LLS is a general provision that states that Municipalities are financed from their own revenue sources (taxes, fees and charges) and other financing sources (central government grants, borrowing and other revenue sources). The financing of Municipalities is in more detail stipulated in the Law on Financing Local Self-Government Units (LFLSGU, Official Gazette of RNM No. 61/2004, 96/2004, 67/2007, 156/2009, 47/2011 and 192/2015, Article 3). It follows from this Law that the Municipalities have other sources of finance in addition to central government grants. For some revenues the Municipalities have autonomy in their use. It is evident that the LFLSGU does not explicitly mention funds and grants as a possibility for financing of local self-government units although this manner of financing earmarked projects is one of the more significant methods for achieving the goals at the Municipality level (funds and means from the European Bank, the World Bank, etc.). Regarding this type of funds, on the other hand, the autonomy at their disposal is limited within those projects, hence there are no legal restrictions for Municipalities nor can there be any.

Regarding the functional structure, contrary to the composition of the Government and the Ministries with a strict formal setting due to which the bodies and competencies are regulated with laws, the local self-government units have more flexibility, hence their organization and structure varies from one Municipality to another. The only bodies that are compulsory within the local self-government units are the Mayor and the Council of the Municipality (LLS, Article 31). Unlike the central government where the division of Ministries and their competencies are regulated by law, the Municipality administration is organized according to the needs of the Municipality. **Thus, within the local self-government units, sectors and departments are formed for different areas of interest for the Municipality and there is no uniformity here.** For example, the City of Skopje has 17 sectors and each sector is comprised of several departments, the number of which varies from 2 to 9,¹⁰ while the Municipality of Aerodrom has 3 departments and 5 sectors and each sector has 2 - 4 departments.¹¹ These differences in the administrative setting reflect the preparedness of the local self-government units to implement measures. It logically follows that the

¹⁰ <https://skopje.gov.mk/mk/skopje/administracija/>

¹¹ <http://www.aerodrom.gov.mk/page/administracija>

Municipalities which have sectors or departments for environment, economic development, or social policy will be better prepared to implement the measures via public calls.

What is uniformly accepted regarding Municipalities is the budgeting. In terms of the budgeting procedure, the Law on Local Self-Government stipulates that the Municipality budget is adopted by the Municipality Council (LLS, Article 36, Paragraph 1, Point 7) upon the proposal by the Mayor (LLS, Article 50, Paragraph 1, Point 7). The municipal budget is adopted in compliance with the Basic directions for preparing local self-government units' budgets, which are prepared annually by the Ministry of Finance and which include the annual strategic priorities of the Government of the Republic of North Macedonia. **Yet despite the directives by the Ministry of Finance, the local self-government units have the autonomy and flexibility in terms of decision-making about the allocation of funds, hence there is no uniformity in practice.** The Law on Budgets (Official Gazette of RNM No. 64/05, 4/08, 103/08, 156/09, 95/10, 180/11, 171/13, 192/15 and 167/16)¹² determines the budgeting procedure for the local self-government units, but does not determine a methodology about what share of funds should be used for what/each purpose.

Since Municipalities have a more flexible organization, aimed at a more efficient and more direct way of satisfying the needs of citizens (residents of their territory), the process for granting subsidies at the local self-government level is simpler than granting subsidies at the central level. Regarding the enhancement of the environment and improvement of the energy efficiency in recent years there were several projects carried out by local self-government units. Some of these measures will be reviewed in the next part.

Regarding the **method according to which subsidy funds are allocated**, in the practice of local level subsidy programs thus far only the **'first come, first served'** principle has been used.

Regarding **beneficiaries of the measures**, unlike the tendency of inclusion of socially/economically vulnerable groups of citizens seen in recent years in central level subsidies for citizens, **at the local level, there are still no measures and no calls for subsidies that refer to these groups of citizens.** All previous calls carried out by local self-government units applied to all citizens, without any categorization of the citizens.

3.1.5. Previous (past and active) calls for subsidies related to enhancing the energy efficiency

BDuring the past five years, several open calls have been carried out by the Ministry of Economy, which included central level subsidies for:

- Solar thermal collectors;
- PVC and aluminium windows;
- Pellet stoves;
- Inverter air conditioners;
- Purchase and installation of a line for propulsion of LPG, methane, or another type of alternative fuel for vehicles.

In the past several years, the local self-government units (City of Skopje, Centar, Aerodrom, Karposh, Gazi Baba, Gostivar, Bitola, Kavadarci, Negotino, Kochani, Veles) have carried out several open calls that included subsidies for:

- Bicycles;
- Electric scooters;
- Inverter air conditioners;
- Cleaning of chimneys; and
- Pellet stoves.

A more detailed review of these types of subsidies and of the characteristics of calls/processes of implementation at the central and local level is provided in the Annex of the document.

¹² https://finance.gov.mk/files/u6/Zakon%20za%20budzeti%20-%20precisten%20tekst%20_1_.pdf

3.1.6. Challenges and possibilities of the existing subsidy model and effects of the current types of subsidies

There are many challenges and effects of the current subsidy model, which can be analyzed in terms of selection criteria, administrative and financial challenges faced by public institutions that organize the public calls (at national and local level), and challenges related to the current legal framework. Additionally, there are a number of additional challenges faced by final users, especially by persons belonging to socially/economically vulnerable categories of citizens.

A significant challenge from the existing subsidy model, related to the selection criteria, is that the applications that are to be filled in do not contain any criteria related to the demographic, social and economic status of the applicant.

In terms of administrative and financial challenges, the biggest challenge is the lack of properly trained staff for implementation of the measure. In addition, the analysis indicates that there is need for funds that will be transferred from the central level in order for the measure to be implemented. The inclusion of socially/economically vulnerable categories of citizens requires more efficient cooperation between the institutions that grant subsidies (Ministry of Economy, LSGUs) and other institutions that these citizens contact in order to exercise their rights (Ministry of Labour and Social Policy).

In terms of the legal framework, the biggest challenge in implementation of a proper subsidy model is whether it will be determined in the program of a certain Ministry, local self-government unit or another appropriate body or institution. Also, there is legal non-compliance in terms of various categorizations of citizens throughout laws, decrees and bylaws.

There are many **challenges for the final users,** especially for subsidies where the final user first buys the good or service and later applies and waits for approval of the subsidy. In this case, the user needs to pay the whole price of the good or service and has no guarantee that they will be granted a subsidy. This situation leads to a lack of motivation to acquire the subsidized product or to use the subsidized service.

Challenges that specifically refer to socially/economically vulnerable categories of citizens are that most measures do not presume a separate subsidizing of these groups of citizens. Moreover, these groups of citizens do not have access to information on current calls for subsidies, and they lack knowledge and skills to prepare the application documentation. In order for the subsidy measures to be implemented successfully, it is necessary first for these citizens to become familiar

with the existence of the measures, that is to know when the subsidy calls are announced. Further, it is necessary for them to get acquainted with the terms of application. Lastly, they need to get acquainted with the application procedure. In this sense, besides the announcement of calls it is necessary to provide channels through which the information will be transmitted to the socially/economically vulnerable citizens and to engage people (e.g. non-governmental organizations, consultants, employees in competent authorities) who will assist the citizens from these categories in the application process.

The conclusions from the analysis of the available secondary data related to granted subsidies, their characteristics, the analysis of the expenditures related to the environment, the analysis of the relevant legislative on defining processes for granting subsidies and of different aspects related to the procedure, as well as granting criteria and possibilities for inclusion of socially/economically vulnerable categories of citizens are **presented in more detail in the Annex of the document.**

Table 1: Detected challenges from previous subsidy calls

BICYCLE SUBSIDY	
Challenges related to the type of subsidy	<ul style="list-style-type: none"> ▪ This subsidy finances 50% (up to 3.000 denars per bicycle). ▪ The citizens first buy the bicycle and then the subsidized citizens receive reimbursement of funds. ▪ They do not specify subsidizing of socially/economically vulnerable categories of citizens.
Challenges related to the selection criteria	<ul style="list-style-type: none"> ▪ The application forms do not contain any criteria related to the demographic, social and economic status of the applicant.
Challenges related to the capacity of institutions (administrative and financial)	<ul style="list-style-type: none"> ▪ Lack of staff for implementation of the measure. Most of the LSGUs, in their reports and in our communication, state the lack of staff and administrative capacity as one of the main problems related to the overall operation of the Municipality. This is also especially important for small and rural Municipalities where often in the systematization several sectors are staffed with one or two employees. ▪ For greater inclusion of citizens in the future, funds are needed that will be transferred from the central level in order for the measure to be implemented. This is especially important because, firstly, the LSGUs are most familiar with the situation and needs of their citizens, and secondly, in most of the LSGUs (with the exception of the City of Skopje and its Municipalities) the fiscal capacity and their basic budget is very limited (on average, their own budget, without transfers from the central government, is about 30% of the total revenue side of the Municipality). The LSGU financing reports continuously point out the lack of funds, which significantly affects the provision of many local services, primarily related to the environment. ▪ For inclusion of socially/economically vulnerable categories of citizens it is necessary to provide more efficient cooperation between the institutions that grant subsidies and other institutions that these citizens contact in order to exercise their rights.
Challenges related to the legal framework	<ul style="list-style-type: none"> ▪ The subsidizing is conditioned on whether it will be planned in the local self-government unit's program. ▪ There is a legal non-compliance regarding the various categorizations of citizens throughout laws, decrees and bylaws.
Challenges related to the end users	<ul style="list-style-type: none"> ▪ When buying a bicycle, the users are not guaranteed that they will be granted a subsidy and they have to pay the full cost of the bicycle. ▪ Due to the risk of manipulation many interested citizens will not receive a subsidy because other citizens will manipulate the measure. ▪ There is no efficient control mechanism.
Challenges that specifically refer to socially/economically vulnerable categories of citizens	<ul style="list-style-type: none"> ▪ The model requires the bicycle be bought first, followed by reimbursement of funds, which is impossible for these groups of citizens. ▪ These groups of citizens do not have access to information about current calls for subsidies. ▪ Lack of knowledge and skills for preparation of application documentation.
ELECTRIC SCOOTER SUBSIDY	
Challenges related to the type of subsidy	<ul style="list-style-type: none"> ▪ This subsidy finances 30% (up to 7.000 denars per electric scooter). ▪ The citizens first buy the scooter and then the subsidized citizens receive reimbursement of funds. ▪ They do not specify subsidizing of socially/economically vulnerable categories of citizens.
Challenges related to the selection criteria	<ul style="list-style-type: none"> ▪ The application forms do not contain any criteria related to the demographic, social and economic status of the applicant.
Challenges related to the capacity of institutions (administrative and financial)	<ul style="list-style-type: none"> ▪ Lack of staff for implementation of the measure. Most of the LSGUs, in their reports and in our communication, state the lack of staff and administrative capacity as one of the main problems related to the overall operation of the Municipality. This is also especially important for small and rural Municipalities where often in the systematization several sectors are staffed with one or two employees. ▪ For greater inclusion of citizens in the future, funds are needed that will be transferred from the central level in order for the measure to be implemented. This is especially important because, firstly, the LSGUs are most familiar with the situation and needs of their citizens, and secondly, in most of the LSGUs (with the exception of the City of Skopje and its Municipalities) the fiscal capacity and their basic budget is very limited (on average, their own budget, without transfers from the central government, is about 30% of the total revenue side of the Municipality). The LSGU financing reports continuously point out the lack of funds, which significantly affects the provision of many local services, primarily related to the environment.
Challenges related to the legal framework	<ul style="list-style-type: none"> ▪ The subsidizing is conditioned on whether it will be determined in the local self-government unit's program.
Challenges related to the end users	<ul style="list-style-type: none"> ▪ When buying a scooter, the users are not guaranteed that they will be granted a subsidy and they have to pay the full cost of the scooter. ▪ Due to the risk of manipulation many interested citizens will not receive a subsidy because other citizens will manipulate the measure. ▪ There is no efficient control mechanism.
Challenges that specifically refer to socially/economically vulnerable categories of citizens	<p>The subsidy refers to products that are perceived as luxury goods because they require a large initial investment, and additionally, the use of the device requires using electric energy, which is an additional expense for these categories of citizens.</p>

INVERTER AIR CONDITIONER SUBSIDY	
Challenges related to the type of subsidy	<ul style="list-style-type: none"> ▪ Initially the subsidy covered financing 50% of the value, but no more than 15.000 denars. A change was made with the calls in 2020, where the total costs are compensated, up to an amount of 62.000 denars. ▪ The citizens first buy the air conditioner and then the subsidized citizens receive reimbursement of funds. ▪ They do not specify subsidizing of socially/economically vulnerable categories of citizens.
Challenges related to the selection criteria	<ul style="list-style-type: none"> ▪ The application forms do not contain any criteria related to the demographic, social and economic status of the applicant.
Challenges related to the capacity of institutions (administrative and financial)	<ul style="list-style-type: none"> ▪ Lack of staff for implementation of the measure. Most of the LSGUs, in their reports and in our communication, state the lack of staff and administrative capacity as one of the main problems related to the overall operation of the Municipality. This is also especially important for small and rural Municipalities where often in the systematization several sectors are staffed with one or two employees. ▪ For greater inclusion of citizens in the future, funds are needed that will be transferred/provided from the central level in order for the measure to be implemented. This is especially important because, firstly, the LSGUs are most familiar with the conditions and needs of their citizens, and secondly, in most of the LSGUs (with the exception of the City of Skopje and its Municipalities) the fiscal capacity and their basic budget is highly limited (on average, their own budget, without transfers from the central government, is about 30% of the total revenue side of the Municipality). The LSGU financing reports continuously point out the lack of funds, which significantly affects the provision of a large part of the local services, primarily related to the environment. Funds are needed to be transferred from the central level for the measure to be carried out. ▪ For inclusion of socially/economically vulnerable categories of citizens it is necessary to provide more efficient cooperation between the institutions that grant subsidies and other institutions that these citizens contact in order to exercise their rights.
Challenges related to the legal framework	<ul style="list-style-type: none"> ▪ The subsidizing is conditioned on whether it will be determined in the Ministry's/local self-government unit's program. ▪ There is a legal non-compliance regarding the various categorizations of citizens throughout laws, decrees and bylaws.
Challenges related to the end users	<ul style="list-style-type: none"> ▪ When buying a scooter, the users are not guaranteed that they will be granted a subsidy and they have to pay the whole amount for the scooter. ▪ Due to the possibilities/risk of manipulation many interested citizens will not receive a subsidy because other citizens will manipulate the measure.
Challenges that specifically refer to socially/economically vulnerable categories of citizens	<ul style="list-style-type: none"> ▪ The model requires the air conditioner be bought first, followed by reimbursement of funds, which is impossible for these groups of citizens. ▪ These groups of citizens do not have access to information about current calls for subsidies. ▪ Lack of knowledge and skills for preparation of application documentation.
SUBSIDY FOR CLEANING CHIMNEYS	
Challenges related to the type of subsidy	<ul style="list-style-type: none"> ▪ This subsidy finances up to 1.200 denars for cleaning chimneys. ▪ The citizens first pay for the service and then the subsidized citizens get reimbursed. ▪ The cleaning of the chimney has to be performed by a professional, employed in a company registered with a code of activity 81.22 according to the National Classification of Activities, and have an original receipt and original fiscal receipt for the performed cleaning of the chimney. ▪ They do not specify subsidizing of socially/economically vulnerable categories of citizens.
Challenges related to the selection criteria	<ul style="list-style-type: none"> ▪ The application forms do not contain any criteria related to the demographic, social and economic status of the applicant.
Challenges related to the capacity of institutions (administrative and financial)	<ul style="list-style-type: none"> ▪ Lack of staff for implementation of the measure. Most of the LSGUs, in their reports and in our communication, state the lack of staff and administrative capacity as one of the main problems related to the overall operation of the Municipality. This is also especially important for small and rural Municipalities where often in the systematization several sectors are staffed with one or two employees. ▪ For greater inclusion of citizens in the future, funds are needed that will be transferred/provided from the central level in order for the measure to be implemented. This is especially important because, firstly, the LSGUs are most familiar with the conditions and needs of their citizens, and secondly, in most of the LSGUs (with the exception of the City of Skopje and its Municipalities) the fiscal capacity and their basic budget is very limited (on average, their own budget, without transfers from the central government, is about 30% of the total revenue side of the Municipality). The LSGU financing reports continuously point out the lack of funds, which significantly affects the provision of many local services, primarily related to the environment. ▪ For inclusion of socially/economically vulnerable categories of citizens it is necessary to provide more efficient cooperation between the institutions that grant subsidies and other institutions that these citizens contact in order to exercise their rights.
Challenges related to the legal framework	<ul style="list-style-type: none"> ▪ The subsidizing is conditioned on whether it will be determined in the Ministry's/local self-government unit's program. ▪ There is a legal non-compliance regarding the various categorizations of citizens throughout laws, decrees and bylaws.
Challenges related to the end users	/
Challenges that specifically refer to socially/economically vulnerable categories of citizens	<ul style="list-style-type: none"> ▪ The model requires that the service be paid for first, followed by reimbursement of funds, which is impossible for these groups of citizens. ▪ These groups of citizens do not have access to information about current calls for subsidies. ▪ Lack of knowledge and skills for preparation of application documentation.

PELLET STOVE SUBSIDY	
Challenges related to the type of subsidy	<ul style="list-style-type: none"> ▪ This subsidy for pellet stoves finances: <ul style="list-style-type: none"> • 50% – up to 20.000 denars (central level); • 70% – up to 30.000 denars (LGU); and • 70% – up to 25.000 denars (central level for low-income citizens). ▪ The citizens first buy the stove and then the subsidized citizens get reimbursed. ▪ Low-income employees or families where one spouse is employed, but their total monthly earnings do not exceed 30.000 denars have the right to participate. ▪ Pensioners or a married couple in which one spouse is a pensioner, but their total monthly earnings do not exceed 20.000 denars.
Challenges related to the selection criteria	<ul style="list-style-type: none"> ▪ The application forms do not contain any criteria related to the demographic and social status, but only to the economic status of the applicant.
Challenges related to the capacity of institutions (administrative and financial)	<ul style="list-style-type: none"> ▪ Lack of staff for implementation of the measure. Most of the LSGUs, in their reports and in our communication, state the lack of staff and administrative capacity as one of the main problems related to the overall operation of the Municipality. This is also especially important for small and rural Municipalities where often in the systematization several sectors are staffed with one or two employees. ▪ For greater inclusion of citizens in the future, funds are needed that will be transferred/provided from the central level in order for the measure to be implemented. This is especially important because, firstly, the LSGUs are most familiar with the conditions and needs of their citizens, and secondly, in most of the LSGUs (with the exception of the City of Skopje and its Municipalities) the fiscal capacity and their basic budget is very limited (on average, their own budget, without transfers from the central government, is about 30% of the total revenue side of the Municipality). The LSGU financing reports continuously point out the lack of funds, which significantly affects the provision of many local services, primarily related to the environment. ▪ For inclusion of socially/economically vulnerable categories of citizens it is necessary to provide more efficient cooperation between the institutions that grant subsidies and other institutions that these citizens contact in order to exercise their rights.
Challenges related to the legal framework	<ul style="list-style-type: none"> ▪ The subsidizing is conditioned on whether it will be determined in the Ministry's/local self-government unit's program. ▪ There is a legal non-compliance regarding the various categorizations of citizens throughout laws, decrees and bylaws.
Challenges related to the end users	<ul style="list-style-type: none"> ▪ When buying a pellet stove the users are not guaranteed that they will be granted a subsidy and they have to pay the full price of the stove. ▪ Due to the risk of manipulation many interested citizens will not receive a subsidy because other citizens will manipulate the measure. ▪ There is no efficient control mechanism.
Challenges that specifically refer to socially/economically vulnerable categories of citizens	<ul style="list-style-type: none"> ▪ The measure prescribes subsidizing low-level households, but only at the central level. ▪ The model requires the pellet stove be bought first, followed by reimbursement of funds, which is impossible for these groups of citizens. ▪ These groups of citizens do not have access to information about current calls for subsidies. ▪ Lack of knowledge and skills for preparation of application documentation.

PERCEPTION/PERSPECTIVE OF THE CIVIL SOCIETY ORGANIZATIONS ON THE KEY PROBLEMS FACED BY SOCIALLY/ECONOMICALLY VULNERABLE CATEGORIES OF CITIZENS:¹³

- ✓ The civic organizations that work with socially/economically vulnerable categories of citizens are insufficiently informed about the benefits from the subsidies and the administrative procedures for application, in order to be able to **consistently transfer that knowledge to them**. This imposes a future need for undertaking activities for their education and inclusion in the processes.
- ✓ The citizens from socially/economically vulnerable categories **are not always able to get the remaining financial resources** that are not covered with the subsidy, for initiating or completing the planned investments. This could trigger further borrowings that could lead to increasing their vulnerability.
- ✓ Most of the citizens **are not acquainted with the existence of the subsidies** because they **cannot find the calls and information on subsidies** – a substantial number **do not have satisfactory technical** access to the public calls, they do not have enough information on how to use the subsidies, and they **do not understand the requirements for documents/data in the announced calls** (administrative complexity).
- ✓ A significant part of the members of socially/economically vulnerable categories of citizens **are insufficiently informed about the benefits** from such subsidies and about the calls in general. Additionally, some of them **do not have a sufficient level of education and literacy** necessary to properly meet the **requirements for documents/data in the announced calls**.
- ✓ The subsidies that have been offered and realized thus far are not enough in numbers and **are not versatile enough to satisfy the different needs** of the socially/economically vulnerable categories of citizens. There should be a specific procedure and criteria for the persons with disability within some of the calls, due to which many of them **need specific improvements**.
- ✓ **Most often the citizens from socially/economically vulnerable categories with low income applied for subsidies for bicycles and inverter air conditioners**, whereas most of the organizations consider that out of the subsidies related to environmental protection, the most useful ones were the subsidies for **cheaper electric energy and energy saving (inverter air conditioners, energy-efficient façades, etc.)**.
- ✓ There is a need for an **individual** approach and separate professional counselling for each applicant from the socially/economically vulnerable categories of citizens in order to see the real picture of **their needs** and to prepare appropriate strategies as to their manner of realization with **minimum costs and maximum gain**.
- ✓ Citizens living in **substandard living conditions** belong to the most vulnerable category, which **does not benefit much** from the current type of subsidies and is forced to heat up in any way they can by burning inappropriate materials. A strategy is needed for this category of citizens that would solve their problem with appropriate housing.
- ✓ **Training is needed for the persons from vulnerable categories of citizens (low-income families) on the use of subsidies** related to energy efficiency, such as: living conditions and environmental protection; trainings for electricity subsidies, access to information and required documentation for application for subsidies; the use of the most favourable and most useful subsidies.

¹³ See Annex, short info, and a list of contacted organizations.

PERCEPTION/PERSPECTIVE OF THE INVOLVED INSTITUTIONS AND STAKEHOLDERS ON THE KEY PROBLEMS AND CHALLENGES THAT ARISE FROM THE EXISTING SUBSIDY MODELS, AND SUGGESTIONS FOR FURTHER IMPROVEMENT AND PROVISION OF INCLUSION OF SOCIALLY/ECONOMICALLY VULNERABLE CATEGORIES OF CITIZENS:

- ✓ In terms of socially/economically vulnerable categories of citizens, priority should be given to subsidies with long-term effects in order to provide a sustainable support system.
 - ✓ To enhance the inclusion of the socially/economically vulnerable categories of citizens in the future subsidy measures at the central and local level.
 - ✓ The new models would be effective only if they include a full compensation of the costs for their implementation when it comes to socially/economically vulnerable categories of citizens because that is the only way to attract them to apply for such measures. The principle of reimbursement is not suitable for these categories of citizens.
 - ✓ To include energy controllers who could advise the citizens about which measures can ensure the most appropriate improvement of energy efficiency.
 - ✓ To provide a system for evaluation of the needs in the homes, and to perform an energy assessment in order to rank needs in the homes.
 - ✓ To simplify the application procedures, so that the socially/economically vulnerable categories of citizens can be included, as they are citizens often deterred from submitting an application for subsidies because they do not have adequate information.
 - ✓ To improve the communication between all the involved institutions. To increase the level of awareness of the socially/economically vulnerable categories of citizens. Very often the information about these measures does not reach the vulnerable categories of citizens. To provide appropriate channels through which they will be directly informed about current calls and future opportunities.
 - ✓ Establishment of a platform with a database of all previous, current and future subsidy announcements. A single portal would provide citizens with more information and greater visibility in terms of subsidy measures.
 - ✓ Accepting a common position of the political structure regarding the issue of improving energy efficiency.
 - ✓ An opportunity to establish a special Energy Efficiency Fund that will offer favourable conditions to all citizens for funds for enhancing energy efficiency in their homes.
 - ✓ To approve larger budgets for the implementation of subsidy measures. Many citizens are left out due to the fact that the budgets for the measures are not projected to meet the real needs.
 - ✓ Providing an appropriate control system. Past calls have exposed practices where abuses are committed by citizens. It is therefore necessary to provide a system of continuous control over whether the appliances and funds from the subsidies are used properly.
- The aforementioned challenges and recommendations were expressed by people employed in institutions that contribute to the implementation of the subsidy measures at a workshop held on 25 November 2020. The views expressed by the participants largely confirm the challenges and weaknesses of the existing models detected in the study and provide significant input in the process of developing new subsidy models.

4. COMPARATIVE ANALYSIS OF DIFFERENT SUBSIDY MODELS IN THE REGION AND IN THE EU

In the following section, an overview of experiences and practices of established subsidy models will be given. A detailed and descriptive review of good practices and experiences from countries in the region, primarily Croatia and Slovenia, will be given first. Drawing on positive experiences from these countries is important, due to the similarities that they have with the Republic of North Macedonia in terms of demographic, geographic and historical aspects, as well as in accepting goals related to promoting economic development, improving the living conditions of their citizens, improving energy efficiency, and improving the environment. Besides these two countries from the region, a more detailed analysis is given on the subsidy models in Austria and Great Britain. At the end of this section in short and tabular view some practices from other EU countries that are related to subsidies for achieving energy efficiency/environmental protection are shown.

What is most important to emphasize is that most of the countries (especially the developed European countries), in creating their subsidy programs, provide funds for all (most) of the subsidy applicants, specifically when it comes to socially/economically vulnerable categories of citizens, and a relevant area, such as achieving energy efficiency and environmental improvement. That is why some of them do not clearly specify the principle (whether it is 'first come, first served' or another principle), but rather announce their calls in which they present the criteria that need to be met and the method of application. Once enough applications come in the call is closed, but if needed and according to the priorities, it can be reannounced.

4.1. Good practices and experiences from Croatia

Субвенциите поврзани со заштитата на животната In the Republic of Croatia, the subsidies related to environmental protection, sustainable energy and development of renewable energy sources, are governed by the Fund for Environmental Protection and Energy Efficiency.

Regarding the purpose of the subsidies, they are divided into several different programs depending on the subsidy subject, i.e. the subsidized activity:

- Energy efficiency of residential (family houses and buildings) and non-residential buildings;
- Renewable energy resources;

- Encouragement of energy efficiency in transport and traffic;
- Handling different types of waste.

The energy efficiency program for residential and non-residential buildings, intended for individuals, includes multiple calls referring to different activities:

- Thermal insulation and renewal of façades, walls, roofs and floors;
- Replacement of entrance doors and windows;
- Installation of solar water heaters;
- Installation of pellet stoves;
- Installation of heat pumps;
- Installation of photovoltaic systems.

The Program for energy renovation for family homes was proven to be the most successful of all the programs for individuals. The program is divided into two frameworks. The first framework includes a Program that covers all the citizens of the Republic of Croatia, and it is usually implemented on a 'first come, first served' basis. The second framework includes the Program for socially vulnerable categories of citizens and sets additional criteria.¹⁴

In the first step of the Program for Socially Vulnerable Groups of Citizens, the Ministry of Construction and Spatial Planning (MCSP) informs the Ministry of Demography, Family, Youth and Social Policy (MDFYSP) that a Program for Socially Vulnerable Groups of Citizens at Risk of Energy Poverty is being launched. MCSP gathers all the information required for this group of citizens to be informed about the possibilities for energy renovation. Based on this, MDFYSP sends a notification and instructions to all social protection centres for the purpose of initiating a public call for socially/economically vulnerable groups of citizens, instructing them to forward the received information to the users of the social service who meet the criteria. Social workers in the centres then prepare recommendations according to predetermined social criteria, such as:

- Three or more children in the household;

¹⁴ https://www.fzoeu.hr/hr/energetska_ucinkovitost/enu_u_zgradarstvu/energetska_obnova_obiteljskih_kuca/

- Number of children with developmental disabilities and persons with disabilities in the household;
- Number of elderly persons in the household;
- Victims of domestic violence in the household.

MCSP promotes the Energy Renovation Program for family homes of vulnerable categories of citizens through its usual channels of communication, such as: conferences and press releases, participation in informative and educational TV and radio shows, dissemination of information through social networks, etc. These activities include the Fund for Environmental Protection and Energy Efficiency (FEPEE), the Ministry of Economy, and the Ministry of Regional Development and EU Funds.

FEPEE then conducts a public call for energy controllers (consultants). The purpose of this call is to create a list of energy controllers who under the prescribed conditions will provide the necessary technical assistance to the citizens at risk of energy poverty who want to apply to the call. The selected energy certifiers will assist applicants throughout the process of energy renovation. Energy controllers will be divided into the different geographical areas they will operate in. A total of four regions are planned within the call.

FEPEE, in collaboration with MCSP and MDFYSP, organizes workshops for social workers in all Municipalities, with the aim of informing them in detail about the program and enabling transfer of information about the program to the users of social services, including information about the energy certifiers that will be at their disposal.

After the previously explained activities are finished, FEPEE and MCSP on their websites and social networks publish an announcement for a public call at least 15 days prior to its official announcement. The same information is sent to the electronic media.

In the second step, the public call for non-refundable funds is implemented. The public call is announced by FEPEE and is open until the end of the calendar year or until the funds are exhausted. The energy controllers come to the social work centres in the Municipalities where there are applicants. Next, they are directed to applicants who meet the minimum requirements in order to provide them with the necessary technical assistance. They also review the documents for ownership of the facilities, and if everything is in order, they provide them with energy certificates and assist them in preparing the remaining documentation.

The required documentation includes:

- A Report for performed energy inspection and assessment, and an energy certificate, together with a detailed offer for equipment and work that will need to be done according to the inspection;
- Photographs of the present condition of the building;
- Proof of residence, ownership, and legality of the building;
- Recommendations from the competent social protection centre.

The third step includes performing the work and compensation. At this stage, the energy controllers help the users to select the right contractor and equipment, as well as to arrange and oversee the work. After the contractor completes the work agreed on, the energy certifier conducts a final energy inspection, which includes the issuance of an energy certificate after the renovation. The deadline for payment is up to 24 months from the date of the contract.

4.2. Good practices and experiences from Slovenia

Slovenia implements most of its subsidies through Eko Sklad – Public Fund for Environmental Protection, managed by the Ministry of Environment and Spatial Planning.

Eko Sklad implements the following programs:

- Loans for legal entities;
- Loans for individuals (households);
- Grants for individuals (households);
- Grants for legal entities;
- Grants for Municipalities.

In terms of households, Eko Sklad provides subsidies and favourable loans for different types of investments. Generally, the investments are divided into 9 types:

- Heating and ventilation;
- Thermal insulation and windows;

- Vehicles;
- Energy self-sustainability;
- Purchase, construction or renovation of residential buildings;
- Replacement of pipes and linings;
- Water;
- Waste;
- Energy-efficient household appliances.

The following table provides a brief summary for most of the programs that address air pollution and their criteria.

Table 2: Air pollution reduction subsidies in Slovenia

Type of investment	Financial model of subsidy	Co-financing rate (%)	Amount of co-finance (eur)	Conditions
HEATING AND VENTILATION				
Installation of pellet stoves	Grant for individual investments in central heating with a pellet stove.	20% to 60%	2.000 up to 5.000 eur	Application is submitted after the investment is done.
	Grant for joint investment for renovation of a common room in which the central heating boiler is located	Up to 25%	/	Application is submitted prior to making the investment.
	Loan for individual investments	/	Min 1.500 eur	Interest rate of 1.3% and return period of 10 years.
	Grant for users of social assistance and child allowance	100% of the amount	/	Application is submitted prior to the beginning of construction and prior to appliance purchase.
Heating optimization in multi-family buildings	Grant	Up to 20%	Up to 40 eur per radiator	Application is submitted prior to the beginning of construction.
Installation of gas condensing boilers for water heating	Grant for individual investment in upgrading of boilers to seasonal energy efficiency class A+	Up to 25%	Up to 2.000 eur	Application is submitted prior to making the investment.
	Grant for joint investment for replacement of old heating boiler	до 25%	/	Application is submitted prior to the work being performed.
	Loan for individual investments	/	Min 1.500 eur	Interest rate of 1.3% (first 3 months by EURIBOR) and return period of 10 years.
Connection to the local heating network (heating)	Grant for individual investments in installation of heating station	Up to 50%	Max 3.000 eur	Application is submitted after the investment is done.
	Grant for joint investment in household building	Up to 25%	/	Application is submitted prior to the work being performed.
	Loan for individual investments	/	Min 1.500 eur	Interest rate of 1.3% (first 3 months by EURIBOR) and return period of 10 years.
Installation of ventilation systems for heat recovery	Grant for individual investments in installation of central or local ventilation system	Up to 20%	Max 2.000 eur	Application is submitted after the investment is done.
	Grant for joint investment in household building	Up to 30%	/	Application is submitted prior to the work being performed.
	Loan for individual investments	/	Min 1.500 eur	Interest rate of 1.3% (first 3 months by EURIBOR) and return period of 10 years.
Solar heating system	Grant for individual investments in installation of central solar heating system	Up to 30%	Max 300 eur/m2	Application is submitted after the investment is done.
	Grant for socially vulnerable families for replacement of old boilers with solar systems	100%	/	Application is submitted prior to the work being performed.
	Loan for individual investments	/	Min 1.500 eur	Interest rate of 1.3% (first 3 months by EURIBOR) and return period of 10 years.

Type of investment	Financial model of subsidy	Co-financing rate (%)	Amount of co-finance (eur)	Conditions
Heat pumps	Grant for individual investment in installation of central system for heating	20% up to 50%	2000 up to 5000 eur	Application is submitted after the investment is done
	Grant for joint investment in household building, for replacement of old central heating station	Up to 25%	/	Application is submitted prior to the work being performed.
	Loan for individual investment for local pumps for water heating	/	Min 1.500 eur	Interest rate of 1.3% (first 3 months by EURIBOR) and return period of 10 years.
	Loan for individual investment in central heating	/	Min 1.500 eur	
	Grant for socially vulnerable families for replacement of old water boilers	100%	/	Application is submitted prior to the work being performed.
THERMAL INSULATION AND WINDOWS				
Replacement of entrance doors and windows	Grant for individual investment in replacement of old windows with new wooden windows in old buildings	Up to 20%	Up to 150 eur/m2 per replaced window	Application is submitted after the investment is done.
	Grant for individual investment in replacement of old entrance doors			Interest rate of 1.3% (first 3 months by EURIBOR) and return period of 10 years.
	Grant for socially vulnerable families for replacement of existing windows	100%		Application is submitted after the investment is done.
Improvement of the insulation of the basement and floors	Grant for individual investment in old building	Up to 20%	Up to 12 eur/m2 for thermal insulation	Application is submitted after the investment. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.28.
	Grant for joint investment in household building	Up to 20%	Up to 12 eur/m2 for thermal insulation	Application is submitted prior to the investment. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.28.
	Loan for individual investments			Interest rate of 1.3% (first 3 months by EURIBOR) and return period of 10 years. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.3.
Improvement of roof insulation	Grant for individual investment for old building	Up to 20%	Up to 12 eur/m2 for thermal insulation	Application is submitted after the investment. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.14.
	Grant for joint investment in household building	Up to 20%	Up to 16 eur/m2 for thermal insulation	Application is submitted prior to the investment. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.14.
	Loan for individual investments	/	/	Interest rate of 1.3% (first 3 months by EURIBOR) and return period of 10 years. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.18.
	Grant for socially vulnerable families	100%	/	Application is submitted prior to the investment. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.2.

Type of investment	Financial model of subsidy	Co-financing rate (%)	Amount of co-finance (eur)	Conditions
Improvement of façade insulation	Grant for individual investment in household building	Up to 20%	Up to 12 eur/m ² for thermal insulation	Application is submitted after the investment. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.23.
	Grant for joint investment in household building	Up to 20%	Max to 16 eur/m ² for thermal insulation	Application is submitted prior to the investment. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.23.
	Loan for individual investments		/	Interest rate of 1.3% (first 3 months by EURIBOR) and return period of 10 years. The ratio between the thermal conductivity and the thickness of the material should not exceed 0.28.
	Grant for socially vulnerable families	100%	/	Application is submitted after the investment is done.

Renovation of façades

In July 2020, Eko Sklad announced a pilot call to subsidize the renovation of façades, thermal insulation improvement, solar panels for water heating, and heat pumps. The project, called Program ZERO500, is intended exclusively for 500 low-income households. Applicants can apply for grants up to 9.620 euros or 100% cost coverage including VAT. The pilot project is scheduled to last until December 31, 2020 or until the funds are exhausted, and is scheduled to continue in several more stages until 2023. Funds for this project were provided through the EU Cohesion Fund.¹⁵

Owners and co-owners of homes with a registered home address can apply for funds from the project. Also, the applicants should be recipients of social assistance for at least 9 months prior to applying, and the homes should be single-room or double-room and built before 1968. People can also apply for a grant for legalized house extensions.

Eko Sklad will sign the contracts directly with the investors and the contractors for the works to be performed. The amount of payment will be determined according to the contract or the pre-invoice for the performed works. Additionally, the program will include energy consultants from the public energy advisory network Ensvet (also a part of Eko Sklad), whose task will be to provide all the necessary information to citizens about the possibilities of this program throughout the entire process.

Citizens receiving social assistance can register and complete their application with the assistance of a social worker at their nearest social work centre. They receive the application form from the energy advisor from the public energy advisory network Ensvet, who makes free visits to every family from socially vulnerable categories. During the visit, the energy consultant performs measurements and calculations, on the basis of which they advise family members on how to generally reduce electricity and water costs. Additionally, the consultants can install for families free of charge a package of simple appliances, which would reduce the consumption of electricity (LED lights, window reinforcement, etc.). This would reduce the costs by 100 euros per annum.

The program also has extensive media support from the National Television of Slovenia through a dedicated TV show for promotion of reduction of energy poverty and promotion of the program.¹⁶

¹⁵ <https://balkangreenenergynews.com/slovenia-helping-to-bring-households-out-of-energy-poverty-with-eu-grants/> <https://www.ekosklad.si/prebivalstvo/novica/na-eko-skladu-spodbude-za-reevanje-energetske-revine>

¹⁶ <https://www.ekosklad.si/prebivalstvo/pridobite-spodbudo/zmanjsevanje-energetske-revsine>

4.3. Good practices and experiences from Great Britain

Subsidies related to energy efficiency and emission reduction in Great Britain are under the authority of Ofgem (Office of Gas and Electricity Markets). Ofgem is an intergovernmental body that regulates the monopoly of companies that operate gas and electricity networks, by controlling energy prices and protecting the interests of consumers. Ofgem is also responsible for adhering to energy-related environmental standards for individuals, companies and industrial facilities.¹⁷ The “Energy Company Obligation – ECO” is an Energy Efficiency Program of the Government, with the primary aim to help socially vulnerable groups of citizens overcome energy poverty, and to help the state reduce emissions of pollutants.¹⁸

According to ECO, medium and large energy companies have an obligation to finance the incorporation of energy-efficiency measures in homes across Great Britain. For each of the committed energy suppliers, there is a specific goal to be achieved based on the company’s share in the domestic energy market. The most important part of the ECO program is the “Home Heating Cost Reduction Obligation (HHCRO)”. This obligation requires companies that are obliged energy suppliers to cooperate with appropriate contractors to install certain efficiency measures in homes, such as thermal insulation or heating.

Criteria (if the applicant is a user of at least one of the following benefits and fulfils the relevant requirements for personal income):¹⁹

- Narrower group of users of “Warm Home Discount Scheme” from its 9th year of functioning until now;
- Members of the army and war veterans – users of additional financial assistance from the army;
- The elderly, the frail, or the elderly with physical or mental problems, users of additional assistance;
- Users of additional assistance, care-givers of the elderly, the frail, or the elderly with physical or mental problems;

- Beneficiaries of child support (for families with a total income not exceeding a certain limit);
- Registered labour or war invalids;
- Beneficiaries of financial support for children or adults with disabilities;
- Persons who are already users or were entitled to retirement loans;
- Beneficiaries of additional financial assistance for persons who are unable to fully perform their job responsibilities due to some kind of physical limitation and illness;
- Recipients of temporarily unemployed person benefits;
- Recipients of benefits for low-income persons or persons who are prevented to actively search for a job;
- Recipients of benefits for people with chronic illness or severe disability who are completely prevented from performing job responsibilities;
- Recipients of universal social assistance.

If the applicant lives in social housing, which according to the Energy Performance Certificate (EPC) belongs to the lower categories of D, E, F or G, they are also an eligible candidate for the program. In addition, local municipal authorities have the right to recommend certain citizens who live in the areas under their jurisdiction, directly to the Obligated Energy Suppliers, and the latter must provide support in accordance with the program.

According to the program, an additional mechanism exists, according to which if at least two thirds of the households in one settlement used one of the two measures for thermal insulation or improvement of the heating method, then the other households can use the same benefit without meeting the application criteria.

To be able to apply for the program, the potential candidate should be the owner of the home (owner-occupant) or have written approval from the owner of the property that they live in. Citizens can use the benefits of the program no matter if they are energy users from one of the obliged energy suppliers or not. All the construction firms should be certified, accredited, i.e. registered in the competent state institution. Potential applicants apply for the program online in two steps: registration, and filling in an application form.

¹⁷ <https://www.gov.uk/government/organisations/ofgem>

¹⁸ <https://www.ofgem.gov.uk/environmental-programmes/eco/support-improving-your-home>.

¹⁹ <https://www.legislation.gov.uk/ukdsi/2018/9780111171769/schedule/2>

Green Homes Grant

The “**Green Homes Grant – GHG**” is another way of subsidizing offered by the British Government. It is a government grant to help households in England to implement energy-efficient improvements of their home heating, with the aim of reducing greenhouse gas emissions. This grant is not implemented by Ofgem, but is under the jurisdiction of the Department of Business, Energy and Industrial Strategy. The grant is issued in the form of a voucher covering up to two-thirds or a maximum of 5.000 pounds sterling of the total cost of installing better thermal insulation or a more economical and environmental-friendly energy source. If the applicant or a family member of the applicant is a beneficiary of some type of government social assistance, the applicant has the right to apply for full coverage of the costs or a maximum of 10.000 pounds sterling.²⁰ The citizens can apply for this grant if they fulfil the following criteria:

- To be an English citizen;
- To be an owner of their home (including the home owners with current loan and co-ownership);
- Or to have a temporary mobile home in an area designated for housing (applies to certain Roma families without permanent residence and nomads);
- The grant is not available for newly-constructed homes that have not been occupied before.

Citizens who are beneficiaries of the Green Home Grant are not allowed to apply for the same matter for which they have previously applied through ECO, but can still apply for both subsidies if they refer to different measures.²¹

Green Homes Grant Local Authority Delivery Scheme

About 500 million pounds sterling of the total dedicated 2 billion pounds sterling for 2020 will be allocated to local authorities’ accounts through the Local Authority Delivery (LAD) model. This model has been introduced by the government in order to increase the coverage of low-income families in subsidizing energy efficiency of homes, reducing energy poverty, and approaching the government target for complete elimination of fossil fuels from use by 2050.

The target group of this action will be homes with a rating of E, F and G in the Certificate for Energy Performance, including homes that are outside the gas network.

The basic application criterion is for the applying household to have a total annual gross income of no more than 30.000 pounds sterling, excluding household costs. The model also allows Municipalities to create their own alternative methodologies that will show that the targeted households have low income or are energy poor. Alternative methodologies may include households that exceed the maximum permitted annual income of 30.000 pounds sterling if the home is located in areas where housing costs are above average, which means that after paying the housing costs, the household income may be less than 20.000 pounds sterling. Additionally, alternative methodologies may also include large families.

Subsidy model for installation of home heating on renewable energy sources (Domestic Renewable Heat Incentive – RHI)

The Domestic Renewable Heat Incentive model is strictly aimed for installation of new equipment for heating on renewable sources. The basic application criteria for this program is for all parts of the heating system that emit heat to be new, i.e. they cannot have been used prior to their introduction into the market, with the exception of certain parts.

The citizens can use both the subsidy for installation of home heating on renewable sources and the “Green Home Grant” in the same period, combined, provided that they first use the Green Home Grant, and then inform Ofgem that they have used it when applying for the RHI subsidy. The amount given for the Green Home Grant will then be deducted from the total amount awarded for the RHI subsidy.

²⁰ <https://www.gov.uk/guidance/apply-for-the-green-homes-grant-scheme>

²¹ <https://www.gov.uk/government/publications/green-homes-grant-local-authority-delivery-scheme-entering-a-bid>

4.4. Good practices and experiences from Austria

Austria puts special focus on environmental subsidies due to the fact that this issue is set as one of the key national priorities. Austria is therefore among the world leaders in ecological construction and environmental technology.²² Austria provides environmental subsidies at national, regional and local levels through the Climate and Energy Fund.²³

With its subsidies and initiatives, the Climate and Energy Fund supports the federal government in the implementation of its climate and energy goals, set within the Integrated National Energy and Climate Plan, and with its pioneering programs leads the energy and mobility transition in Austria and raises awareness of environmental issues in the public. The aim is to achieve an economy and society with zero emission of CO₂, strengthen the innovation power of local companies, and sustainably use the regional resources. The Climate and Energy Fund has developed around 111 different financing programs since its foundation in 2007. Since its establishment, the Climate and Energy Fund has financed projects in the amount of 1.4 billion euros.

Types of subsidies

Subsidies for environmental protection in Austria are available to legal entities and individuals in the following categories:

- Soil pollution;
- Energy;
- Transport;
- Research and innovation;
- Buildings;
- Green finance;
- Light;
- Air, noise, waste;
- Transport management;

- Electric energy;
- Heat;
- Water.

Subsidies for environmental protection **for individuals are available in the following categories:**

- Soil pollution - rehabilitation of contaminated sites;
- Conversion of old vehicles to eco-power or purchase of new, electric cars:
 - Campaign for promotion of electrical mobility of individuals;
- Electric energy:
 - Replacement of oil heating in homes in private single- and double-bedroom houses;
 - Renovation of private homes;
 - Photovoltaics;
 - Transfer from wood heating;
 - Solar systems;
 - Solar house projects.

Application procedure

All application calls usually include 2 steps:

The registration (step 1) is done exclusively online, via the webpage of the Climate and Energy Fund www.klimafonds.gv.at, until the exhaustion of budget funds and/or the due date.

After the registration, the funds are reserved for the applied subsidy. For confirmation, via e-mail, each registered user receives an individual link for submission of the application on the dedicated online platform. The link is active for 12 weeks from the registration date. Upon registration, it is confirmed that the subsidized item can be acquired and invoiced.

The application (step 2) is possible only after the purchase of the subsidized item. After it is purchased, the following documents are attached in the application:

²² https://ec.europa.eu/environment/ecoap/sites/ecoap_stayconnected/files/field/field-country-files/eio_country_profile_2018-2019_austria.pdf

²³ <https://www.klimafonds.gv.at/>

- A completed form;
- All receipts for the subsidized item/project;
- Applicant registration form;
- The subsidized item/project must be fully installed and invoiced at the time of application. The application must be submitted no later than 12 weeks following the registration on the online platform.

For environmental subsidies for individuals the **‘first come, first served’** model is used. None of the calls provides special conditions for low income citizens or vulnerable groups of citizens.

Rural development subsidies

A part of the subsidies that are awarded as part from Austrian program for rural development from 2014 to 2020, is the “Organic agriculture” measure and financing of investments of organic farmers. Within this measure, when subsidies are awarded, criteria for environmental protection are included, as well as social criteria, in terms of the status of farmers and the amount of their income.²⁴

Subsidized projects are assessed and selected using a universal scheme at the national level, and a certain minimum number of points must be received to be eligible for funding. Each project must reach the minimum threshold depending on the assessment area. The following criteria are taken into account for evaluation:

- General criteria, which, among other things, refer to aspects of business management and project quality;
- Specific criteria, which, among other things, include the aspects of innovation potential, emission reduction and avoidance, animal welfare, animal health, preservation of resources and the environment, protection of crops, and improvement of production and working conditions.

Additionally, these grants can be combined with assistance measures for young farmers, low-income mountain farmers, and organic farms. The combination of the investment grant and the assistance measures is limited to 35%. However, with a combination of these measures, additional support is given to these categories

of citizens, compared to other applicants.²⁵ Additionally, within the instrument itself, special quotas have been set for each of the vulnerable categories:

- 5% for young farmers;
- 5% for mountain farmers with low incomes;
- 5% for organic farms.

4.5. Positive examples and practices of subsidy models and programs from EU member states

The table below presents several examples of subsidy models and programs from EU member states.²⁶

²⁴ <https://www.lko.at/investitionsf%C3%B6rderung-%C3%A4nderungen-f%C3%BCr-biolandwirte+2500+2469348>

²⁵ <https://www.lko.at/investitionsf%C3%B6rderung-%C3%A4nderungen-f%C3%BCr-biolandwirte+2500+2469348>

²⁶ <https://www.odyssee-mure.eu/publications/efficiency-trends-policies-profiles/>

Table 3: Tabular presentation of research results for positive examples and practices for subsidy models and programs from EU member states

COUNTRY	SUBSIDY MODEL GENERAL CRITERIA
 Germany	<ul style="list-style-type: none"> • Subsidy model – Energy consulting for renovation of buildings: The Ministry of Economy offers free access to the database of energy consultants. The citizen can apply for this type of service, after which the consultant arrives on the spot, performs a complete analysis of the building and gives advice to the user on the best and most cost-effective way to perform the home renovation in order to save energy. • General criteria – The database is open and accessible for all individuals and legal entities.
 Lithuania	<ul style="list-style-type: none"> • Subsidy model – Within the Special Climate Change Program the Lithuanian Government provides subsidies for home renovation, replacement of thermal insulation and heating on renewable energy sources. This program is divided into 2 sub-programs: Modernization of houses, and Use of renewable energy sources in individual houses. • Subsidies of 1.000 euros for replacement of vehicles with a high level of CO2 emission with new vehicles with lower emission. These subsidies are managed by the Special Climate Change Program and the Agency for Project Management in the field of environmental protection.²⁸ • General criteria – The group of interest for such type of subsidies are home-owners. Possession of Class M1 vehicle registered at least 12 months prior to the start of the subsidy. Also, the vehicle must be handed over and registered for destruction.
 Ireland	<ul style="list-style-type: none"> • Subsidy model – The Better Energy Homes Program governed by the National Sustainable Energy Authority of Ireland (NSEAI) provides different types of subsidies for improvement of energy efficiency and reduction of household energy consumption. Five different types of categories for subsidies are offered in the form of single grants: Thermal insulation, Heat pump systems, Smart heating control systems, Solar water heaters, and Solar electricity systems.²⁹ • General criteria – All owners of houses and buildings whose homes were built and occupied before 2006 can apply for this subsidy program. Owners of homes built after 2006 can apply if the premises fulfil the construction regulations of 2003 and do not require significant interventions. The age of the building is defined according to the time the electricity meter was installed. Socially vulnerable groups of low-income citizens who are beneficiaries of social assistance can receive full cost recovery.
 France	<ul style="list-style-type: none"> • Subsidy model – The Prêt à taux zéro (PTZ) or Program for Zero Interest Loans was enacted as part of France's Public Finance Act in 2011. • The aim of this program is to help people buy or build their first energy-efficient home.⁵ • General criteria – The house or apartment that would be purchased should be in accordance with the standards for thermal regulation RT 2012 or be qualified for the category of "low energy consumption facility". The aim of PTZ is for building or purchasing a house or an apartment, even though, under specific conditions, the program allows the loan to also be used for purchase of land which apartments for socially vulnerable categories would be built on, under preferential prices. • In order to apply, the applicant must not exceed the amount of their income with the loan. • The applicant must not own a home for at least 2 years prior to applying. The amount of the loan is dependent on the location of the home which has been applied for. The loan can be supplemented with other loans, such as the Social Housing Loan.
 Estonia	<ul style="list-style-type: none"> • Subsidy model – The National Housing Sector Development Plan is a program for support of renovation of residential buildings in Estonia in order to increase the energy efficiency of buildings. This program, implemented jointly by the Estonian Ministry of Economy and Communications and the KredEx Foundation, provides favourable loans for renovations or reparations, designed specifically for house councils. An additional factor in this measure is the income tax relief of tenants in the amount of the interest for the loan taken out.^{31, 32} • General criteria – This measure is available for house councils in residential buildings in Estonia built before 1990.

²⁷ <https://am.lv/en/news/the-compensation-allowance-payment-for-less-polluting-cars-has-already-entered-into-force>

²⁸ <https://www.seai.ie/grants/home-energy-grants/>

²⁹ <https://www.service-public.fr/particuliers/vosdroits/F10871>

³⁰ https://publications.europa.eu/resource/cellar/1b4ee7ab-15d6-11e7-808e-01aa75ed71a1.0001.03/DOC_1

³¹ https://www.mkm.ee/sites/default/files/ndpes_2030_eng.pdf

5. New (proposed) types of subsidies

The previously stated conclusions from the analysis served as a basis for designing a framework of conclusions and recommendations that can contribute in two directions:

- **Improvement of the existing models/types of subsidies for air pollution, especially in the direction of greater inclusion of socially/economically vulnerable categories of citizens;**
- **Proposals for new subsidy models/types, procedures and processes aimed at enhancing energy efficiency/environmental protection with a special focus on socially/economically vulnerable categories of citizens.**

From the aforementioned approaches in the selected countries, several conclusions can be drawn and suggestions can be made that are applicable to any of the below-mentioned subsidy models. These recommendations aim to facilitate the application process of interested candidates and to provide them with easier access to the provided funds for subsidies.

- **Creation of a single platform for all calls and where applications can be filled in for all environment-related subsidy calls.** The practice so far has been such that each institution that implements the measure publishes subsidy calls only on its own website. In order for the interested citizens to have full insight into all public (current and past) announcements, the recommendation is to create a platform where this data will be available. In the absence of a system where subsidies are provided by one body (such as the case in Slovenia and Croatia), we believe that a such a platform would be of extreme importance.
- **Implementation of a system that will provide better communication and coordination between all stakeholders** (Ministries, social care centres, PRO).
- For the measures that refer to the socially/economically vulnerable categories of citizens, it is necessary to provide **free consulting by energy controllers who, under prescribed conditions, will provide the necessary technical assistance to citizens at risk** of energy poverty who want to apply for calls. The purpose of the energy controllers will be to assist applicants in the whole process of energy renovation.

- **Possibility for combining multiple instruments for greater support of the vulnerable categories.** In this sense the energy controllers would play a significant role because they would help, through appropriate assessment, the vulnerable categories of citizens to apply to compatible subsidy calls, which will further improve the energy efficiency. The combining of measures would be performed in such a way that would achieve the highest energy efficiency.
- Determining an obligation or opportunity for large energy companies, as well as importers, representatives of companies operating in areas where subsidies are granted, to participate and subsidize socially/economically vulnerable categories of citizens within their strategies for Corporate Social Responsibility (SCR). This can be ensured by giving incentives to companies that choose to participate by providing appropriate tax exemptions.

As a conclusion from all the analyses, Table 4 presents the recommendations for new types of subsidies; of course some of the proposed types, criteria and steps can be changed and supplemented according to the priorities and capacities of the creators/implementers of subsidy policies. In regard to the enlisted measures, the prioritizing will depend on the needs of the citizens. Some of the proposed measures aim at ensuring short-term energy efficiency improvements (for example installation of energy-efficient appliances or energy-efficient light bulbs), whereas some of the measures aim at ensuring long-term energy efficiency improvements (for example roof insulation, façade insulation). It is indisputable that in order to determine the priorities, it is necessary to conduct field research which will facilitate specific defining of the priorities in terms of measures. Within this activity section, the energy auditors could also play a significant role and they would be able to help in defining the key priorities. The reason behind this activity is that very often the citizens themselves are not able to identify the key priorities which would lead to increase in the energy efficiency level.

Table 4: Tabular presentation of the new types of subsidies

Implementation manner	Criteria	Required steps	Implementation risks
SUBSIDIES FOR HEAT PUMPS (CENTRAL LEVEL/LOCAL SELF-GOVERNMENT LEVEL)			
<ul style="list-style-type: none"> -Implementation via open public call. -50% of the total budget funds are intended for socially/economically vulnerable categories of citizens. For these categories of persons, the compensation is 100% of the incurred costs. -50% of the total budget funds are intended for the other citizens. The compensation for the other citizens is 50% of the costs up to 1.000 euros. -Active participation by institutions, a priori the announcement of the call in order to determine the true needs of socially/economically vulnerable categories of citizens, to prepare the citizen for the measure and the application procedure. -The 'first come, first served' principle within the two divisions; the principle of granting subsidies with an open call until exhaustion of funds with the possibility of occasional and complete suspension of the announcement/call on the basis of received applications. -The Ministry provides the pumps via a public procurement contract (framework agreement) and then the companies install the pumps with the citizens receiving subsidies. 	<ul style="list-style-type: none"> -Households with no access to central heating through the heating network system. -Households that heat up on wood/ wood-fired boilers. -Households with dilapidated heating systems (older than 20 years). -Low-income households will be considered: persons living in communities that for the previous calendar year earned a total annual net income not exceeding 360.000 denars, according to the records of the Public Revenue Office; categories of citizens according to Article 27 item 1, 5 and 6 of the Law on Social Protection and Articles 3 and 4 of the Law on Social Security of Elderly Citizens. 	<ul style="list-style-type: none"> -Including the measure in the Program of the Ministry of Economy; annual programs of Municipalities. -Providing budget funds for the implementation of the measures. -Taking measures for timely informing of socially/economically vulnerable categories of citizens. -Providing free consulting (by energy controllers) that will determine the actual situation in the field and will help determine the best approach in using the measure. -Training of representatives of all interested parties (the NGO sector, civil society associations, vulnerable categories of citizens, LSGU members, members of Ministries). -Implementation of a system for communication among all stakeholders (Ministries, social care centres, PRO). 	<ul style="list-style-type: none"> -Difficult application process due to non-cooperation between institutions. -Risk that people will not find out in time about the existence of the subsidy. -Need for training of staff within the Ministries/social care centres that would help people when applying.

Implementation manner	Criteria	Required steps	Implementation risks
SUBSIDIES FOR ENERGY-SAVING APPLIANCES (CENTRAL LEVEL/LOCAL SELF-GOVERNMENT LEVEL)			
<ul style="list-style-type: none"> -Implementation via public announcements. -The total budget funds are provided/intended for socially/economically vulnerable categories of citizens. -The compensation is 100% of the incurred costs. -The 'first come, first served' principle within the two divisions; the principle of granting subsidies with an open call until exhaustion of funds with the possibility of occasional and complete suspension of the announcement/call on the basis of received applications. -Energy-saving appliances will be basic household appliances in the energy efficiency class A+ or A++. -Refrigerators -Stoves -Washing machines -Boilers -The total budget can be proportionally divided among the selected types of household appliances, or another percentage division can be determined, depending on the established needs of socially/economically vulnerable categories of citizens. -Active participation by the institutions, a priori the announcement of the call in order to determine the true needs of the socially/economically vulnerable categories of citizens, to prepare the citizens for the measure and the application procedure. -The Ministry/LSGU acquires the appliances through a public procurement contract (framework agreement) and then the companies install them with the citizens receiving subsidies. 	<ul style="list-style-type: none"> -Households which do not own some of the household appliances. -Households that have dilapidated household appliances that are not energy-efficient. -Low-income households will be considered: persons living in communities that for the previous calendar year earned a total annual net income not exceeding 360.000 denars, according to the records of the Public Revenue Office; categories of citizens according to Article 27 item 1, 5 and 6 of the Law on Social Protection and Articles 3 and 4 of the Law on Social Security of Elderly Citizens. -Submission of a statement of consent for conducting control and supervision of whether the appliances are used by the applicants. 	<ul style="list-style-type: none"> -Including the measure in the Program of the Ministry of Economy; annual programs of Municipalities. -Providing budget funds for the implementation of the measures. -Providing free consulting (by energy controllers) that will determine the actual situation in the field and will help determine the best approach in using the measure. -Taking measures for timely informing of socially/economically vulnerable categories of citizens. -Training of representatives of all interested parties (the NGO sector, citizens'/civic associations, vulnerable categories of citizens, LSGU members, members of Ministries). -Implementation of a system for communication among all stakeholders (Ministries, social care centres, PRO). -Obligation or opportunity for part of the large energy companies to subsidize socially/economically vulnerable categories of citizens within their strategies for Corporate Social Responsibility (CSR). 	<ul style="list-style-type: none"> -Difficult application process due to non-cooperation between institutions. -Risk that people will not find out in time about the existence of the subsidy. -Need for training of staff within the Ministries/social care centres that would help people when applying. -Risk that later the appliances can be alienated by the applicants.

Implementation manner	Criteria	Required steps	Implementation risks
SUBSIDIES FOR ROOF INSTALLATION INSULATION (CENTRAL LEVEL)			
<ul style="list-style-type: none"> -Implementation via open public call. -70% of the total budget funds are intended for socially/economically vulnerable categories of citizens. For these categories of persons, the compensation is 100% of the incurred costs. -30% of the total budget funds are intended for the other/remaining citizens. The compensation for the other citizens is 30% of the costs up to 2.000 euros. -Active participation by institutions, a priori the announcement of the call in order to determine the true needs of socially/economically vulnerable categories of citizens, to prepare the citizen for the measure and the application procedure. -Principle of replacement in the households in greatest need. During the conducted assessment/evaluation, the companies will compile a list of points (according to a previously determined scoring criterion) whereby the households that will have a priority will be determined; principle of granting subsidies with an open call to exhaustion of funds with the possibility for occasional and complete suspension of the call on the basis of received applications. -The Ministry selects companies through a public procurement contract (framework agreement), and then the companies assess the need for replacement of the roof installation and implement the measure based on the performed analysis. -Establishment of a mechanism according to which if at least two thirds of the households in a settlement have used a measure for thermal insulation or for improvement of the heating method, then the rest of the households can use the same benefit without meeting the application criteria. 	<ul style="list-style-type: none"> -Households with dilapidated tiled roofs (older than 20 years). -Households that have asbestos roofs. -Households where it will be determined that the existing roof installation poses a danger to the life and health of household members. -Low-income households will be considered: persons living in communities that for the previous calendar year earned a total annual net income not exceeding 360.000 denars, according to the records of the Public Revenue Office; categories of citizens according to 27 item Article 1, 5 and 6 of the Law on Social Protection and Articles 3 and 4 of the Law on Social Security of Elderly Persons. -The application takes place in several stages. In the first phase, the interested citizens submit only a small part of the documents, which allows for a preliminary selection of the interested candidates. Then an initial evaluation of the submitted documentation is performed, which determines the eligibility of the candidates. -The entire required documentation is then submitted by the selected applicants in the next (second) phase, on the basis of which the scoring of the applicants is performed. 	<ul style="list-style-type: none"> -Setting the measure in the Program of the Ministry of Economy. -Provision of budget funds for implementation of the measures. -Taking measures for timely informing of socially/economically vulnerable categories of citizens. -Providing free consulting (by energy controllers) that will determine the actual situation in the field and will help determine the best approach in using the measure. -Training of representatives of all interested parties (the NGO sector, civil society associations, vulnerable categories of citizens, LSGU members, members of Ministries). -Implementation of a system for communication among all stakeholders (Ministries, social care centres, PRO). 	<ul style="list-style-type: none"> -Establishing criteria for assessment and ranking of applicants. -Difficult application process due to non-cooperation between institutions. -Risk that people will not find out in time about the existence of the subsidy. -Need for training of staff within the Ministries/social care centres that would help people when applying.

Implementation manner	Criteria	Required steps	Implementation risks
SUBSIDIES FOR FAÇADE INSULATION (CENTRAL LEVEL)			
<p>-Implementation via open public call.</p> <p>-70% of the total budget funds are intended for socially/economically vulnerable categories of citizens.</p> <p>-30% of the total budget funds are intended for the other/remaining citizens. The compensation for the other citizens is 30% of the costs up to 2.000 euros.</p> <p>-Active participation by institutions, a priori the announcement of the call in order to determine the true needs of socially/economically vulnerable categories of citizens, to prepare the citizen for the measure and the application procedure.</p> <p>-Principle of reparation in the households in greatest need. During the conducted assessment, the companies will compile a list of points (according to a previously determined scoring criterion) whereby the households that will have an priority will be determined; principle of granting subsidies with an open call to exhaustion of funds with the possibility for occasional and complete suspension of the call on the basis of received applications.</p> <p>-The Ministry selects companies through a public procurement contract (framework agreement) and then the companies assess the need for replacement of the façade and implement the measure based on the performed analysis.</p> <p>-Establishment of a mechanism according to which if at least two thirds of the households in a settlement have used a measure for thermal insulation or for improvement of the heating method, then the rest of the households can use the same benefit without meeting the application criteria.</p>	<p>-Households in greatest need for replacement of the current façade.</p> <p>-Low-income households will be considered: persons living in communities that for the previous calendar year earned a total annual net income not exceeding 360.000 denars, according to the records of the Public Revenue Office; categories of citizens according to Article 27 item 1, 5 and 6 of the Law on Social Protection and Articles 3 and 4 of the Law on Social Security of Elderly Citizens.</p> <p>-The application takes place in several stages. In the first phase, the interested citizens submit only a small part of the documents, which allows a preliminary selection of the interested candidates. Then an initial evaluation of the submitted documentation is performed, which determines the eligibility of the candidates.</p> <p>-The entire required documentation is then submitted by the selected applicants in the next (second) phase, on the basis of which the scoring of the applicants is performed.</p>	<p>-Including the measure in the Program of the Ministry of Economy.</p> <p>-Provision of budget funds for implementation of the measures.</p> <p>-Providing free consulting (by energy controllers) that will determine the actual situation in the field and will help determine the best approach in using the measure.</p> <p>-Taking measures for timely informing of socially/economically vulnerable categories of citizens.</p> <p>-Training of representatives of all interested parties (the NGO sector, civil society associations, vulnerable categories of citizens, LSGU members, members of Ministries).</p> <p>-Implementation of a system for communication among all stakeholders (Ministries, social care centres, PRO).</p> <p>-Obligation or opportunity for part of the large energy companies to subsidize socially/economically vulnerable categories of citizens within their strategies for Corporate Social Responsibility (CSR).</p>	<p>-Establishing criteria for assessment and ranking of applicants.</p> <p>-Difficult application process due to non-cooperation between institutions.</p> <p>-Risk that people will not find out in time about the existence of the subsidy.</p> <p>-Need for training of staff within the Ministries/social care centres that would help people when applying.</p>

Implementation manner	Criteria	Required steps	Implementation risks
SUBSIDIES FOR ENERGY-SAVING ELECTRIC LIGHT BULBS (CENTRAL LEVEL, LSGU) ANNOUNCED PROJECT OF THE MINISTRY OF ECONOMY			
<p>-Implementation via open public calls.</p> <p>- The total budget funds are provided/ intended for socially/economically vulnerable categories of citizens.</p> <p>-Active participation by institutions, a priori the announcement of the call in order to determine the true needs of socially/economically vulnerable categories of citizens, to prepare the citizen for the measure and the application procedure.</p> <p>-The 'first come, first served' principle within the two divisions; principle of granting subsidies with an open call until exhaustion of funds with the possibility of occasional and complete suspension of the announcement/call on the basis of received applications.</p> <p>-The Ministry/LSGU procures the light bulbs through a public procurement contract (framework agreement) and then the companies install them with the citizens receiving subsidies.</p>	<p>-Low-income households will be considered: persons living in communities that for the previous calendar year earned a total annual net income not exceeding 360.000 denars, according to the records of the Public Revenue Office; categories of citizens according to Article 27 item 1, 5 and 6 of the Law on Social Protection and Articles 3 and 4 of the Law on Social Security of Elderly Persons.</p>	<p>-Provision of budget funds for implementation of the measures / annual programs of Municipalities.</p> <p>-Taking measures for timely informing of socially/economically vulnerable categories of citizens.</p> <p>-Obligation or opportunity for part of the large energy companies to subsidize socially/economically vulnerable categories of citizens within their strategies for Corporate Social Responsibility (CSR).</p>	<p>-Risk that people will not find out/ learn in time about the existence of the subsidy.</p>
FUTURE POSSIBILITIES FOR SUBSIDIES (Measures that require a longer implementation period, more funds, and institutional infrastructure)			
<ul style="list-style-type: none"> • Internal insulation in existing objects; • Mezzanine floor insulation; • Gas condensing boilers for water heating; • Heat return ventilation systems; • Introduction of criteria for environmental and social aspects in the existing agriculture subsidies. 			

6. Potential challenges and recommendations related to the introduction of new subsidy models – Universal subsidy model with special reference to socially/economically vulnerable categories of citizens

It is noticeable that some basic steps have already been taken for inclusion of socially/economically vulnerable categories of citizens in the envisioned measures for environmental protection and improvement of energy efficiency. However, weaknesses and drawbacks were also detected in the existing model, which functions when general subsidy measures are implemented, but would be questionable in implementing measures aimed at socially/economically vulnerable categories of citizens.

A basic precondition for implementation of measures that aim to subsidize vulnerable categories of citizens is **to define socially/economically vulnerable categories of citizens. We consider that the categorization in section 3.1 of the document is the most suitable for a wider inclusion of the most vulnerable citizens. The two suggested alternatives are:**

- **Low-income households** - individuals living in union (family, marital/extra-marital union, and relatives living together and contributing to the common living) if in the previous calendar year all the members of the community together earned an annual net income not exceeding 360.000 denars, according to the records of the Public Revenue Office; and individuals that live alone (single household) if in the previous calendar year they earned an annual net income not exceeding 180.000 denars, according to the records of the Public Revenue Office.
- **Vulnerable categories of citizens** - this would include citizens that are recipients of benefits on the basis of Article 27 item 1, 5 and 6 of the LSP and Article 3 and 4 of the LSSEC.

Even though we consider that offering a single option for categorization of socially/economically vulnerable categories of citizens could lead to limitation of the scope for application of subsidy measures, still, as an alternative that would be most suitable for application we note the first alternative, i.e. the category of low-income households, where the categorization is based on earned income. Although as important as the first alternative, the definition provided in the second alternative is more technical. Additionally, the categories of citizens that are defined in the second alternative will mostly be included into the categorization

according to the first alternative, and only in this way they will need to provide one additional document themselves when applying (confirmation for earned income from the PRO).

Furthermore, for successful inclusion of the socially/economically vulnerable categories of citizens, **first it is essential that they are specified in the programs of the institutions** (central level - Ministries/level of local self-government - Municipalities) **because the programs are the starting point for the implementation of any measure.** More specific definitions of the categories were already provided in the previous section.

When it comes to measures for subsidizing socially/economically vulnerable categories of citizens, the need for inclusion of multiple institutions with authority over these categories of citizens naturally arises. Hence, **it is necessary to improve the communication between institutions. Better communication between institutions significantly facilitates the application process as well as the application review process by the authorities.** More specific suggestions for improvement were covered in the section of analysis of the subsidy process at the central and local level.

Additionally, it is essential to **project the budget that will be allocated to these categories of citizens**, i.e. the way the total projected funds for implementation of this measure will be allocated. Several alternatives can be used:

- **Alternative 1 - Percentage allocation of the total funds provided for subsidies** (e.g. 50% of the total funds for socially/economically vulnerable categories of citizens, and 50% for the rest of the citizens, 70%-30% ratio, or any other percentage ratio depending on calculated needs). A predefined percentage ratio can cause problems at the central level where the process of funds allocation is more complex, and consequently, if part of the funds remains unused, the redistribution procedure would be more complicated. At the local level this problem is relativized due to the simpler process of allocation of budget funds.
- **Alternative 2 - Allocation of funds in stages** (e.g. up to a given date socially/economically vulnerable categories of citizens apply, after which the total number of accepted applications is established,

and then for the remaining funds a new date for application is set for the rest of the citizens). A potential problem with this alternative is that the procedure would last longer because practically two procedures will have to be performed successively.

- **Alternative 3 – Total allocation of funds for socially/economically vulnerable categories of citizens.** This kind of allocation is applicable for certain subsidies that can only target the socially/economically vulnerable categories of citizens (e.g. replacement of electric household appliances, energy-saving light bulbs, etc.)

The next step is selection of a suitable **principle for allocation of the subsidies funds**. As already mentioned throughout the text, there are several principles according to which funds can be allocated. In the subsidy measures so far, the principle of ‘first come, first served’ was most often used. In addition, the methods of linear distribution of funds to all eligible applicants, and the principle of random selection via lottery have been used. We consider that the last two methods are completely incompatible, especially for subsidizing socially/economically vulnerable categories of citizens. **It is important to point out that the selected principle for funds allocation is also dependent on the type of the implemented measure. As suitable alternatives we propose the following:**

- **‘First come, first served’, which means acceptance of the general legal principle established in property law: first in time, stronger in right (Qui Prior Est Tempore, Potior Est Jure).** This principle is just because it gives equal access to all citizens. However, what should be emphasized here is that **this principle is not incompatible for granting subsidies for some categories of socially vulnerable persons or low-income persons as well.** In this case, this rule will apply within that category of citizens up to the amount of the budget determined for that category of citizens, just as it will apply within the category of ordinary citizens up to the amount of the determined budget.
- **A modified version of the ‘first come, first served’ principle is accepted in some EU countries, including Croatia and Slovenia.** According to this principle, **subsidy granting is done with an open call that lasts either until the end of the calendar year or until the funds are exhausted.** However, with this principle there is a **possibility for temporary and complete suspension of the call on the basis of received applications.** Thus, if applications are received

within a given period, which, provided they are fully and properly submitted, would exhaust the budget for implementation of the measures, there is a possibility to close the call with a notification until it is determined whether the funds are entirely used. If the funds are exhausted, the call is completely stopped, and if not, it is re-opened for the remaining funds. With this method the citizens have a certain insight into the situation regarding the exhaustion of funds, and are aware if there are still funds to be used up or the application would be in vain. Additionally, this method requires greater continuous engagement by the body implementing the measure.

- **Scoring principle. With this principle, the fulfilment of the conditions is divided into levels, where points are awarded for the fulfilment of each level.** At the end, all points for fulfilment of the conditions are added up and based on the points, the final ranking of the candidates is done. **Based on the rank, the funds are allocated. This principle is suitable for more complex measures (e.g. implementation of measures for façade installation, or for roof insulation or installation), where the priority for granting a subsidy will depend on determining the full picture of the candidates.** The scoring can address the fulfilment or different conditions depending on the type of the measure. This principle is more complicated because first it requires establishment of scoring criteria and then an appropriate method for assessment or awarding points. **With this approach, there is a dose of subjectivity from the person who performs the scoring.**

Although each distinct measure has its own characteristics and features that are explained in more details in the new proposed models, for the implementation of which it is necessary to take a different approach in terms of allocation of funds, still the ‘first come, first served’ principle is most objective. **This principle was successfully used in the previous calls for subsidies at the local and central level. This principle enables simpler administration of the received applications for the authorities, and there is no discrimination against applicants.**

Next, it is important to **inform the target citizens on time about the existence of the measures as well as about the conditions for applying and for exercising the right to a subsidy.** Most of the socially/economically vulnerable categories of citizens do not have timely information on public calls and therefore do not submit applications at all. Some of these persons do not have access to internet, and even for those that do, it is unrealistic to expect that they would purposefully open the sites where such calls are published. Thus,

it is necessary to improve the communication, i.e. establish channels through which they will be timely informed of the existence of measures.

- For socially/economically vulnerable categories of citizens, public calls for the measures can be published in visible places in institutes and institutions that they regularly or occasionally visit (e.g. centres for social work). The employees of these institutions can also inform these citizens about the existence of subsidy measures (even assist in applying).
- Socially/economically vulnerable categories of citizens could also be informed by non-governmental organizations which they are contact with and which are specialized and most prepared depending on the specifics of each group to access them (e.g. Helsinki Committee, Red Cross, etc.).
- Socially/economically vulnerable categories of citizens can be informed by associations and organizations for social justice or unions.

In addition to the fact that these categories of citizens are not familiar with the existence of subsidy measures, an additional problem is that many of those who are familiar have a problem or do not know how to prepare the application.

- **One way to enable greater inclusion is to simplify the application procedure.** Within this option, digitalization can be considered for the whole process and its simplification, by automatically checking some of the criteria related to the application – as a centralized option is inclusion in some of the existing electronic tools, such as uslugi.gov.mk, etc.
- An additional alternative is the introduction of **energy certifiers (controllors), who would assist citizens, both in identifying the primary needs in terms of improving energy efficiency, and in the process of their education and preparing applications for the given subsidies.**
- Another proposal is **organizing trainings for the categories of citizens for whom the measures are intended as well as for employees of organizations and institutions which they have contacts with, and these individuals would then provide assistance in applying.**
- **Appointing responsible persons within the institutions (e.g. in the social care centres, Municipalities, etc.) that implement measures to assist the applicants in applying.**

For a given implementation of a particular set of measures, it is possible for the **application to take place in several phases. In the first phase, interested citizens submit a small part of the required documents, thus a preliminary selection of interested candidates is made.** The whole required documentation is provided by the selected citizens in the next (second) phase. **The division of the application in phases that for procedures which by their nature create the need to submit more documents, has a stimulating and encouraging effect on applicants.** When it is required to submit fewer documents at the beginning, the motivation of the citizens to apply will be greater than when they know from the beginning that they will have to submit more documents, which may be a deterrent. Later, the very act of completing the first phase serves as a mechanism for validation of the effort of applicants, which acts as an additional encouraging incentive.

What's more, perhaps the biggest obstacle for inclusion of socially/economically vulnerable categories of citizens in the existing models is the fact that they are based on the **principle of reimbursement of funds, instead of providing the funds a priori.** The principle of reimbursement of funds a posteriori very often creates problems for ordinary citizens, while for the socially/economically vulnerable categories of citizens it practically presents an obstacle that is impossible to overcome. **Considering the fact that this is a category of citizens that are very often on the brink of existence and have insufficient funds to cover their current costs, it is unrealistic to expect them to acquire a product with their own finances and then wait for reimbursement of funds for a few months.** Thus it is necessary to create a model that will enable these categories of citizens to use the measures without having to spend money from their budget. Hence, there are **two alternatives** to achieve this:

- **To give the money to the persons whose application will be accepted so that they invest the money themselves in order to achieve the envisaged measure.** A direct provision of funds is problematic because it is difficult to further control the process, i.e. in such a situation there is a risk that the persons can be tempted to use the funds for another purpose instead for performing the given measure. Such a risk exists whenever the subsidy is to be received in money (regardless of whether the funds are provided a priori or a posteriori). Ultimately, if the funds are used for something else, the institutions will later be forced to initiate compensation procedures, which may put these categories of people in an even worse situation, and in the end the measure will have the exact opposite effect.

- **The institutions to procure the goods needed to carry out the measure, and then to give them to those persons whose application will be accepted.** In such a situation, the institution (local self-government units/Ministry) is obliged to perform all the procedures in order to procure the quantities of the subsidized goods. Such procedures are carried out in accordance with the Law on Public Procurement (LPP, Official Gazette of RNM No. 24/2019).³² **The implementation of public procurement procedures should not pose a problem for Municipalities or Ministries because as public sector institutions and budget users, they must have trained staff for conducting such procedures, hence there would be no need for additional training costs of the staff.** There are several modalities allowed by the Law on Public Procurement to conduct the procedure:
 - **Procedure for public procurement of goods**
 - by selecting the most favourable bidder in accordance with the Law on Public Procurement. This is the most classic procedure, where after a call published by the institution which will specify the type of goods (specification and quantity) for which a bidder is requested, bids will be collected, and in accordance with the legal norms and the conditions set in the call the most favourable offer will be selected. However, this method has several drawbacks:
 - The outcome of this type of procedure is that only one bidder is selected, which always leaves room for doubt in terms of the procedure itself and the selection criteria.
 - The Law on Public Procurement is set in such a way that when choosing the most favourable bidder, the price plays the biggest role, while the other characteristics of the goods are secondary.
 - There is no backup option if something happens to the selected bidder. If the bidder finds themselves in a difficult financial situation, a bankruptcy procedure is opened against them, or if they are unable to fulfil their obligation, the institutions may find themselves in an unfavourable situation without a backup option, and will have to re-conduct the procedure. Delay is not in favour of the citizens who applied.
 - **Procedure for public procurement of services.** In this situation, the institution does not seek a bidder for a certain type of goods, but a bidder for performing the service of **conducting a procedure for procurement of the goods determined in the measures. The institution conducts a procedure for selecting another institution (NGO) to carry out the envisaged subsidy measure.** This way the institution determines the conditions under which it demands the subsidy measure to be carried out. The Ministries and local self-government bodies have wide authorization in terms of setting the conditions in the application call. They can determine conditions in terms of the experience of the economic operator in a certain field (e.g. organization with experience in work with socially/economically vulnerable categories of citizens), they can ask the bidder to assess the situation on the market regarding the offer of the goods subject to the measure, and to perform a control of the implementation and observance of the measure by the citizens with accepted applications.
 - **Procedure for concluding a framework agreement**
 - by selecting several economic operators who meet the criteria. In this way, the institutions conclude a framework agreement with all the bidders who meet the conditions set out in the tender documentation. According to the LPP, a Framework agreement is a written agreement between one or more contracting bodies and one or more economic operators, for the purpose of determining the basic requirements that regulate the public procurement contracts that have to be awarded in a certain time period, in particular regarding the price, and if possible, the planned quantities (LPP, Article 2, item 36). Framework agreements set out only the contours of the contractual relationship and then the actual obligations from the contractual relationship arise from the specific orders and future public procurement contracts between the contracting parties. These framework agreements can be binding for both parties, binding only for one party, or non-binding for both parties. In this way, the institutions have the opportunity to choose the most suitable type of framework agreement to achieve the given measure. **The most favourable is a unilaterally binding framework agreement, where the contracting body has no obligation to place an order or conclude a contract based on the**

³² <https://www.pravdiko.mk/wp-content/uploads/2013/12/Zakon-za-javnite-nabavki-01-02-2019.pdf>

framework agreement, but if it decides to do so, the economic operators are obliged to fulfil the order of the contracting body (local self-government unit or Ministry). This manner seems appropriate, as it allows local self-government units/Ministries to conclude a framework agreement with multiple economic operators before announcing the public call for subsidies, then after conducting the public call and determining how many people can exercise the right to subsidy, they can start the bidding process by the economic operators with whom they have concluded a framework agreement. A schematic overview of the whole process of implementing the subsidy measures is given below.

5-10 years, and the inspection can be performed after 1 month, 6 months, 1 year, or 4 years. In the case of goods with a shorter duration, inspections can be performed in a shorter maximum period). **In addition to envisaging inspection as a control mechanism in the subsidy calls, it may be envisaged for a statement to be filled in, in which the applicants will explicitly state that for the needs of control they agree and allow the institutions or authorized persons to perform unannounced controls and inspections to check whether the goods are being used by the applicants.** This is necessary because the right to privacy and non-violation of the home are guaranteed by the Constitution (Articles 25 and 26 of the Constitution of the Republic of North

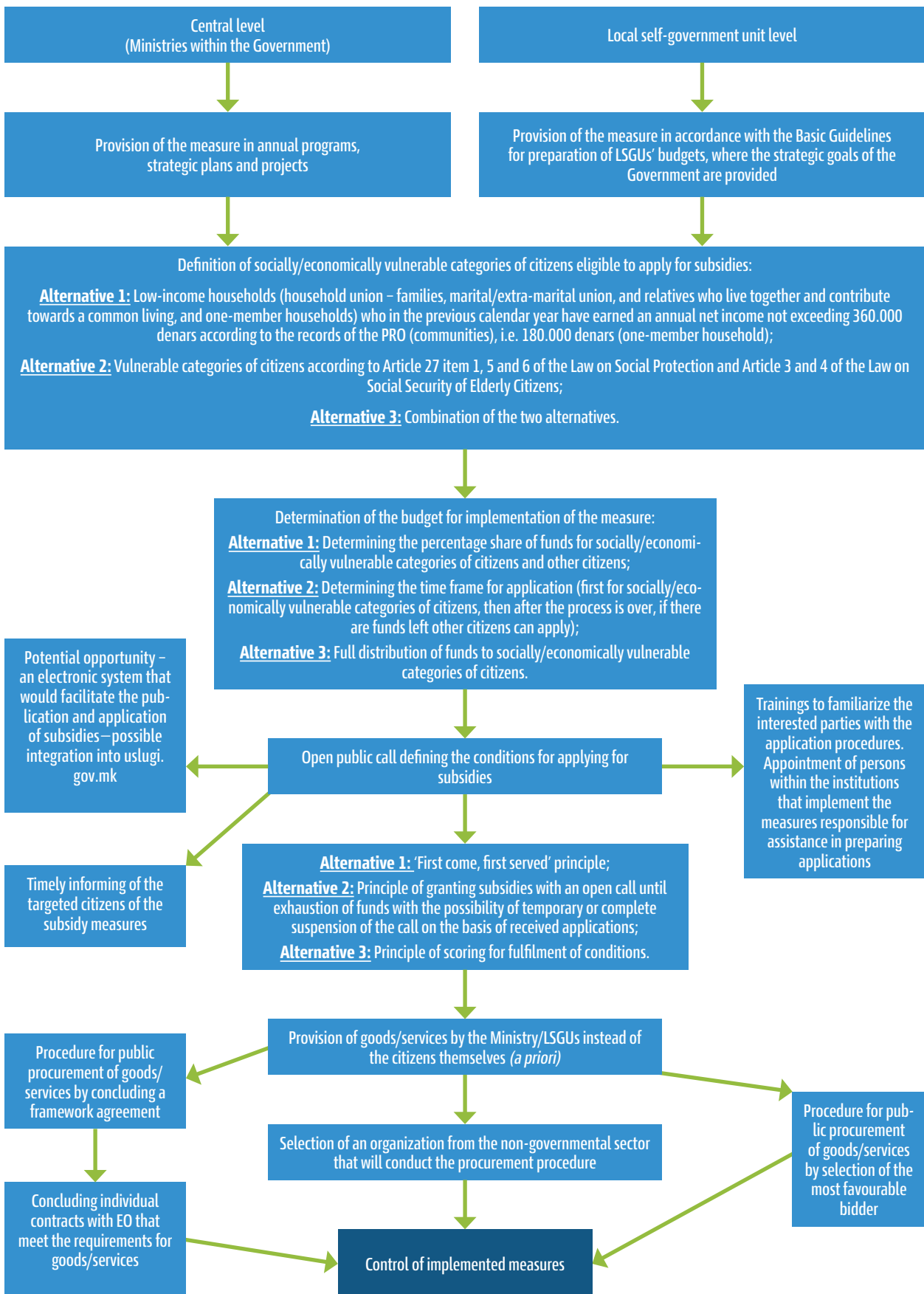
Process of implementing subsidy measures by phase



Finally, it is necessary to determine a **control mechanism** for tracking the situation after the completion of the subsidy-awarding procedure. The establishment of an efficient control mechanism has appeared as a problem in past and current subsidy calls because it was established in multiple occasions that some citizens abuse in the sense that they either do not use the funds for the envisaged purpose or they fictively present that they have acquired some goods which they later return, sell or acquire for persons that are not eligible to apply themselves. **Yet, in a situation when goods are procured by local self-government units/Ministries, this risk is minimized because unlike previous subsidy calls where the citizens receive reimbursement, the proposed model provides goods to the citizens, which are procured by the competent institution.** This eliminates the risk of fictional purchase of goods and purchase for presenting and then returning the goods. The risk of resale of goods remains, as well as the transfer of the goods to ineligible persons to apply for the subsidy. Still, in order to prevent such actions, the institutions can state in the calls that the subsidy provider has the right to perform an inspection (personally or via an authorized person) to check if the goods are used by the applicant. The deadline in which inspection can be performed will depend on the deadline for depreciation of the goods (e.g. inverter air conditioners have a period of

Macedonia). **However, in situations when goods are procured by the competent authorities, they are logically installed by the economic operator from which they are purchased. This applies to goods such as solar panels and air conditioners, and less to led bulbs. Hence, once the goods are installed by the providing company, the possibility for further abuse is to a certain extent reduced because it would require dismantling the already installed devices first. Of course, other control mechanisms can also be provided, depending on the value and type of subsidized goods/service.**

6.1. Improved process (model–scheme) of implementation of subsidy measures – with reference to socially/economically vulnerable categories of citizens



7. Concluding remarks and recommendations

Ways to improve the central government subsidy process

- **Selection of the most suitable Ministry to undertake the obligation.** Regarding the division of competencies and responsibilities of the Ministries within the Government, the existing legislation leaves room for a given measure to be implemented by the Ministry that has the most resources available, operational preparedness and experience in implementing similar measures, and the other Ministries to be included in the scope of their specific authorities that would contribute towards the achievement of the general goal.
- **Improvement of the communication between all the involved institutions.** In the realization of given goal, it is inevitable to intertwine the interests of several institutions considering the fact that most often the achievement of the general goal sublimates the fulfilment of specific goals. Hence successful communication and cooperation between all the involved institutions is of extreme importance. Some of the proposals for improvement of the communication and cooperation between the institutions are:
 - **Creation of an electronic platform** where data of interest to several institutions in the process of publication, application and control will be available, and which often need to be prepared from several institutions. A proper establishment of such systems enables integration, efficiency and uniformity.
 - **Establishment of contact points in all the involved institutions.** This is a relatively cheaper and simpler system, where responsible persons are appointed in the departments, sectors or units that are involved in the whole process of preparation and implementation of the measures.
- **Inclusion of socially/economically vulnerable categories of citizens.** It is necessary to provide an option in the programs of the Government and the Ministries to have subsidies for special categories of citizens – low-income persons, in addition to subsidizing other citizens. For this category of citizens, it is necessary to determine a specific budget for the implementation of the measure, and the percentage of funds allocated for this category may be in different proportions, depending on the available data. In order to achieve the effect of the envisaged measure for the category of low-income persons, it is necessary to adjust the conditions for application, and the total expenses for implementation of the measure to be covered in total or ultimately at a high percentage.
- **Uniform and consistent legal terminology.** There is inconsistency between publicly announced Programs and public calls for implementation of the measures provided in those programs. There is inconsistency in the legal terminology in the Programs and in the public calls for implementation of the same measures in different years.
- The existing legislation is widely set, leaving enough room for the Ministries, **alone or in cooperation with other Ministries and government bodies, to create their budget and decide on the allocation of funds for the implementation of subsidy measures.** Thus, regarding the current legal norms, there are no specific remarks or proposals for changes that would be suggested at this moment. **We believe that the decision-making regarding the implementation of the entire process of subsidy measures should continue to be in the hands of the bodies that implement the measures and not be rigidly set and regulated by law. Subsidy measures are a fluid category, meaning that the need for existence/amendment/abolishment/introduction of a new measure, should be constantly re-evaluated. Hence, if the measures are determined by law, instead of being regulated in bylaws, the legislator could not follow the dynamics of change.**
- **In terms of the application method, the ‘first come, first served’ method** seems to be the most objective method that favours and rewards those who have the greatest interest and commitment to apply. This approach is also applicable when the granting of subsidies, in addition to all the persons in general, includes a specific category of citizens (low-income persons). In such cases, this rule will apply for that category of citizens up to the amount of the budget determined for that category of citizens, just as it will apply for the category of ordinary citizens up to the determined budget. **Additionally, it is possible to make a correction to this method and accept a modified version, used in countries such as Croatia and Slovenia, where the bodies that implement the measure may decide to stop the call if they assess that the number of received applications, if in**

order, would lead to exhaustion of the planned budget funds, and if it is later established that the funds are not completely exhausted, the call shall continue until complete fund exhaustion. This way the bodies that implement the measure can continuously monitor and follow up the status of the received applications.

Ways to enhance the local government subsidy process

- **Greater autonomy in structuring the budgets of local self-government units in the area of subsidies for reduction of air pollution.**
- **Reduction of the disparity among the local self-government units in terms of the structural capacities needed for implementing the measures.** In terms of organizational structure, the local self-government units have a discretionary right to form sectors and departments according to their needs. These sectors and departments have different competencies upon various issues (for example, a sector for environmental protection, local economic development, legal affairs, etc.). However, in practice there are significant differences from one Municipality to the next due to the fact that the local self-government units themselves decide on the number and responsibilities of the sectors and departments. Hence, the preparedness of the local self-government units for implementation of the measures will depend on their administrative structure and readiness. Municipalities that have sectors or departments for environment, economic development, or social policy will be better prepared to implement the measures via public calls than those Municipalities where several sectors cover more areas and there is insufficiency of trained staff to implement measures. Therefore, for successful implementation of the measures **the recommendation is to establish at least one department for environmental protection and improvement in the Municipalities where it is not established.**
- **Greater inclusion of socially/economically vulnerable categories of citizens through targeted public calls for low-income persons.** In the projects at the level of local self-government, no distinction between categories of citizens is made, i.e. none of the projects includes a category of citizens from any of the socially/economically vulnerable groups. Additionally, in none of the publicly announced and still active calls and programs, there is no categorization of citizens based on any of the existing laws that provide such categorization, and which were listed above in this document.
- **Local self-government units have independence in terms of preparing measures.** The application conditions stated in the calls are fully defined by the Municipalities, in accordance with the established goals in the Strategic Plans of the Municipalities. **Hence, in terms of categorization the flexibility is greater for Municipalities.**
- The existing legislation is widely set and leaves enough room for local self-government units to be able to **independently create their budget and decide on the allocation of funds for the implementation of subsidy measures.** In this regard, there are no specific remarks or proposals for changes in the current legal norms to be proposed at this moment. **We believe that the decision-making regarding the implementation of the entire process of subsidy measures should continue to be in the hands of the bodies that implement the measures and not be rigidly set and regulated by law. Subsidy measures are a fluid category, meaning that the need for existence/amendment/abolition/introduction of a new measure should be constantly re-evaluated. Therefore, if the measures are provided by law, instead of being regulated with bylaws, the legislator could not monitor the dynamics of change.**
- **Regarding the application method, the ‘first come, first served’ method appears to be the most objective method that favours and rewards those who have the greatest interest and commitment to apply.** This approach is also applicable when the granting of subsidies, in addition to all the other persons, is also intended for a specific category of citizens (low-income persons). In such a case, this rule will apply within that category of citizens up to the amount of the budget granted for that category of citizens, just as it will apply within the category of other citizens up to the amount of the granted budget. **Additionally, it is possible to make a correction to this method and to accept a modified version used in countries such as Croatia and Slovenia, where the bodies that implement the measure may decide to stop the calls if they assess that the number of received applications, if in order, would lead to exhaustion of the planned budget funds, and then if it is established that the funds are not completely exhausted, the call should continue until complete fund exhaustion.** This way the bodies that implement the measure will continuously monitor and follow up on the status of the received applications.

Lessons learned from international experience (Comparative analysis)

- **Slovenia** - The existence of paid energy consultants that are at the disposal of the applicants free of charge can provide more efficient and cost-effective projects, which is evident in the Slovenian and Croatian experience. The involvement of social work centres, state media and civil society organizations in disseminating information on the benefits of subsidies and the administrative application procedures, according to the Slovenian and Croatian experience, can lead to better information of all groups of citizens, especially of socially/economically vulnerable low-income persons.
- **Croatia** - The existence of a dedicated fund for environmental protection, energy sustainability and renewable energy sources, in which competence is the management of the financial resources of the state budget and EU funds for this type of subsidies, contributes to better allocation of funds, better organization at the central, regional and local level and better dissemination of call information. The wide and diverse offer of categories and subcategories of subsidies in the form of grants or loans can better target individual needs of potential users of such types of services.
- **Great Britain** - The government brings the subsidy process closer to its citizens by involving the private sector, i.e. large energy companies subsidize citizens from vulnerable categories. This model offers great inclusion due to the fact that it finances a large number of different groups of vulnerable categories. Additionally, the model itself leaves room for flexibility for the companies to determine the conditions for subsidizing. In practice, even though the subsidies are meant for vulnerable categories, the companies themselves offer benefits for other citizens as well.
- **Austria** - Setting the environment as a priority must go hand in hand with allocation of a significant amount of resources for the implementation of activities in this area. The existence of the Climate and Energy Fund provides a transparent way of granting all the types of environmental subsidies for legal entities and for individuals. Additionally, having a holistic approach, where environmental criteria will be incorporated into other types of subsidies (such as for rural development), provides support for ideas that ensure sustainable economic growth and development.
- **Germany** - The model of free energy consulting could have a moderately positive impact on socially/economically vulnerable low-income groups in the Republic of North Macedonia. Their main benefit would be to change the behaviour when choosing a way to renovate or build a home. However, given that most of these people lack sufficient financial resources for this type of investment, the economic effect would be smaller, except for smaller investments.
- **Lithuania** - The subsidy model of 1.000 euros for replacement of cars with a high level of CO₂ emission with new cars with lower emission would have positive effect on the renewal of the already obsolete vehicles, and thus indirectly on the improvement of the air quality in urban areas. However, it must be kept in mind that given the current purchasing power of Macedonian citizens, this type of subsidy would be of limited interest. In the case of socially/economically vulnerable categories, an additional aggravating factor is that most of them either do not own cars or have quite older cars, but cannot afford to buy new ones and dispose of the old ones.
- **Ireland** - Subsidies to improve the energy efficiency and reduce the energy consumption of households, through five different categories of subsidies in the form of single grants: Thermal insulation, Heat pump systems, Smart heating control systems, Solar water heaters, and Solar electricity systems. The general effect of this type of subsidy package on the economy in the Republic of North Macedonia would be significant because such investments would encourage employment in one of the key economic sectors in the country - construction.

- **France** - The Program for Zero Interest Loans, intended to help people purchase or build their first home that would be energy efficient. The effect of such a type of program for loans on the socially/economically vulnerable categories of citizens with low income would be small due to the fact that only a small number of families from this group would be able to raise finances to purchase or build a residential facility that would meet such high energy standards.

- **Estonia** - Subsidies for improvement of energy efficiency of buildings, which could affect the low-income households. The direct effect, on the other hand, would not be very significant because most of the socially/economically vulnerable groups of citizens do not own their own home. In some cases, the citizens of this group who live as tenants would even be forced to pay higher rents so that investors can supplement part of the invested funds.



ANNEX

1. PREVIOUS (PAST AND ACTIVE) SUBSIDY CALLS BY THE MINISTRY OF ECONOMY IN THE FIELD OF ENERGY

In the past five years the Ministry of Economy has implemented several calls that included subsidies for:

- Solar and thermal collector systems;
- PVC or aluminium windows;
- Pellet stoves;
- Inverter air conditioners;

1. Compensation of costs for purchased and installed solar and thermal collector systems

Year	2016	2017	2018	2019	2020
Total budget (denars)	6.000.000	16.000.000	6.000.000	5.000.000 + 5.000.000 with change of Program	5.000.000/ 2.000.000 (low-income)
Principle of compensation	First come, first served	Public drawing/lottery	First come, first served	First come, first served	First come, first served
Compensation % – max. amount	30% – 300 eur.	30% – 300 eur.	30% – 300 eur.	30% – 15.000 denars	30% – 10.000 denars / 70% – 15.000 denars (low-income)
Total number of persons that exercised the right	628 persons	1.793 persons	517 persons	544 persons + 398 persons	Still active call
Special categories of citizens	Not provided	Not provided	Not provided	Not provided	Still active call

2. Compensation of part of the costs for purchased and installed PVC or aluminium windows

Year	2016	2017	2018	2019	2020
Total budget (denars)	/	20.000.000 + 10.000.000 with change of Program	30.000.000	25.000.000 + 14.700.000 with change of Program	16.000.000 / 3.000.000 (low-income)
Principle of compensation	/	First come, first served	First come, first served	First come, first served	First come, first served
Compensation % – max. amount	/	50% – 500 eur.	50% – 500 eur.	50% – 25.000 denars	50% – 20.000 denars / 70% – 25.000 denars (low-income)
Total number of persons that exercised the right	/	1.091 + 244	1.005	983 + 524	Still active call
Special categories of citizens	/	Not provided	Not provided	Not provided	Still active call

3. Compensation of part of the costs for purchasing pellet stoves

Year	2016	2017	2018	2019	2020
Total budget (denars)	/	/	14.000.000 + 7.000.000 with change of Program	20.000.000	11.000.000 / 3.000.000 low-income)
Principle of compensation	/	/	First come, first served	Linear allocation to all the applicants	First come, first served
Compensation % – max. amount	/	/	50%–500 eur.	Up to 25.000 denars	50%–20.000 denars / 70%–25.000 denars (low-income)
Total number of persons that exercised the right	/	/	433 + 209	807	434
Special categories of citizens	/	/	Not provided	125 (Vulnerable consumers)	20 (low-income)

4. Compensation of part of the costs for purchasing inverter air conditioners

Year	2016	2017	2018	2019	2020
Total budget (denars)	/	/	/	/	11.000.000 / 3.000.000 (low-income)
Principle of compensation	/	/	/	/	First come, first served
Compensation % – max. amount	/	/	/	/	50%–20.000 denars / 70%–25.000 denars (low-income)
Total number of persons that exercised the right	/	/	/	/	Still active call
Special categories of citizens	/	/	/	/	Still active call

5. Compensation of part of the costs for purchasing and installing a line for propulsion of LPG, methane, or another type of alternative fuel for vehicles³³

Year	2016	2017	2018	2019	2020
Total budget (denars)	/	/	/	15.000.000	/
Principle of compensation / benefit	/	/	/	First come, first served	/
Compensation % – max. amount	/	/	/	50% up to 18.000 denars	/
Total number of persons that exercised the right	/	/	/	n/a	/
Special categories of citizens	/	/	/	Not provided	/

³³ Call implemented according to the Subsidy program for part of the costs for purchasing and installing a line for propulsion of LPG, methane, or another type of alternative fuel for vehicles See more details: <http://www.economy.gov.mk/Upload/Documents/Програма%20за%20субвенционирање%20на%20дел%20од%20трошоците%20за%20купување%20и%20вградување%20на%20уред%20за%20погон%20ТНГ%20%20метан%20или%20друг%20вид%20на%20алтернативно%20гориво%20.pdf>.

2. PREVIOUS (PAST AND ACTIVE) CALLS FOR SUBSIDIES BY THE CITY OF SKOPJE IN THE FIELD OF ENVIRONMENTAL PROTECTION AND ENERGY

Although more of the local self-government units have conducted subsidy measures, most of them started to implement such measures in 2019 and most of the local self-government units have conducted one to three measures. As a special local self-government unit, the City of Skopje is a leader in the number of past and active subsidy projects. The City of Skopje implements the widest range of subsidy measures and has done so for the longest period of time (since 2016). Therefore, in continuation, an overview of the previous public subsidy calls conducted by the City of Skopje is presented. Thereby, the conclusions that will be drawn from the implementation of the measures for the City of Skopje refer to the other Municipalities as well, hence the recommendations and remarks are applicable to the rest of the local self-government units.

1. Bicycle subsidy

Year	Total budget	Principle of compensation	Compensation % – maximum amount	Total number of persons that exercised the right	Special categories of citizens
2019	10.000.000 (combined with e-scooters)	First come, first served	50% – up to 3.000 denars	4.125 persons	Not provided
2020	35.000.000 (total budget for environmental protection subsidies)	First come, first served	50% – up to 3.000 denars	Ongoing	Not provided

2. Electric scooter subsidy

Year	Total budget	Principle of compensation	Compensation % – maximum amount	Total number of persons that exercised the right	Special categories of citizens
2019	10.000.000 (combined with bicycles)	First come, first served	30% – up to 7.000 denars	204 persons	Not provided
2020	35.000.000 (total budget for environmental protection subsidies)	First come, first served	30% – up to 7.000 denars	Ongoing	Not provided

3. Inverter air conditioner subsidy

Year	Total budget	Principle of compensation	Compensation % – maximum amount	Total number of persons that exercised the right	Special / Distinct categories of citizens
2019	20.000.000	First come, first served	50% – up to 15.000 denars	1.379 persons	Not provided
2020	322.400.000	First come, first served	Up to 62.000 denars	Ongoing	Not provided

4. Cleaning of chimneys subsidy

Year	Total budget	Principle of compensation	Compensation % – maximum amount	Total number of persons that exercised the right	Special categories of citizens
2019	3.000.000	First come, first served	Up to 1.000 denars	365 persons	Not provided
2020	35.000.000 (total budget for environmental protection subsidies)	First come, first served	Up to 1.200 denars	Ongoing	Not provided

5. Pellet stove subsidy

Year	Total budget	Principle of compensation	Compensation % – maximum amount	Total number of persons that exercised the right	Special categories of citizens
2019	15.000.000	First come, first served	70% – up to 30.000 denars	497	Not provided
2020	/	/	/	/	Not provided

3. LIST OF CONSULTED ORGANIZATIONS FROM THE CIVIL SOCIETY SECTOR

In order to obtain direct knowledge from the field about the needs and challenges faced by socially/economically vulnerable categories of citizens (as well as low-income citizens) when applying/using subsidies related to environmental protection, to produce a basis for the creation of new models (including the improvement of existing models) of subsidies related to air pollution reduction and to provide better targeting and easier access of both socially/economically vulnerable categories of citizens and low-income citizens to these subsidies, 31 CSOs were contacted, specializing in work with socially/economically vulnerable categories, shown in the table below. Having in mind the purpose and focus of the questionnaire, the contacted organizations were selected from the official Registry of organizations that work with socially vulnerable groups of citizens at the Ministry of Labour and Social Policy.

No.	Name of the consulted organization
1	Union – National Council for Gender Equality (NCGE Skopje)
2	Republic Centre for Support of Persons with Intellectual Disability – PORAKA (RCSPID-PORAKA Skopje)
3	Association for EQUAL OPPORTUNITIES SEMPER Bitola (SEMPER Bitola)
4	Association for Emancipation, Solidarity and Equality of Women – Skopje (ESE)
5	Association ORGANIZATION OF WOMEN OF THE CITY OF SKOPJE Skopje (ORGANIZATION OF WOMEN OF THE CITY OF SKOPJE)
6	Citizens' Association POLIO PLUS-POST POLIO Support Group Skopje (POLIO PLUS-POST POLIO Skopje)
7	Association DOVERBA Kumanovo (DOVERBA Kumanovo)
8	National Association of Deaf and Hard of Hearing of the Republic of North Macedonia (NADHHRNM)
9	Crisis Centre NADEZ Skopje (CC NADEZ Skopje)
10	National Union of PERSONS WITH PHYSICAL DISABILITY OF MACEDONIA – MOBILNOST MACEDONIA Skopje (MOBILNOST MACEDONIA Skopje)
11	Association of Students and Youth with Disability Skopje (STUDENTS AND YOUTH WITH DISABILITY Skopje)
12	Association of Invalids SHPRESA Skopje (SHPRESA Skopje)
13	Association of Citizens for Support and Promotion of Access to New Technologies for Persons with Disabilities OPEN THE WINDOWS Skopje (OPEN THE WINDOWS Skopje)
14	Association Centre for Social Initiatives NADEZ Skopje (CSI NADEZ Skopje)
15	Association for Enhancement of the Socio-Economic Development, Environmental Protection and National Culture SEMAK Village Kravari Bitola
16	Association for Assistance to Socially Excluded Persons and Risk Groups SCORPION PRILEP (SCORPION Prilep)
17	Humanitarian Organization ASSISTANCE FOR THE DISABLED AND POOR Prilep (DISABLED AND POOR Prilep)
18	Association HELSINKI COMMITTEE FOR HUMAN RIGHTS OF THE REPUBLIC OF MACEDONIA Skopje (HELSINKI COMMITTEE FOR HUMAN RIGHTS Skopje)
19	Association for Development of the Roma Community SUMNAL Skopje
20	Sonce-Kham Tetovo
21	Roma Association for Democracy Development "Sonce" Tetovo
22	RED CROSS OF THE REPUBLIC OF NORTH MACEDONIA Skopje
23	Association for Protection, Assistance and Promotion of the Status of Marginalized Groups GRADIME IDNINA Skopje (GRADIME IDNINA Skopje)
24	Citizens' Association for Treatment of People with Autism, ADHD and Asperger Syndrome – VO MOJOT SVET, Skopje
25	Association for Support and Development HUMANOST Skopje
26	Roma Centre Skopje
27	Centre for Democratic Development and Initiative CDDI Skopje
28	Initiative for Social Changes
29	Association of Social Workers of the City of Skopje
30	Ljubeznost
31	Legis

