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# The Macedonia Community Development Project: Empowerment through Targeting and Institution Building

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## **List of Acronyms**

BA	Beneficiary Assessment
CDD	Community-Driven Development
CDP	Community Development Project
CIC	Community Implementation Committee
CIN	Community Information Network
CPC	Community Project Committee
ECA	Europe and Central Asia
EU	European Union
MCDP	Macedonia Community Development Project
MIS	Management Information System
NGO	Non-Government Organization
PAD	Project Appraisal Document
PIU	Project Implementation Unit
SME	Small and Medium Enterprise
SWC	Social Works Center

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## **The Macedonia Community Development Project: Empowerment through Targeting and Institution Building**

*“Too often, services fail poor people – in access, in quantity. But the fact that there are strong examples where services do work means government and citizens can do better. How? By putting poor people at the center of service provision: by enabling them to monitor and discipline service providers, by amplifying their voice in policy making, and by strengthening the incentives for providers to serve the poor.”*

– World Development Report, World Bank, 2004.

### **The MCDP – A Small Project that Made a Big Difference**

Community-driven development (CDD) has many advantages for sustainable local development that empowers the poor. According to the *Voices of the Poor* study, poor people demand a development process driven by their communities. They want NGOs and governments to be accountable to them. Experience has shown that CDD can make poverty reduction efforts more responsive to demand, enhance sustainability, and increase the efficiency and effectiveness of poverty reduction efforts. The sustainability of CDD depends on an enabling environment, often in the context of government decentralization, usually requiring significant capacity building efforts to support the poor, communities, and local government. CDD has also been promoted as a means to develop the local capacity that decentralization requires. This paper illustrates how one CDD project in Macedonia has been able to meet these challenges by serving as a model project in the ECA Region for sustainable development at the local level and as a source of lessons for other projects in Macedonia and elsewhere.

The Macedonia Community Development Project (MCDP) has evoked considerable interest among those involved in CDD because it focuses on sustainable development in a post-conflict environment and in the context of a recent decentralization initiative. Although the MCDP had a total budget of only \$8.7 million and was completed in less than three years, it embodied a number of features that led to significant results. This was largely due to an innovative design that integrated multi-sector community-based projects with local institution building and empowerment. The project demonstrated that it is possible to bridge macro and micro activities by linking local communities to civil society and local governments in ways that builds up local institutions that empower the poor. The MCDP was able to effectively connect public administration policy reform with community development initiatives.

The success of the comprehensive approach of the MCDP derived from the convergence of a number of mutually reinforcing factors: (i) deliberate responsiveness to local needs and priorities; (ii) extensive training and local institutional capacity-building to complement the government’s decentralization policy; (iii) innovative poverty targeting, promotion, and outreach; and (iv) systematic and continuous monitoring and evaluation. Although none of the elements was unique, their combination was original and the

remarkable synergy among them created an important demonstration effect for the national government.

Besides these factors, two themes characterize the project. First, it took a dynamic and proactive approach to promotion, outreach, and participation. Extensive efforts were made under the MCDP to make beneficiaries aware of their potential role in the project and seek their active involvement. Thus, the Project created demand for participation. Second, the project kept its focus on service delivery. It understood that making people feel that government paid attention to their needs and could contribute to their lives was the key to success. It did this by building local capacity to sustain these improvements.

The paper tells the story of how these twin themes played out in the project. First it describes the major political, social and economic challenges facing the project in the aftermath of the dissolution of Yugoslavia. Then it outlines the project design and approach, focusing on capacity-building, the institutional framework, and links to government priorities and sector policies and programs. Next, the paper discusses the project support activities that make the MCDP different. These include community outreach and promotion activities, the poverty targeting strategy, research and assessments, the microproject selection process, capacity building and training, and efforts to ensure microproject sustainability. It describes key features of the microprojects, especially how efforts were made to meet the needs of the poor and vulnerable. Then, the paper reports on MCDP results including poverty reduction, reconciliation and social integration, government accountability, macro-micro linkages, and serving as a model for government. Finally, it describes the value added of the MCDP and its lessons for other projects with similar objectives and challenges.

## **1. The Challenging Environment Facing the Macedonian CDP**

The MCDP faced exceptional challenges. First, there were ethnic tensions that brought Macedonia to the brink of war in 2001. Second, the economy nearly collapsed after the breakup of Yugoslavia and was plagued by continuous severe unemployment. Third, the central government was attempting to decentralize but municipalities lacked the capacity to manage the responsibilities they were delegated. The MCDP stepped into the breach to demonstrate a way forward for the entire country.

**1.1 *Ethnic Conflict after the Dissolution of Yugoslavia.*** Macedonia achieved independence from the Federal Republic of Yugoslavia in 1991 without violence. Nonetheless, latent tensions between the ethnic Albanian (roughly 30 percent of the total population) and the majority ethnic Macedonian populations raised the possibility of conflict. Ethnic conflict was avoided for a decade despite the social strains of both a weakened economy and the Kosovo crisis. But in early 2001, ethnic Albanian armed groups began a low-grade insurgency that brought the country to the brink of civil war. As a result of the conflict, by July 2001, about 170,000 persons fled their homes to other parts of Macedonia or neighboring countries, a large number in a country of 2 million people.

In August 2001, the international community brokered the Ohrid Framework Agreement that produced a fragile cease-fire that was consolidated through constitutional amendments to address the grievances of the ethnic Albanian population and an amnesty for most combatants. While the cease-fire generally held through the lengthy and contentious political process of approving the measures required by the Agreement, it was marred by violence and tensions remained high.

By April 2002, most refugees had returned home and the number of internally displaced persons assisted by the Red Cross had decreased to approximately 14,300. The aftermath of the conflict brought into sharp focus the main challenge of strengthening social cohesion through an integrated approach to address post conflict priorities including poverty, unemployment, disparities in living standards, the poor state of social and economic services, and limited public service capacity at the local level. The government's highest priority was to seek and implement solutions to these problems.

Underlying social tensions have adversely affected the social fabric and well-being of the people of Macedonia. There was a significant risk of geographic polarization as well as movement of some people away from neighbors that they now fear. Thus, a key challenge faced by government at all levels is to bridge ethnic divisions and encourage people to work together.

**1.2 *Economic Decline, Poverty and Unemployment.*** Macedonia suffered major economic losses following the breakup of the Yugoslav Federation in 1991 and the ensuing regional conflicts. The country lost a large protected market for its industrial products, key transport routes, large transfers from the federal government, and foreign currency savings of more than \$1.2 billion. Macedonia emerged with high levels of poverty and unemployment. Living conditions of the poor were affected by deterioration of the country's social and economic services.

Unemployment remained around 30 percent over the next decade due to the downturn in economic activity after the separation from Yugoslavia, the lack of adequate economic growth, and rigidities in the labor market. Many factories were shut down or forced to operate at low capacity, and a number of major public enterprises were privatized. Many employees suffered layoffs. Unemployment is concentrated among the Roma, Albanian, and Turkish communities, reflecting their low levels of education.

**1.3 *Macedonia's Decentralization Initiative.*** Within Yugoslavia, local government exercised substantial delegated powers. However, with the breakup of the federation, there arose a perceived need on the part of the newly independent governments to strengthen the power of the center. As a result, in Macedonia, the government became highly centralized. Local governance is characterized by: (i) limited financial resources and weak institutional capacities; (ii) inadequate systems of accounting, financial planning, and budgeting at the local level; (iii) lack of partnerships at the local level; (iv) weak citizen involvement in development decision-making, management, and service

provision; and (v) people's lack of access to basic information regarding services and entitlements, particularly in rural areas.

Central authorities came to the realization that they could not effectively manage a highly centralized system and parts of the population demanded greater local authority. The government committed to decentralize as part of the 2001 Framework Agreement and made provisions for this in the constitution. The effective performance of these decentralized functions required the transfer of responsibilities and resources from the central government to the municipalities. They needed significant institutional building and empowerment to mobilize resources locally to help carry out increased responsibilities. Such reforms required new legislation, regulations, systems and procedures at the central and local government levels.

Macedonia has had one of the most active decentralization reform agendas among the Balkan countries. The January 2002 Law on Local Self-Government built a solid legal framework for establishing a new system of local self-government in Macedonia. This law clearly defined the areas in which the decentralization of power was to be made: public services, urban and rural planning, environmental protection, local economic development, culture, local finance, education, social welfare, and healthcare. The law also provided for the devolution of functional responsibilities and financial authority to the municipalities to conduct public service activities within their jurisdictions. Municipalities were expected to take a pro-active role in facilitating community development and community participation in decision-making. Another important function is to disseminate basic information to local residents on social services. The lack of information is a major impediment to improving their living standards. It reflects the lack of local capacity to conduct informal surveys, interact with local communities, conduct public hearings and organize information for ready access by residents.

## **2. The Design and Approach of the Macedonian CDP**

Given the difficult circumstances, the Government of Macedonia needed a project that could cool down the simmering ethnic tensions and frustration over its inability to revive the economy and improve delivery of basic infrastructure and services, while also providing an institutional framework for implementing the decentralization initiative. This put a lot of demands on the design of the project, to develop an innovative approach to meet these multiple challenges.

Three key factors stand out about the design of the MCDP. First, the project design directly supported the government's decentralization program through a mutually reinforcing local institutional and operational framework. Second, the poverty targeting strategy provided the basis for responding to social needs through an innovative two-stage poverty targeting methodology using key poverty and conflict indicators and a system of clusters as a way to select municipalities. Third, the project concentrated on promotion and outreach to achieve local self-management and empowerment. The first factor is discussed in this section and the other two in the next section.



**2.1 *The Project's Objectives.*** The project's main objective was to support the government's post-conflict development efforts aimed at fostering reconciliation amongst its people, reducing social tensions, and building social capital. To attain this objective, the project focused on piloting small-scale, community-based initiatives in selected demonstration communities through an integrated development framework designed to respond to priority social needs and facilitate the transition from conflict to peace. The project supported a local development process that was inclusive, participatory, gender-sensitive and responsive to community priorities.

The government was particularly interested in seeing the project focus on the need to address social tensions in Macedonia through self-help development interventions designed to restore confidence, prevent further conflict, and strengthen the community's trust in development programs supported by the Government. There was unanimous agreement that the design of the project should facilitate the transition from conflict to peace, in keeping with the Government's post-conflict priorities. It was also agreed that the project must serve as a catalyst for a process in which citizens in the targeted communities, especially in mixed and minority communities, gradually come together over time to participate in the design, implementation and monitoring of projects which respond to the common good of the community. Thus, the project was designed to address priority needs of communities, producing tangible benefits and generating short-term employment.

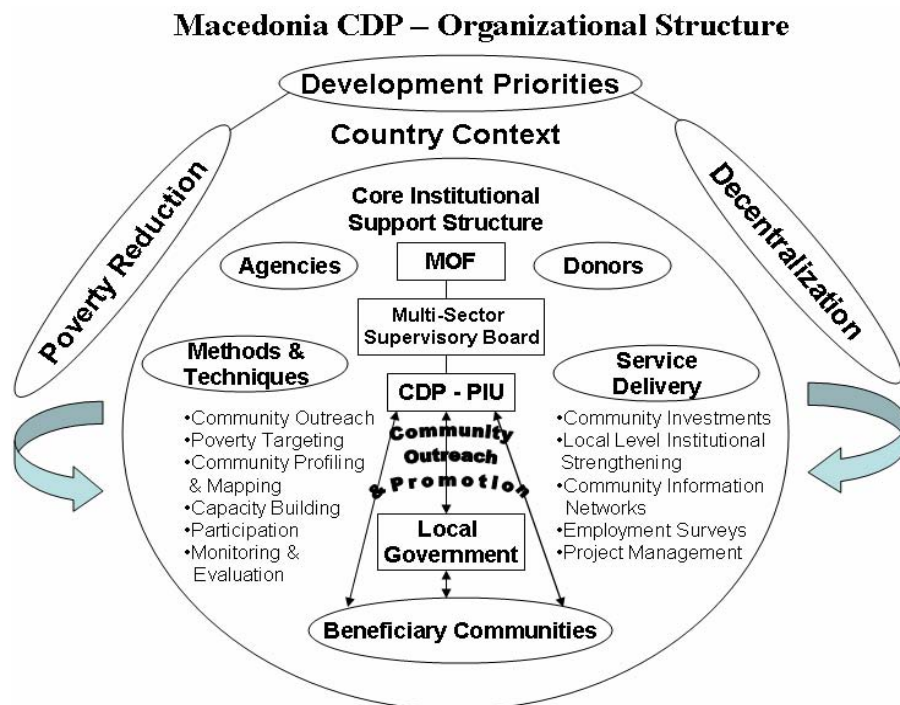
The project's main outputs consisted of community-level infrastructure, social services and capacity building. The project helped address unemployment through short-term employment related to infrastructure rehabilitation, technical assistance, and employment surveys. While the primary impact of the project was felt locally, the ultimate impact of this investment was to help fashion a climate of inclusion and security which brought different social groups together through common activities and shared opportunities.

**2.2 *An Innovative Approach to Decentralization.*** Community investment projects were deliberately linked to local-level capacity building as part of the decentralization process which evolved in parallel. MCDP activities supported the government by helping develop implementation structures to guide the decentralization process complementing the government's public sector reform program. Examples of these processes include the institutionalization of participatory planning and self-management processes, municipal financial management training, and the use of local NGOs in the identification of priorities and in the implementation of selected social services.

Support was provided through technical assistance and training to local government officials, particularly in the field of financial management as well as in improving accountability. The project provided training to stakeholders at the municipal level to help establish a development framework designed to facilitate equitable access to social services and information and respond to community needs. Such a framework helped build capacity that would facilitate: (a) construction or rehabilitation of schools, health clinics, and other social service centers; (b) provision of information on entitlements to services, and relevant service standards; (c) employment surveys to identify constraints

faced by entrepreneurs in expanding production and employment, serve as inputs to local level development plans and help streamline regulatory processes (e.g., building permits and zoning); and (d) the promotion of effective participatory mechanisms for community development through the active engagement of communities in local government decision-making processes. This design provided a compass for guiding project activities in the direction of transforming national policy into effective and sustainable local programs through strengthened institutional structures, improved governance, and a vibrant implementation unit.

**2.3 Organizational Structure -- Ensuring Policy and Program Coordination.** The organizational structure featured below was designed to ensure: (i) efficient and effective institutional arrangements to manage project activities, (ii) sound coordination with the government, community institutions, and the donor community, and (iii) stronger linkages and consistency between government programs and policies. The structure evolved in the context of the government's development priorities of poverty reduction and decentralization. The novel features of this structure were its focus on institution-building activities covering community outreach, local training, technical assistance, and monitoring and evaluation—all intended to promote sustainability of project activities beyond its closure.



The organizational structure consisted of distinct but interrelated structures. The Core Institutional Support Structure consisted of the Ministry of Finance (Responsible Agency), the Multi-sector Supervisory Board, the CDP PIU (Project Implementation Unit), local government, beneficiary communities and employment surveys. At the center of this structure is Community Outreach and Promotion comprising: (i) intensive research and assessments—regional, municipal and community profiling, social needs

assessments, capacity needs assessments, and beneficiary assessments; (ii) support for self-management through community empowerment and capacity-building to identify their own priorities; (iii) strategic communication to inform citizens about project objectives and procedures; and (iv) coordination with central and municipal government authorities on policy issues related to project activities. Strategic communication with central authorities fostered macro-micro bridging, linking action on the ground to policy formulation. Flanking the core structure are the agencies and donor partners working with the CDP. The project used a number of technical methods including community outreach, poverty targeting, community mapping, profiling, capacity-building, participation, and monitoring and evaluation. These techniques enhanced the project's key service delivery activities: community investments, local institutional strengthening, community information networks, employment surveys, and project management.

The CDP Multi-Sector Supervisory Board, chaired by the Minister of Finance with representation from sector ministries, helped guide and supervise the administration of the CDP and ensure consistency of CDP project activities with sector strategies and government reform programs. This multi-sector institutional arrangement helped ensure coordination of project activities with government programs and institutions. The CDP Promotion and Outreach team facilitated coordination of community members, donors, and NGOs at the local level. CDP activities were coordinated and implemented with formal institutions at both national and local levels to promote project sustainability.

### **3. The Support Activities that Make the MCDP Different**

Although the multitude of MCDP support activities cost only \$400,000 (less than 5 percent of total project costs), they provided the needed institutional support to the community infrastructure, services, and institutional strengthening components with the aim of enhancing the effectiveness, coordination and synergies among them. The innovative poverty targeting strategy for Macedonia helped ensure that project funds were allocated to poor and conflict-affected communities. The extensive research and assessments enabled the project team to gain a better understanding of critical community needs. The dynamic and proactive community outreach and promotion program was critical to informing people about the MCDP and preparing them for active participation, especially in prioritizing microprojects for funding. The extensive training and capacity building program was a key to implementing the decentralization program. Therefore this section describes each of these support activities in detail.

**3.1 *Poverty Targeting to Identify Needy Communities.*** The project developed a comprehensive poverty targeting strategy which included a grouping of municipalities into clusters. This is a new approach to the selection of target communities. At the time of project identification, it became clear there were many poor and vulnerable communities (pockets of poverty) that were masked by the relative affluence of urban communities. Vulnerable communities ranged from those affected by unemployment in the eastern region, to conflict-affected communities in the north-west region, marginalized communities in remote mountainous villages, and vulnerable groups such

as the Roma. The two-stage poverty targeting strategy was the main guidance system for meeting the priority social needs of poor and conflict-affected communities and ensuring regional equality. In the initial phase of project implementation, the PIU focused on implementing project activities to improve living conditions for the neediest groups.

*Regional Targeting Plan.* The first stage of targeting was designed to ensure that CDP activities were broadly directed to each of the eight regions based on population size and poverty level. The formula developed for this purpose was based on population and a composite poverty-conflict index. The three poverty indicators were: (i) poverty incidence (head count index) or the proportion of the population living below the official poverty line at the time of project preparation; (ii) the Foster-Greer-Thorbecke measure, representing the severity of poverty; and (iii) the unemployment rate. The two conflict indicators were the number of displaced persons (by region of origin) and the number of houses damaged (by region).<sup>1</sup> Regional expenditures had a relatively high coefficient of correlation (0.88) with regional allocations.

*Community Targeting Plan.* The second stage of poverty targeting, designed to identify needy communities within each region, was based on detailed criteria. These include the state of physical and social infrastructure, implementation capacity, and the presence of vulnerable, marginalized, mixed, or under-funded communities. This second stage of targeting was flexible so that the PIU could further develop and refine criteria prior to and during project implementation as was done through municipal and community profiling.

*Regional and Municipal Profiling.* The CDP PIU grouped municipalities into clusters as the next step in targeting needy communities. Detailed criteria were developed by the PIU promotional team to select municipalities and local communities for initial discussions about community needs, perceived priorities, possible projects, and CDP modalities of operation. The PIU designed and conducted a municipal profiling survey for 123 municipalities, excluding the Skopje (national capital) Municipality. These profiles provided statistical information on socioeconomic and employment conditions, key problem areas, and local government capacity.

Based on survey results, municipalities were ranked using criteria to capture the needs of their respective populations: (i) number of households receiving state benefits, (ii) rate of unemployment, (iii) number of underdeveloped communities within the municipalities based on average income and population distribution, and (iv) municipal environment (i.e., whether rural or urban). Based on the ranking, consultations with the Bank, and discussions with the Government, the 123 municipalities were grouped into three clusters according to their capacity for micro-project preparation and implementation (high, medium or low). The selection of six pilot municipalities was made on the basis of initial estimates of poverty, unemployment, conflict damage, presence of minority communities, and proactivity in development work.

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<sup>1</sup> Annex 13 of the PAD describes the targeting methodology, the formula used for regional allocations, and its application in determining regional allocations.

As a result of the profiling work, the CDP PIU incorporated additional criteria for the second-stage poverty targeting strategy. Since then, the CDP has also worked on developing an index using data from the profiling exercise to improve the distribution of project funds within the regional allocations. This new data and its analysis provide the basis for a more realistic municipal poverty targeting strategy.

**3.2 Research and Assessments to Understand Community Needs.** At the early stages of project implementation, research and assessments were carried out to gain an understanding of critical community needs. Teams of specialized consultants were hired to carry out these assessments. Building on the municipal cluster system, they yielded valuable insights into several aspects of poverty in the neediest communities.

*Capacity Needs Assessments.* As a first step in the process, the outreach team conducted capacity needs assessments to determine training needs at the municipal and community levels. As of June 2005, the team had conducted 67 assessments targeting Community Implementation Committee (CIC) members and 226 assessments targeting community members. Based on the results of the assessment, the promotion team developed training programs for 77 municipalities. The CDP PIU identified a number of training areas for the local level institutional strengthening program as well as information on the level of current expenditures and knowledge of potential trainees. One of the most important findings was a gap in donor support for linking micro-projects at the community level to effective local government. The design of the CDP and the planning for the capacity-building component addressed this deficiency.

*Community Mapping and Social Needs Assessment.* The PIU also initiated a social needs assessment to gain a better understanding of special problems of vulnerable communities and their economic and social isolation. The assessment covered 18 communities (16 rural and 2 urban). It was crucial for identifying the most needed types of assistance and requirements to provide adequate community services in areas with similar problems and conditions. The neediest communities were essentially rural. Modernization processes had barely affected them, especially those in upland/mountainous areas. Projects carried out by citizens associations had little impact primarily due to inadequate transport and communication links. Few communities had satisfactory streets, sewage systems, dump sites, or drinking water supplied through water purification stations. Agriculture was the main source of income and employment. While the landless population was small, significant land areas are owned by people who have moved out of the villages into cities or abroad. A significant number work in the informal economy. Unemployment and poverty emerged as the most acute social problems.

*Employment Surveys.* Although employment creation was not an objective of the CDP, given the centrality of unemployment, a special set of surveys were conducted to improve the knowledge of selected municipalities about the problems and constraints of small and medium size enterprises (SMEs). The employment surveys were expected to: (i) promote better dialogue between local authorities and entrepreneurs on streamlining the municipal approval processes and improving infrastructure services; (ii) enhance the quality of, and

provide inputs to, local development plans; (iii) contribute to the expansion of production and employment; and (iv) provide inputs to the formulation of labor policy. The selection of the municipalities for these surveys was based on criteria covering the existence of a local development plan, preference for mid-size municipalities, the presence of a local department of the Bureau of Employment, at least 1,000 SMEs or a total of 5,000 businesses, and the multi-ethnic composition of the population.

The first survey covered 100 legally registered SMEs in the Municipality of Kumanovo. In-depth interviews were carried out in 10 firms that demonstrated the most cooperation and interest in further collaboration with the project. The draft report, prepared on the basis of the first survey, produced important insights about the constraints to expansion of output and employment by SMEs, including: (a) delays of up to a year or longer in obtaining a construction permits, (b) dissatisfaction with information available at the municipality including the procedures for obtaining construction permits, (c) excessive fees for infrastructure services (electricity, water supply, roads and telecommunications), (d) the law requiring minimum wages and benefits (the main constraint), and (e) the need for training both employees and employers. The second survey conducted in the Municipality of Bitola yielded similar insights. The wealth of information and insights from these employment surveys provided the basis for designing activities that would help SMEs, including:

- training of municipal staff and streamlining of procedures to speed up the approval process of construction permits by setting up a One-Stop Permit Shop
- facilitating the feedback of key findings on labor issues to the central government
- helping set up a business advisory services unit managed by the private sector
- designing a framework for effective dialogue between the municipality and private entrepreneurs

Roundtable meetings were organized in the municipalities of Kumanovo and Bitola to follow-up the SME employment surveys. Representatives at these meetings included the government, the private sector, the local media, and the World Bank Office in Macedonia. As a result, an action plan was developed for the Municipality of Kumanovo that would: (a) streamline the municipal structure so as to facilitate and encourage investors to expand production and employment, (b) establish a commission for the business sector to promote dialogue on key issues affecting businesses, and (c) assist local entrepreneurs by setting up a One-Stop Permit Shop. This was intended to provide potential investors with basic information on urban planning and other municipal services and procedures for obtaining construction permits thereby helping entrepreneurs increase their production and create employment. A priority is advice on investment climate issues to ensure consistency with policies and procedures advocated at the central level for applicability to other regions.

**3.3 Outreach and Promotion – Building the Foundation for Participation.** The next major task was to develop a procedure for reaching communities based on the wealth of information on needy communities provided by the research and assessments. Given the magnitude and complexity of reaching 1,630 communities in Macedonia's

eight regions—and taking into account the limited resources and time available—the CDP PIU took an innovative approach. It involved strategic communication to raise awareness of CDP goals and objectives, the types of micro-projects that could be financed, stages of the micro-project cycle, selection criteria, procedures at each stage, monitoring and evaluation, operation and maintenance of constructed or rehabilitated assets, and the respective roles and responsibilities of the local communities, local governments, and the CDP PIU. The CDP PIU conducted outreach and promotional activities in a structured, step-wise manner at regional, municipal, and community levels.

*Promotion at the Regional Level.* The initial focus was on regional promotion. The PIU promotional activities at the regional level comprise: (i) official presentations at the regional level to key decision-makers, (ii) participation at regional meetings organized by the municipalities of each region, and (iii) CDP representation at regional meetings organized by other institutions. A total of 175 local government officials, including 86 mayors, were present at these meetings. As a result of the outreach and promotional activities, municipal officials became fully aware of CDP goals and objectives, operational procedures, and their roles and responsibilities. The CDP PIU also participated in the ZELS (Union of Units of Local Self-Government) exposition enabling the PIU to strengthen its ties with municipal representatives and to reach out to those who had not participated in the regional promotional meetings.

*Promotion at the Municipal Level.* The poorest municipalities were targeted first, based on a poverty assessment. The PIU created Community Implementation Committees (CICs) in the municipalities, delegating to them the main responsibility for outreach and promotion at the community level, with PIU participation on a selective basis. Through the CIC mechanism, the PIU has been successful in conducting effective outreach work with the communities. The CIC forms an important link in the channel of communication about project activities between the PIU, the municipality and local communities. The formation of the CICs made it possible to reach and interact with 1,630 communities from 123 municipalities, within a short implementation timeframe.

The main task of the outreach team has been to provide an overview of the CDP to community representatives. This was followed by assistance on organizational, technical, and financial skills for the formulation of appropriate microproject proposals. With the support of CICs, the PIU staff visited a number of pre-selected communities to help set up Community Project Committees (CPCs), representing the beneficiaries, and to explain CDP objectives, microproject typology, selection criteria, procedures, sustainability and the role of CPCs in the microproject cycle.

*Strategic Communication and Coordination.* The PIU adopted a communication strategy that blended several approaches: publicity campaigns, community information networks, and strategic communication with central authorities on specific policy issues that emerged in the course of implementing the project. Strategic communication and coordination raised community awareness of what the CDP could offer to improve living standards and how they could approach the PIU. More importantly, the experience and

findings of the project, within the integrated framework, highlighted policy issues related to poverty reduction and decentralization that need to be addressed by central authorities.

*Publicity Campaigns.* As part of the communication strategy, the PIU launched intense public relations and publicity campaigns to ensure maximum visibility and awareness of CDP activities at the national, regional, municipal, and community levels. The program comprised:

- dialogue and discussion with local government, community leaders and members, and national and international organizations
- articles and advertisements in national and local newspapers
- national radio and television broadcasts
- brochures and pamphlets on CDP activities
- posters, photos, and exhibitions on completed and ongoing microprojects
- seminars, workshops, and conferences on CDP activities
- promotion of inter-personal communication through local channels, women's groups, traditional leaders, community centers, health centers, and schools
- a handbook on outreach, promotion and interagency coordination
- a CDP website: [www.cdp.org.mk](http://www.cdp.org.mk)

*Community Information Networks (CINs).* As part of the community outreach, promotion and information dissemination activities, three existing Community Information Centers located in three municipalities were selected as “information hubs” around which three community information networks were created and linked to nine smaller centers. The CINs were set up to help citizens access information from the local authorities, strengthen their contacts with local government, enhance public participation in local government decision-making, and thereby improve service delivery at the local level.

The CINs located in municipal buildings cost, on average, about \$4,000 each. Each CIN was set up with office furniture, equipment, information pamphlets, forms, and trained office staff. The municipalities provided office space, utilities and staff to run the CIN. Each of the CINs was staffed by one assistant who participated in a 15-day training program conducted jointly by Community Information Center staff and a firm hired by the CDP. The training program covered the basics of local self-government, local development, team work, strategic planning, communication, writing project proposals, and administrative work relating to the CIN.

**3.4 The Participatory Process for Selecting Microprojects.** At the municipal level, a special decision-making body was created, known as the Community Implementation Committee (CIC). It included representatives of schools, health care programs, nursing homes, NGOs, the mayor, city counselors, directors of public enterprises, and the like. Within the CDP framework, the CIC assisted the municipal participatory planning process to allocate funds for financing CDP microprojects targeted to communities' priorities, thus complementing the highly political City Councils that represent many communities. CICs were created as the direct local counterpart of the PIU. The Committee's responsibilities include:



- planning the nature and size of the community contribution (monetary or in-kind) and collecting it
- discussing and selecting eligible priority microprojects
- identifying and legally recognizing the entity (represented by a legal association at the CIC) that can sign the framework agreement with the CDP and open a bank account on the microproject's behalf
- ensuring compliance with technical norms and standards of the line ministry for that type of infrastructure or service

CIC meetings are facilitated by a project representative and include: (i) the presentation of social needs at the community level by each community representative; (ii) discussing, prioritizing and voting on main problems by all CIC members; (iii) identifying and selecting three priorities for CDP financing; and (iv) monitoring, evaluation, and operation and maintenance of constructed or rehabilitated infrastructure. The CIC meetings opened up a permanent channel of communication between the CDP PIU and key municipal officials.

The CIC met at least three times during the decision-making process which took up to three months. There was one general meeting in which citizens from different localities participated, after which people in smaller localities discussed their needs and made a list of their own priorities. In a second general meeting, each community within the municipality had to argue why their priorities were more pressing for the municipality than the priorities of other communities. Finally, in a third general meeting, they had to take a final vote and generate a list of five infrastructure projects and three social services projects for submission as their proposed projects.

Each municipality's list of priorities was sent to the PIU for a desk appraisal of their technical and financial feasibility after which the PIU conducted a field visit to verify project feasibility on the ground. The National Steering Committee reviewed the projects and then the PIU informed the municipality of the two projects selected for funding, one for infrastructure and one for social services. A Memorandum of Understanding was signed between the CIC, the mayor, representatives of beneficiaries, and the PIU in which everybody agreed to fulfill their rights and obligations. The community was required to pay a cash contribution of 10 percent of the total project costs. The PIU trained the CIC on the implementation and supervision of micro-projects and procurement procedures. An independent supervisor was hired to supervise the works being carried out. In addition, engineers from the PIU carried out regular site visits to supervise the work.

Community members actively engage in discussions about infrastructure needs, a topic on which they possess first-hand knowledge and thus feel comfortable discussing. This was evident during field visits, where discussions about infrastructure needs were lively and involved all participants. In contrast, when it came to discussing social services for vulnerable groups, participation dropped to just a few members, mainly representatives from the Social Works Center (SWC) of the municipality. The lack of knowledge and,

to some degree, interest in social services, pointed to the need to train community leaders and citizens in the coverage, scope, and content of social welfare services and benefits. Many citizens, particularly in poor rural areas, are not aware of their welfare benefits or entitlements, which deprives them of their rights as citizens. Community leaders also are not trained in social service areas as it is not their direct responsibility.

**3.5 Training and Capacity Building for Sustainable Local Development.** One of the key elements in implementing the decentralization program was to build capacity at the municipal level to effectively implement functions and responsibilities devolved to the municipalities. One part of the CDP capacity-building program assisted municipalities in planning and prioritizing investments based on national development objectives, policies, and plans, and securing funds from the central government to help finance such investments. The local institutional strengthening program sought to link two levels of capacity-building, microprojects and local governments. The CDP used three approaches to capacity building: (i) direct training, (ii) technical support throughout the different phases of the project cycle, and (iii) learning by doing mechanisms such as participatory planning.

*Microproject Training.* The CDP initially focused local capacity-building activities on the CICs as an integral part of the community outreach and promotion program. Community training by the promotion team focused on: (a) raising awareness for collective action, organization, and responsibilities of CICs, (b) identification and development of project proposals, (c) procurement processes for community works projects, and (d) supervision of microprojects, operations and maintenance of facilities, and environmental issues.

The CDP promotion team observed that the municipalities initially targeted for pilot projects were quite experienced as they had worked with different international and national donor agencies for several years. This exposure to donors was beneficial and directly contributed to the CICs and facilitated training their members. However, the promotion team also worked with rural municipalities that had little experience with donors and community projects. In those municipalities, the CDP devoted more time and effort to educate and train community members.

*Financial Management Training.* This training covered six municipalities targeted under the pilot projects and the 40 municipalities identified (in the poverty targeting exercise) as having the least capacity and needing training the most. A total of 193 participants (more than half were women) attended the weeklong training from 83 municipalities: about one third were officers from local branches of the Ministry of Finance and the rest were municipal finance officers. The training was carried out by a consulting firm and managed the Training and Technical Assistance Coordination Unit of the CDP PIU in coordination with the Community Outreach and Promotion Unit. The training focused on developing the skills of selected local government officials in the following areas:

- financial management, budgeting and accounting
- asset management, inventory monitoring, and operation and maintenance of assets

- the transfer of responsibilities from the central government to local communities
- internal control and auditing, external audit, accounting and treasury functions
- sources of revenues such as local taxes, personal tax, value added tax (VAT), donations, fines, and grants from the central government
- public communication including community meetings, public hearings, surveys, referendums and information materials

*Social Service Delivery Training.* The social service training program was developed, as the need arose during project implementation, to strengthen local capacity to prioritize social services projects and to increase the coverage, scope, and content of social welfare and benefits services. The training focused on: (a) identification of social problems and needs, (b) the role of community members in dealing with social problems, (c) maintaining and sustaining local social services, and (d) communication and coordination with the central government, NGOs and the community. The CDP worked closely with the Ministry of Labor and Social Welfare, as well as with the Social Welfare Centers and EU-Phare, to develop the training program which dovetailed with the community social services projects and provided needed capacity building for municipalities. The project trained 505 participants including mayors, officials from the Social Works Centers, officials from municipal councils, and local NGO staff.

*Technical Support.* Technical support was provided throughout the implementation of the project by PIU staff. Two important aspects of this technical support that constitute a transfer of skills to the municipal governments are: (i) training on procurement procedures and outsourcing of services to NGOs, and (ii) training on M&E. Outsourcing, procurement, and monitoring are all quite new to the municipalities, and are critical to service delivery. For monitoring, all CIC members received hands-on training as they supervised micro projects. Monthly reports were delivered to the PIU. Local governments welcomed the participation of members of the community in the supervision because it improved their transparency. The monitoring did not include evaluation of program achievements which was done only by the PIU.

**3.6 Comprehensive Monitoring and Evaluation Framework for Project Activities, Outcomes and Results.** The process of monitoring and evaluating project activities, outcomes and results under the Project was carried out continuously and systematically during project implementation. The MCDP currently has multiple methods of monitoring performance throughout the project cycle (see Table 1 below). These include: MIS/database tracking, technical assessment of infrastructure programs, Beneficiary Assessment (for infrastructure and social service programs, as well as capacity building activities), Social Services Training Evaluation, Financial Audits, cost-effectiveness analysis, and Operations and Maintenance monitoring. These methods comprise the Project's Monitoring and Evaluation Framework and the tools used to assess the linkage between inputs, outcomes and outputs, and the achievement of project development objectives to deliver intended benefits to target groups. Key data generated from the monitoring and evaluation framework is tracked and analyzed by the Monitoring and Evaluation Specialist in the MCDP PIU and documented in progress reports.

**Table 1: Macedonia Community Development Project Monitoring and Evaluation**

		<b>(M&amp;E) Methods</b>		
<b>Type of M&amp;E Method</b>	<b>Description</b>	<b>Frequency</b>	<b>Who Carries it Out</b>	<b>Who is Responsible</b>
1. MIS/Database tracking	This information system compiles data from program tracking forms such as the Community Project Pre-Appraisal Form, General Community Meeting Minutes Form, Community Project Application Form, Community Project Appraisal Form, etc. as well as from technical and financial tracking forms. The MIS also regularly tracks and updates performance indicators.	Ongoing	Promotion, technical and social services team responsible for distributing and collecting data from forms. The Monitoring Specialist is responsible for gathering and analyzing the data and summarizing it in the progress reports.	-MIS Manager oversees system -Engineer's unit -Promotion, Social Services and Monitoring coordinators
2. Technical Assessment of Infrastructure Programs	The TA provides an external assessment of a sample of infrastructure projects' technical quality, the implementation process (promotion process, selection process, tendering, handover, etc), the projects' sustainability and recommendations for improvement.	Annually, for annual report	External Consultant	-MIS Manager -Engineer's unit -Promotion, Social Services, and Monitoring coordinators
3. Beneficiary Assessment (for infrastructure, social service programs, and local level capacity building programs)	The BA examines satisfaction levels of community members, in terms of project selection and implementation process as well as project quality and impact. Includes direct beneficiaries, key informants and regular community members.	Annually	External Consultant	-MIS manager -Promotion, Social Services, and Monitoring coordinators
4. Social Services Training Evaluation	If an NGO has incorporated training into their program design, they typically carry out a pre- and post-training test.	As applicable	NGOs	-MIS Manager -Promotion, Social Services, and Monitoring Coordinators
5. Financial Audits	Ensures compliance with local financial rules and regulations.	Annually	External Consultant	-MIS Manager -Finance Manager -Procurement Manager -Monitoring Coordinator
6. Cost Effectiveness analysis	MIS records actual costs of completed projects against estimated costs and develops monitorable benchmarks of cost- effectiveness for future projects.	Ongoing	MIS specialist	- Engineers - MIS specialist -MIS Coordinator
7. Operation and Maintenance Monitoring	The O&M provides an external assessment of all infrastructure projects on operation and maintenance carried out, either from community or utility company.	Once per cycle	External Consultant	-MIS manager -Promotion, Social Services, Monitoring team

**3.7 Ensuring the Quality and Sustainability of Community Investment Projects.** An integral part of the CDP's operational work was to ensure the quality and sustainability of community investment projects. This was done through appraisal and follow-up procedures and through linking community investments to formal institutions. For both community infrastructure and social services projects, a comprehensive two-stage appraisal process was carried out by specialized CDP staff. This consisted of desk and field reviews. The field reviews required frequent field visits by the appraisal and follow-up teams for the purpose of checking the accuracy of the technical work and, in the case of infrastructure projects, to carry out environmental assessments. CDP teams regularly prepared progress reports based on field visits which, together with reports of the local supervisors and CIC members, were required for the release of payments to the contractors. To ensure proper operations and maintenance of the public facilities renovated or reconstructed, an external assessment of works projects was carried out, by the community and a utility company where relevant.

#### 4. Microprojects that Meet the Needs of the Poor and Vulnerable

The great majority of project funds went to the community microprojects. Although they resemble many other social fund projects, they were often specifically chosen to serve marginalized populations such as the elderly, children, the undereducated, the unemployed and ethnic minorities such as the Albanians, Turks, and Roma. The microprojects served social as well as economic needs. Bringing communities together to identify and prioritize their needs helped overcome ethnic cleavages and mistrust.

**4.1 Community Infrastructure Microprojects.** Community infrastructure projects include basic transport and access roads, schools, water supply and sanitation, and multipurpose community centers. As of June 30, 2006, 118 infrastructure micro-projects were completed surpassing the 90 that had been targeted (see Table 2 below). These projects served almost 450,000 people in 118 municipalities at an average per capita cost of less than \$14.

**Table 2: Completed Infrastructure Microprojects (as of June 30, 2006)**

Sector	No.		Cost (US\$)		Beneficiaries		Cost per Beneficiary (\$)
	No.	%	Cost (US\$)	%	Beneficiaries	%	
Transport and Access	34	29	1,627	26	102,533	23	16
Education	31	26	1,739	28	19,178	4	91
Water Supply	21	18	1,185	19	114,480	26	10
Community Services	14	12	634	10	30,523	7	21
Health	5	4	259	4	77,961	17	3
Environmental Infrastructure	3	3	202	3	11,599	3	17
Productive Infrastructure	2	2	154	2	9,830	2	16
Sanitation	4	3	160	3	4,838	1	33
Other	4	3	263	4	76,766	17	3
Total	118	100	6,223	100	447,708	100	14

*Transport and Access Projects.* The deteriorated state of road infrastructure has been a major impediment to economic development in rural areas. Access roads account for the largest share of community infrastructure projects. This reflects the high priority assigned to them by communities. They connect remote communities to municipalities, markets, and key services. Bridges are another form of access receiving high priority in a number of communities. The bridge reinforcement project in the municipality of Karbinci, a poor rural community, was one such project. This bridge was on the main trade route linking peripheral communities to the municipalities of Karbinci and Stip.

*School Projects.* The school projects built on close collaboration between municipalities, local branches of the Ministry of Education, parent-teacher councils, and CICs. These projects were perceived by parents of the communities targeted to offer hope for a better future for their children, especially in poor and remote communities where education is highly valued. A typical example is the Skender Beg primary school in the village of Dzhepciste in the Poloski Region. The school is in a predominantly ethnic Albanian area, but ethnic Macedonian and Turkish children also attend the school. The school's old heating system, based on wood stoves, caused frequent smoke in classrooms and affected the health of children. The installation of a central heating system, financed by the CDP, improved hygiene, sanitary conditions and school attendance.

*Water Supply.* Providing water supply to communities in mountainous areas is a formidable challenge. For example, the Municipality of Makedonski Brod has a population of approximately 5,600 who live in a hilly/mountainous area of 397 square kilometers. Several local communities in this municipality suffer from inadequate water supply, and sanitary conditions deteriorate severely during the summer months. The completion of the CDP financed microproject in this municipality, which consisted of a well and a water supply network, ensured continuous water supply.

*Irrigation.* The lack of irrigation facilities in some rural areas has been a major constraint on agricultural production. In Zletovo, for instance, about 80 hectares of arable land stretches downstream along both banks of the Zletovo River. The previous irrigation system of small dams was easily destroyed by high water. The irrigation channels were polluted, filled with household trash and uncontrolled leakage of sewage from dwellings. The CDP microproject consisted of an irrigation system that boosted agricultural activity.

*Community Centers.* A number of multipurpose community centers were constructed by the project. The community center in the Municipality of Vasilevo was used to organize school and cultural events, helped disseminate information to community members on services available in their localities, and housed local NGOs that were established to provide services to their communities.

**4.2 Community Social Services Projects.** These projects are wide-ranging. They include a school mentoring program in a Roma community where school attendance is low (see Box 1 below), a sports project for youth of different ethnic backgrounds, a soup kitchen and doctor's visit for the elderly, recreational and cultural centers for children and youth, a public information campaign to combat the use of drugs in primary and high

schools, and a skill enhancement textile training project directed at youth (see Box 2 below). These projects were all discussed and agreed upon in open meetings where community members came together and decided on priorities, particularly regarding the neediest segments of the local population. Each project was crucial in providing badly needed services to their respective communities. As of June 30, 2006, 80 community social services projects were completed compared to the 40 that had been targeted (see Table 3 below).

**Table 3: Completed Social Services Microprojects (as of June 30, 2006)**

Sector	No.		Cost (US \$000s)		Beneficiaries		Cost per Beneficiary (\$)
		%		%		%	
Community Facilities	11	14	114	12	18,391	38	6
Children and Youth	35	44	386	42	16,906	35	23
Elderly People	14	17	155	17	4,412	9	35
Disabled and Marginalized	16	20	221	24	7,036	15	31
Women and Single Parents	4	5	44	5	1,480	3	30
<b>Total</b>	<b>80</b>	<b>100</b>	<b>920</b>	<b>100</b>	<b>48,225</b>	<b>100</b>	<b>19</b>

#### **Box 1: The Roma School Mentoring Program**

This is an important program in a Roma community where there is high unemployment and a low level of high school completion. This program is managed by a very active and committed Roma medical student who heads a local NGO that has supported Roma community members for the past four years. He is assisted by six high-performing Roma high school students who mentor a total of 150 Roma students from an elementary and a high school in a large municipality.

The mentoring program consists of helping students with homework, school assignments, and subject areas in which students perform poorly. Workshops cover family planning, drug addiction, and AIDS prevention. The NGO works closely with parent-teacher councils of the targeted schools. The NGO also works with parents of Roma students who attend the program to educate them on the advantages of their children finishing school. An evaluation revealed the positive impact of the program in terms of improving school attendance and academic performance of the Roma students. One teacher from the Bratstvo Edinstvo Elementary School in Gostivar summarized the impact of the program:

*“These children do not have conditions to learn at their homes. They lack suitable space and somebody to assist them. Their parents are illiterate or lack proper education, live in bad economic conditions and are unemployed. This project gives a chance to these children to get the necessary assistance in learning the curricula, and to identify success stories and good examples about the value of regular education as one of the major factors for their intellectual, ethical and cultural development. As a result of this project, there are evident changes in these children: they are more present at the school, more often have their homework done, and get better marks on tests and presentations.”*

The Hot Meal and Doctor's Visit program targets poor, elderly citizens of Valandovo. The program is managed by the Social Works Center in partnership with the Veterans Association. Young volunteers provide their time and services to the program. The program targeted 41 elderly persons who were selected based on their needs. They received their meals initially at a local restaurant, and, after thermoses were purchased, at their residences. Doctors visit them up to three times a week. The program will be maintained beyond the life of the project and will be sustained by having the elderly contribute a small amount for the meals and doctor's visits. The municipality will also participate and provide assistance for the continuation of this program.

### **Box 2: The Textile Training Program**

The Textile Training Program for unemployed youth in the Municipality of Kriva Palanka enjoys high visibility in the community. It built on a strong alliance between the municipality, local textile businesses, the Social Works Center, and the local media. With the assistance of the Employment Bureau, 30 young, unemployed applicants were selected to participate from the communities of Konopnica and Zedilovo. The training facilities were located in a building provided by the municipality. The municipality also provided students transportation from their residences to the training center. The social services project funded the technical trainers, the training equipment and materials.

The training program covers all phases of textile production, from cutting patterns to sewing, ironing and packaging. The managers of three textile companies in Kriva Palanka participate in the selection of the trainees and trainers and in the training program. The objective of the program is to enhance the skills of young textile workers so that they can be employed by one of these textile factories. A preliminary agreement has been reached with the manager of one of the largest textile companies in the municipality to hire the better qualified students from the training program. Workshops will be organized on how to engage in self-employment activities for those trainees who are not employed by the textile companies. The municipality intends to continue the training program beyond the project and to transform it into a regional training center benefiting all communities in Kriva Palanka.

## **5. Results Achieved with a Participatory Approach**

Although the project focused on delivering badly needed infrastructure and community services, it also met deep needs for social reconciliation and local empowerment for sustainable development. Delivering immediate benefits alone would be a short-term palliative. Creating an institutional framework for a more participatory approach to using government resources went beyond a band aid to creating a long-term cure for the political, economic and social cleavages threatening Macedonia's future. Furthermore, it developed institutional capacity within municipalities and communities to manage sustainable local development. The MCDP served as a pilot for government programs and increased government accountability.



**5.1 Poverty Reduction and Social Integration.** Information provided by the supervision missions and the findings of the 2005 Beneficiary Assessment (BA) show that CDP microprojects helped reduce poverty in rural and urban areas, particularly for communities living in remote and mountainous areas. The CDP responded effectively to the priority needs of poor, vulnerable groups and minority communities and visibly helped raise their living standards. Beneficiaries were highly satisfied with the infrastructure and services they received.

Living standards improved through reconstructed access roads and bridges, increased availability of potable water, reduction of water shortages, rehabilitated and better heated schools, and multi-purpose municipal community centers supporting youth and multi-ethnic cultural activities. The main social service impacts were to help raise living standards, improve social integration, and provide vital services to vulnerable groups (see table 4 below).

**Table 4: Community Satisfaction with the Microprojects**

Project Results	Percentage of Beneficiaries responding “yes”	
	Infrastructure Microprojects	Social Services Microprojects
The project responds to priority needs	93	
The project improved living conditions	96	91
Highly satisfied with infrastructure/services received	87	91
Better social integration	64	82
Improved interpersonal relations		85
Quality of works	91	
Quality of supervision	87	
Sustainability of project results	81	
Transparency of activities	81	

Source: Beneficiary Assessment, April 2005.

With regard to community infrastructure provided by the CDP, there has been a high level of satisfaction with the project’s response to priority needs, improvement of living conditions, better social integration, sustainability and transparency. Active engagement of community members and local authorities, working within an effective decentralized participatory framework, combined with tangible results of public facilities reflecting high quality civil works, provided the catalyst to ensure the sustainability of physical facilities after completion. For example, a resident of Samokov assessed the water supply project and their satisfaction with the services received during implementation of the microproject:

*“I live in the old part of Samokov, and we had water very rarely. I had to buy barrels and to keep water. But it was unsafe, unhealthy. There were no problems during the implementation because with the support of the MCDP PIU the communities identified and solved the problem of the shortage of water.”*

BA respondents unanimously agreed that the social services projects had a positive impact in their communities. Findings from the assessment revealed that these projects

restored self-confidence among vulnerable groups, in particular youth, the elderly, and mixed ethnic communities. When they were engaged as active members of their communities, they felt empowered to participate more fully in the local economy. Youth found that the acquisition of skills (e.g., computer training, textile training) increased the demand for their services. Similarly, specialized skills provided the handicapped opportunities to integrate into society and lead more productive lives.

Through social services projects, the CDP has made a major contribution at the local level in raising awareness of social problems encountered by persons with special needs and in mobilizing the communities' willingness, support and contribution to address such needs. The social services projects created an enabling environment and opportunities in promoting multifaceted partnerships amongst NGOs, the private sector, and municipal governments. The Specialized Training for Persons with Special Needs Project in the Municipality of Orizare provides a good example of a project successfully addressing the needs of young handicapped women by training them in carpet weaving, with active participation and cooperation between an NGO and the private sector.

The CDP fostered reconciliation by bringing local governments and communities together through a flexible, participatory and demand-driven approach to community development. It promoted inter-community integration and built trust. This was done by gradually establishing dialogue among members of different socioeconomic and ethnic groups and by promoting shared activities for the common good. This process was facilitated through the Community Implementation Committees (CICs) which contributed to strong participatory process in project identification and selection involving the municipalities and local communities, which included different ethnic groups. These CICs helped to foster reconciliation among ethnic groups, reduce social tensions and help effective targeting of funds through outreach to communities and intense dialogue with them. Through such dialogue and meetings, the CICs were able to help communities discuss their needs and mitigation measures and to assist them to develop and supervise projects. Moreover, the CICs helped get mayors involved in the project, and served as a bridge between municipal government and the people, and thereby fostered greater cohesion.

The poverty targeting formula also addressed the issue of equity through the use of a poverty-conflict index which was based on population size of the regions and their perspective poverty and conflict indicators. It was agreed with the Government of Macedonia that the targeting of the poor communities could be viewed as a conflict prevention strategy based on the generally accepted understanding that poverty and social tensions provide breeding grounds for conflict. Experience from neighboring post-conflict countries such as Bosnia, Southern Serbia, and the province of Kosovo, confirm the consensus that poverty and conflict are inextricably linked. On the basis of the agreement reached with the Government to target poor communities as part of its conflict-reduction strategy, the poverty targeting strategy was developed using poverty and conflict indicators. Community investments under the Project targeted and benefited largely poor mixed and minority groups. Under community infrastructure, seventy percent of the population targeted was ethnically mixed. In addition, a total of 17

communities with minority groups were covered. In these communities, approximately 46,000 (out of 140,000) were ethnic Albanians. With regard to community services, a total of 12 communities with minority groups were targeted, including 9,000 ethnic Albanians (out of 18,000).

The community-based microprojects served as a catalyst for a process in which citizens in targeted communities, especially in mixed and minority communities, gradually came together over time and participated in the design, implementation and monitoring of these microprojects. One of the lessons learned in post-conflict reconstruction is that the carrying out of small-scale activities designed to facilitate the transition from conflict to peace is an effective means to post-conflict development. By creating opportunities for the participation of community members for pursuing common interests and common goals, people came to appreciate that their interaction is mutually beneficial. This was highlighted in a Beneficiary Assessment conducted where eighty two percent of respondents were of the opinion that the community investment projects helped improve social integration. Rehabilitated infrastructure and additional services also reduced tensions and competition for scarce resources. As one resident in Zletovo said of the irrigation system:

*“It is good that we now have enough water. There will be no more quarrels between us about who will be the first to use the water.”*

**5.2 Perceptions on the Impact of MCDP Training Programs.** The results of the two training programs for local government proved highly satisfactory. They provided critical training at the local level in support of the government’s decentralization reform program. The key achievements in this area were (a) the standardization of municipal financial management and social service training programs, and (b) the institutionalization of these training programs at the central government level. In recognition of the effectiveness of the project’s training, these programs became an integral part of the government’s National Action Plan on municipal capacity building. The Ministry of Finance adopted this training as the national training program for financial management for all municipalities in Macedonia. A senior representative from the Ministry of Transportation reflected on the impact of the MCDP in a critical period of implementing the Government’s decentralization policy:

*“The Macedonia Community Development Project showed remarkable results at the local level, focusing on supporting the municipalities in this period of transfer of competencies. The appeal of the training was that local officials and community members were trained to identify and solve problems through an integrated institutional approach.”*

Six months after completing training, an evaluation assessed its impact and how participants used their newly acquired skills and knowledge in daily work. The evaluation revealed high marks from participants regarding satisfaction with the trainers, the methodology of the training, the organization of the training, and the achievement of goals. As the process of decentralization was quite recent, and training dealt with newly

acquired responsibilities, it was found to be very relevant in the municipalities. As noted by one municipal officer:

*“This training has been useful for gaining new information and improving the working approach of the financial workers. Trainees have acquired new knowledge and experience and learned new criteria and new working directions. The trainers are very good in their way of work and in how they communicate with the trainees.”*

The evaluation from the participants reflected overall satisfaction with the contents of the course. However, in most of the evaluations, participants said that the training could benefit by having a more practical approach, and that additional training was necessary on the issue of tax collection and budgeting. Participants also found that the presentation on legislation was incomplete, especially the part concerning municipal operations. Some of the comments point to the need of further training at the municipal level. Nonetheless, the mayor of Veles endorsed the practical outcomes of the training:

*“I liked the training for identification of social problems and the follow-up preparation of the Action Plan. We on the local level did not receive any instructions from the Government in this area. The MCDP provided help in strengthening the local capacity in helping people with special needs and the neglected communities. The special effort given to involving the central government (a part that transfers the competencies) and the local government (the part that hands over the competencies) representatives as well as the NGO sector I found very useful, as for example, on-the-job-training.”*

The microproject training for CIC members was also well received. The evaluation carried out at the end of the training showed that participants were highly satisfied with the level of engagement of the trainers, training material and course content, organization of training, and achievement of goals. A community member who participated in the local training organized by the CDP gave a positive evaluation:

*“The training contents fully met our expectations in terms of education for our professional engagement, as well as fulfilling the need social protection in the local community as a core segment in the societal life and needs of people.”*

**5.3 Municipal Capacity Building.** The project was instrumental in building institutional capacity in areas such as municipal planning, asset management, financial planning and budgeting, social service delivery, and public communication and outreach. A senior representative from the Ministry of Health expressed his satisfaction with the support the CDP provided and its tangible benefits:

*“I am very pleased that the activities of the MCDP were adjusted to the process of decentralization, bearing in mind that the government is transferring the competencies of maintaining the primary health facilities, while at the same time*

*cutting the funds for these services. MCDP activities are helping the municipalities to start the new competencies with facilities in good conditions.”*

*Municipal Planning within the Decentralization Framework.* The project not only improved the capacity of municipal governments, but it has also helped link it to the national policy of decentralization and helped line ministries move forward with it. Much of the implementation of the decentralization strategy was left to the line ministries. Therefore engaging them in the process of capacity building at the municipal level was crucial. In addition, aligning actions at the municipal level with the general framework and policies of decentralization was also crucial to creating synergy between the two and using the resources at the municipal level more effectively.

*Financial Planning and Budgeting at the Municipal Level.* As part of municipal capacity building, one key area the CDP focused on was ensuring adequate funding for operation and maintenance of public assets constructed or rehabilitated under the CDP. The sustainability of these assets depends on operation and maintenance supported by adequate funding from a number of sources including transfers from the central government, contributions from public enterprises, community contributions, and municipal taxes and fees. In addition, these financial sources are now clearly documented in line items of municipal budgets as recommended by the CDP. Of equal importance is the efficient allocation of these resources to responsible entities for the maintenance of these assets.

*The Role of Community Implementation Committees in Capacity Building.* CICs were among the most efficient mechanisms for improving local capacity. The involvement of mayors and city counselors in CICs resulted in training on planning, implementation and monitoring of infrastructure and social services projects. The learning by doing approach turned out to be very effective because it allowed local authorities to verify the results of participatory planning by experiencing their effectiveness and benefits first hand.

The fact that several mayors are using the CIC approach for future investments beyond the CDP project shows that they found the instrument effective and useful. For example, the municipality of Resen was planning to start a participatory planning process involving a decentralized process with consultations in town meetings for the purpose of generating a final document that identified core problems and priorities of the municipality. The municipalities of Veles and Resen used their own funds to finance other projects on their priority lists not funded by the World Bank. Other municipalities raised funds from other donors to finance additional projects on their priority lists.

*Collaboration between Local Governments and NGOs* has greatly improved. This also enhances government capacity as a good relationship with NGOs can be very helpful to local governments, particularly in small municipalities. NGOs can complement government activities in several areas and supplement public funds as they raise additional funds from donors. Local governments are learning how to sub-contract many of their services to NGOs which is relatively new in Macedonia. NGOs can also be a source of innovation for local governments as they bring new ideas for the

implementation of public policies and can provide information to local governments on topics in which they specialize, the provision of social services, or on the needs of the community as they tend to be in touch with the locality and its problems on a daily basis. In several municipalities, local governments hailed the work of NGOs and supported their activities by providing them office space, a special liaison in the municipality, or even a budget line.

**5.4 Community Empowerment.** The CDP encouraged the active involvement of community members in decisions that affect their lives by putting in place a framework for greater stakeholder participation. By supporting a decentralized self-management approach, the project promoted self-help mechanisms, increased the sense of community ownership, and strengthened relations between local government and communities.

During field visits, one mayor noted that the projects promoted active engagement and consensus building among community members in the decision making process. Community members highlighted the interaction between citizens and municipal officials. This interaction was critical as it reflected a positive step towards the decentralization process at the local level. Municipal mayors confirmed that they planned to maintain the CIC institutional arrangements to support municipal activities, particularly community consensus building.

Community investment projects induced community members to take on additional work beyond the microprojects. For example, during the field visit to the school heating project at the elementary school in the Municipality of Dzhepciste (Poloski region), the project provided an incentive for parents to take on additional work at the school such as painting and fixing the floors. In a number of projects visited, tripartite joint ventures were implemented with the collaboration of the municipality, the community, and the CDP. In the Municipality of Dolna Banjia (Poloski region), a tripartite joint venture involved the local road project. The municipality was responsible for the drainage work, the community repaired the portion of the road not covered by the project, and the CDP repaired a significant part of the road. Similarly, in the municipality of Masalnica, the Ministry of Environment, the municipality, and community members joined forces for the construction of a retention wall on the bank of the river. This partnership highlights the important catalytic role of the CDP in mobilizing co-financing at the local level.

**5.5 Increased Government Accountability.** The CDP contributed to government accountability through: (a) political and civic awareness of citizens at the community level, (b) information about government's responsibilities and activities, and (c) organizing parallel mechanisms in which citizens can voice concerns or monitor government programs or actions. Although it was not the main objective of the project, two instruments were good at increasing accountability at the local level: the Community Implementation Committee and the Community Information Centers.

*The Community Implementation Committees.* The establishment of CICs enhanced community empowerment and government accountability by creating meaningful opportunities for citizens to participate. Committee members have been called upon to express their opinions and shape public policy, through the selection of priority projects.

As a result, for the first time, communities are given an opportunity to present their proposals for priority projects through a selected representative of the community. This establishes a relationship between the local government and the community, vis-à-vis the community representative, to which the mayor must be accountable. Committee members' insistence on the implementation of all projects on the priority list shows their sense of entitlement to have their needs fulfilled. The experience with CICs has set the precedent for opening a two-way communication process between the community and local governments. The value added of this activity was learning how to do: (i) participatory capital budgeting, (ii) citizen involvement in local policy development, and (iii) beneficiary monitoring of project implementation to ensure quality and timely work.

The CIC ensured that mayors and city counselors participated in a joint committee with community members in the identification of local needs, selection of priorities, and project implementation and monitoring. This mechanism promoted a sense of ownership among local governments. It kept them engaged as they found this mechanism quite useful. According to interviews, mayors think that CICs: (1) are a good tool to find out about community needs using a democratic procedure, (2) assure transparency on the selection and implementation of projects reducing suspicions about corruption and increasing the level of trust, (3) make citizens aware of the limitations of the municipalities and the need to establish priorities, and (4) constitute a good mechanism for planning future investments in infrastructure and social services. As the mayor of Orizari noted about the impact of the CIC in his community:

*“Ever since the creation of the CIC, I am more relaxed performing my functions as mayor because the community is increasingly satisfied that its priority needs are being addressed by a municipality whose constraints are now understood.”*

*The Community Information Networks (CINs).* The CINs were well received by the communities. The number of visits to the CINs ranged from a high of 254 to a low of 91 and averaged 141 the first 7 months. The developmental impact of the CINs can be summarized by the following achievements.

- *Improved citizen access to information about local government.* People know how to claim their legitimate rights and the procedures involved.
- *Increased contacts between citizens and local government.* Some mayors authorized the CINs to transmit their plans and ideas to the general public. The CINs have acted as a mechanism for obtaining public opinion on local needs and how to cooperate with NGOs and other private institutions.
- *Increased participation in local government decision-making.* The CIN provided an avenue for participation by citizens in municipal discussions, debates, surveys, and day-to-day discussions at the local level.
- *Improved efficiency in local administration.* The CIN assistants have performed a key role in receiving proposals from citizens, improving the quality of submissions, and quickly forwarding them to the municipalities. As a result, the incidence of erroneous documentation has greatly declined and time spent on reviewing proposals has been minimized.

**5.6 *The MCDP as a Source of Innovation for the Government of Macedonia.*** The CDP served as a pilot project in decentralization, capacity building, training, poverty targeting, outsourcing, and participation. Some specific examples are described below.

The Minister of Local Government assessed the work of the CDP as critical in supporting the government's decentralization program. He expressed interest in mainstreaming the CDP PIU into the government structure so as to support the Ministry with the implementation of the government's decentralization program at the local level.

The Ministry of Finance has expressed interest in using the skills, experience and project approach of the CDP in supporting the Ministry to effectively manage and facilitate a decentralized implementation system for EU financial assistance, focusing on institution building programs and support to the government's decentralization reform agenda.

Several ministries—including Finance, Transportation, and Labor and Social Policy—found the CDP approach to identifying the neediest communities for poverty targeting to be an approach they could use in allocating funds for their own programs. A senior representative from the Ministry of Transportation observed:

*“As a representative of the Ministry of Transportation that transfers significant funds from central to local level, I can say that the criteria set up in this survey can also be recommended to be used within my Ministry due to good methodology and fair distribution of funds.”*

An important contribution of the CDP project has been that the Ministry of Labor adopted the model of outsourcing to NGOs for the implementation of social services projects at the municipal level, starting with the treatment of the mentally ill. This helps the line ministry to decentralize using a tool that is relatively new to the government.

Under the Law of Social Protection, the Ministry of Labor and Social Policy has embarked upon a decentralization program covering a number of facilities such as daily centers for vulnerable groups. In support of this, the Ministry has allocated a small budget to train local NGOs to operationalize needed services at the community level. In this regard, the Ministry has expressed interest in adopting the approach used by the CDP in dealing with NGOs. This includes the recruitment process and training of NGOs, the coordination of project activities with local institutions and the private sector, and the monitoring and supervision of activities. The CDP is now advising the Ministry regarding the implementation of social services projects.

**5.7 *The Importance of Ensuring Micro-macro Linkages.*** The CDP project structure, with representation from the key development ministries, together with CDP procedures, has ensured stronger linkages between the project and government policies and programs. The implementation of the CDP within an integrated development framework brought to light several issues of development planning and policy formulation that are currently being discussed with authorities at the central and local level.



*Strategic Communication on Policy Issues.* The CDP PIU communicated successfully with central and municipal authorities on national policies that impacted project implementation as well as on policy issues that emerged from project activities. The former relates to the government's policy on poverty reduction and decentralization, the latter to project activities that needed to be discussed with central and municipal authorities. These include social policy, employment policy, local economic development, infrastructure development, and financial management and planning, among others. The institutional flow of information in these areas, and the resulting consistency at the macro and micro levels, enhanced local effectiveness of the CDP.

Specifically, authorities in charge of social sector policies and planning benefited from feedback mechanisms about project activities, in particular from the wealth of detailed information on communities generated by the Regional and Community Mapping and the Community Mapping and Social Needs. These mechanisms took the form of frequent impact monitoring and evaluation surveys on local development initiatives conducted and made available to the national planning authorities. The CDP PIU provided the Ministry of Finance with periodic progress reports on the scope and content of capacity building at the municipal level. These reports and the constant feedback to the Ministry of Finance set the stage for dialogue between the Ministry and the municipalities concerning future central government transfers, and more generally on improving financial planning and budgeting at the municipal level, thus effectively bridging the macro-micro financial planning gap. Employment surveys helped improve labor market policy in order to increase labor market flexibility. Assessments and feedback from the CDP also provided valuable information for donor coordination on social sector plans. Moreover, the CDP PIU provided useful information to central authorities on improvements to local service delivery, a key objective of the government's decentralization program.

## **6. Conclusion – The Value Added of the MCDP**

What set this project apart from other local level initiatives in Macedonia was the confluence of a number of key factors: (i) a project design based on extensive research and assessments, (ii) responsiveness to local needs and priorities, (iii) a strong PIU managed by a highly qualified and committed Executive Director and staff, (iv) capacity building at the local level, (v) consonance with the government decentralization policy, (vi) an innovative approach to promotion and outreach which generated greater stakeholder participation, and (vii) systematic and decentralized monitoring and evaluation. Sustainability at all levels enhances the mainstreaming of such an approach within the government structure. It was not any one factor, but rather the combination of these factors that proved decisive. Fortuitous realization of national policy at the local level came about because of the following key factors that provide lessons for similar projects.

- A mutually reinforcing process was created between poverty reduction, local government capacity-building and community empowerment.

- An institutional support framework contributed to strengthening partnership arrangements and local administrative capacity by building effective local level mechanisms for empowerment, accountability, and capacity building.
- An institutional response to poverty reduction occurred through promoting self-reliance, service delivery, and good governance using micro-projects to build capacity at all levels of government.

Although the government had some initial reservations about the MCDP, over time and with increasing involvement, the government came to value the project a great deal. The project was a high priority for the government at a critical time. Faced with recovering from armed insurgency and a decade of disastrous economic decline, and trying to launch an ambitious decentralization initiative, the government needed a project that could provide badly needed infrastructure and services, but also promote social reconciliation and support decentralization through participatory capacity building. The MCDP managed to do all of this.

**6.1 Poverty Targeting as a Post-Conflict Development Strategy.** During project preparation, it was agreed with the government that the targeting of poor communities should be viewed as a conflict prevention strategy based on the generally accepted understanding that poverty and social tensions provide breeding grounds for conflict. To respond to the government's post-conflict development priorities of fostering reconciliation amongst its people, reducing social tensions and building local social capital, an effective poverty targeting strategy was developed.

The project team wanted to focus on the 18 municipalities with the most poverty and weakest capacity, but the government wanted the project to cover all 123 municipalities of the country. The compromise was that the project covered all 123 municipalities but focused on poor and vulnerable groups within each municipality. The decision to work with all municipalities had advantages and disadvantages. On the one hand, it stretched the resources so that each municipality received only two projects: one for infrastructure and one for social services. However, it had the positive effect of allowing all municipalities to experiment with new approaches to social service delivery and participatory planning through the CICs.

Community investments mainly targeted and benefited poor mixed and minority groups. The poverty targeting formula developed for this purpose ensured the allocation of project funds to poor and conflict-affected regions. One such region was the Poloski (Tetovo) Region, dominated by the minority Albanian population, which received \$1.0 million out of a total project budget of \$8.2 million. For the community infrastructure microprojects, seventy percent of the population targeted was ethnically mixed.

Each microproject served as a demonstration project for that municipality. This was possible because Macedonia is a small country with only 2 million people. The microprojects reached half a million people, a quarter of the total population of Macedonia, for less than \$8 million. Microprojects targeted clearly disadvantaged groups and people could see that truly needy people were benefiting. The beneficiary assessment revealed a strong sense of beneficiary satisfaction with the microprojects.

The social services microprojects, with their more specific focus on needy groups, were especially valued for improving social integration and interpersonal relations.

Therefore the poverty targeting strategy played a key role in project success. Using a clearly formulated poverty targeting strategy and an allocation mechanism based on objective criteria and poverty data: (i) ensured the flow of project benefits to the neediest segments of the population, (ii) mitigated political pressures in the allocation of funds, and (iii) provided sufficient flexibility, within overall allocations, to target specific needs on a demand-driven basis.

The results of the project validated MCDP's poverty reduction approach to reducing social tensions. It demonstrated that: (i) carrying out small-scale activities designed to facilitate the transition from conflict to peace is an effective means to post-conflict development, (ii) the active engagement of civil society can contribute to a better understanding of how conflict can be prevented and actually help prevent such recurrence of conflict, and (iii) confidence and trust can be restored through self-help interventions.

**6.2 Using Participatory Capacity-Building to Rebuild Social Capital.** Poverty reduction alone would not have overcome social tensions and mistrust. The participatory approach was critical to achieving MCDP's social objectives. The microprojects gave primacy to the active involvement of community members in decisions by putting in place a framework for greater stakeholder participation. By supporting a decentralized self-management approach, the project promoted self-help mechanisms, increased the sense of community ownership and reinforced relations between local governments and communities.

A key feature of the project was the formation of Community Implementation Committees which contributed to a strong participatory process involving municipal government and local communities. CICs helped to foster reconciliation amongst ethnic groups, reduce social tensions and target funds through outreach to communities and intense dialogue with them. CICs were able to help communities discuss their needs and mitigation measures and assist them to develop and supervise projects. They served as a bridge between municipal government and the people. The mayors welcomed the CICs because they provided useful feedback and made the participatory process more efficient and effective. CICs were found to be a very useful participatory planning tool by local government and civil society as well.

MCDP innovations in promoting the project and reaching out to potential beneficiaries and participants were critical. The Community Information Networks were one of the most important elements in developing a participatory approach. By taking a proactive and dynamic approach to promoting participation, the MCDP was able to facilitate participation by those who otherwise would have likely been bypassed, particularly in remote and mountainous areas. It demonstrated that it is possible to give voice to poor communities that lack experience dealing with governmental authorities in identifying their needs and implementing a government funded program. In the process, the

connection between citizens in poor communities and national program initiatives was created and solidified.

Benefits from the CDP were achieved mainly through the leadership mechanisms created by the CDP PIU and the subsequent transfer of knowledge and management skills to local communities. The result was the empowerment of poor communities in shaping their own reform programs fully in consonance with community, municipal, and national government initiatives. Local governments and communities can come together in a participatory manner to promote community development when they perceive potential common benefits.

**6.3 *Linking CDD to National Policy and Programs to Sustain Project Benefits.*** The CDP managed to make a clear link between its impacts at the local level with the policy of decentralization at the national level. The fact that the link between the decentralization process underway and the implementation of the project at the micro level was made by design helped to increase MCDP's contribution to empowerment, good governance, and capacity building at the local level.

The MCDP demonstrates that under the right set of circumstances, such as those that existed in Macedonia at the time of the CDP, it is possible to install practices of good governance by local example that spiral up from communities through the layers of sub-national governments to the national government and back down again—thus providing the basis for multi-layered consensus-building that is fully participatory and mutually reinforcing. The Community Information Networks and the Community Implementation Committees were particularly important for improving government transparency and accountability. They provided important communication channels and feedback. This fed into central government policy making which further strengthened the decentralization initiative.

Because the MCDP in effect served as a pilot project for operationalizing the decentralization initiative, it helped embed many of the project's strategies and practices in the government. Municipal governments adopted some of the MCDP's practices and provided funds and in-kind support for MCDP microprojects. The central government adopted MCDP training, poverty targeting method, contracting of NGOs, and other practices. The standardization of training in financial management and budgeting by the central government clearly created an incentive for the Ministry of Finance to move forward with the fiscal decentralization program. The end result is that government adoption of project approaches helped ensure the sustainability of the project's benefits, from macro policy reform to the enhancement of people's lives at the local level.

Although it would have been an opportune time to continue the work of the MCDP, due to funding constraints in the investment portfolio for Macedonia and an emphasis on macro focused programmatic type projects, there was no follow-up operation. Instead, it was decided to continue some selected activities of the MCDP under operations that were included in the lending portfolio. This was perhaps a missed opportunity when the new Government was entering the European pre-accession process and where support and

effective implementation at the local level would be of high priority. A case can certainly be made and funding provided for supporting local development programs which can effectively target the poor and develop the local capacity that decentralization requires.



### Summary Findings

Community-driven development (CDD) has many advantages for sustainable local development that empowers the poor. According to the Voices of the Poor study, poor people demand a development process driven by their communities. They want NGOs and governments to be accountable to them. Experience has shown that CDD can make poverty reduction efforts more responsive to demand, enhance sustainability, and increase the efficiency and effectiveness of poverty reduction efforts. The sustainability of CDD depends on an enabling environment, often in the context of government decentralization, usually requiring significant capacity building efforts to support the poor, communities, and local government. CDD has also been promoted as a means to develop the local capacity that decentralization requires.

This paper illustrates how one CDD project in Macedonia has been able to meet these challenges by serving as a model project in the ECA Region for sustainable development at the local level and as a source of lessons for other projects in Macedonia and elsewhere.

#### HUMAN DEVELOPMENT NETWORK

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