



United Nations Development Programme
Country: fyr Macedonia
Project Document

Project Title: “Bulgarian Fast Start Finance Contribution 2011-2012: Utilizing Bulgarian Experience in Monitoring, Reporting and Verification of Greenhouse Gas Emissions required for participation in the European Union Emission Trading Scheme”

UNDAF Outcome(s): Outcome 3. By 2015 central and local level authorities have improved capacities to integrate environment and disaster risk reduction into national and local development frameworks, while communities and CSOs participate more effectively in environmental protection and disaster risk reduction planning, implementation and monitoring.

Expected CP Outcome(s): 3.1. By 2015, national policies better address climate change adaptation and mitigation needs and demonstration programmes respond to climate change challenges.

Expected Output(s):

- 1) Capacities of the Ministry of Environment and Physical Planning for introduction of Monitoring, Reporting and Verification (MRV) of Greenhouse Gas Emissions and EU Emission Trading Schemes (EU ETS) strengthened
- 2) Awareness on the MRV and EU ETS among the key stakeholders in the country increased

Executing Entity: Ministry of Environment and Physical Planning

Implementing Agencies: UNDP

Brief Description

The main aim of the project is to support the implementation process of the EU Directives 2003/87/EC and 2009/29/EC in Macedonia by utilizing Bulgarian expertise and capitalizing on best practices and lessons learned of Republic of Bulgaria in the field of monitoring, reporting and verification of greenhouse gas emissions as well as emission trading. This will be achieved through direct interaction between the Ministries of Environment in the two countries and information exchange between the national and Bulgarian institutions and experts.

It is expected that the project will contribute to achieving national consensus on the actions and measures that need to be undertaken to address the climate change related issues relevant for the country in regards to the EU ETS on a short and long term, This should also open a dialogues on the need for allocation of adequate financial means for realization of the agreed actions and measures.

Programme Period:	2010 -2015
Key Result Area	Energy and Environment
Atlas Award ID:	_____
Start date:	September 2011
End Date	August 2012
PAC Meeting Date	_____
Management Arrangements	NIM

Total resources required	40,000 Euro
Total allocated resources:	40,000 Euro
• Regular	_____
• Other:	_____
• Donor: Ministry of Environment and Water of Bulgaria	
○ Government	_____
Unfunded budget:	_____
In-kind Contributions	_____

Agreed by (Government):

Abdilaqim Ademi, Minister, Ministry of Environment and Physical Planning

Agreed by (UNDP):

Deirdre Boyd, Resident Representative

I. SITUATION ANALYSIS

- 1.1 The EU legislations in the pipeline or already in place focuses on setting objectives regarding the use of renewable energies and improvements in energy efficiency, with the aim of limiting energy dependence, targets for incorporating renewable energies in final energy consumption or subsidy mechanisms for energy project, as well as measures including the possibility of using carbon capture and storage technology (CCS) and nuclear energy.
- 1.2 The energy-climate package that was formally adopted in April 2009 puts in place strict greenhouse gas emission reduction targets across the entire economy from 2013–2020. However, the existence of the European Emissions Trading Scheme is not limited to 2020: the European directive specifically states that the annual emissions allowance reduction factor for the third phase (2013-2020) would continue to apply after 2020, in theory leading to a 69% reduction in EU ETS emissions by 2050 compared to 2005. It could be revised upwards if Europe decides to make additional emission reductions commitments.
- 1.3 There are a number of means to ensure the cap set by law is respected: measurement, reporting and verification procedures (MRV) carried out by external auditors on the emissions produced by regulated entities; an infrastructure of registries that makes it possible to monitor all movements of carbon assets (allowances or credits) from their delivery to their final usage; and, in the event of non-compliance, the application of penalties which do not discharge regulated entities of their responsibility. These three aspects of the monitoring of an emissions trading system are essential for its environmental integrity and to ensure the confidence of the carbon asset market.
- 1.4 The compliance procedure is annual and involves reporting emissions from the previous year to the regulating authority plus the surrender of the corresponding allowances. In addition, each system must allow the traceability of all transfers of carbon assets from their allocation to their surrender. In the EU ETS, this monitoring takes place via a network of registries which act like interconnected accounting ledgers and record all carbon assets transfers, as anyone operating in the market is required to open an account in a registry.
- 1.5 Lastly, there are measures for penalties which do not discharge an entity of its liability, if it is not able to surrender the equivalent number of allowances corresponding to its emissions. In this event, the entity must both: a) pay for the missing allowances, both to ensure the emissions cap is respected and to maintain the credibility of the environmental restrictions; and b) pay a penalty in the form of a fine and/or the surrender of additional carbon assets which is another means of dissuading non-compliance. These penalties are regularly revised upwards throughout the lifetime of the emissions trading systems, in particular to take into account of inflation and the tightening of restrictions which is expected to cause prices to rise.
- 1.6 The characteristics of the EU ETS were initially established for two phases: the 2005-2007 period which was a learning phase prior to a second phase running alongside the Kyoto Protocol from 2008 to 2012. No significant extension of the system was seen in 2008 and it only covered CO₂ emissions at the time.
- 1.7 The inclusion of new countries occurred from the first phase with the integration of Bulgaria and Romania in 2007 then the arrival of Norway, Lichtenstein and Iceland in 2008. The inclusion of new sectors will start in 2012 with the entry of the aviation sector. The EU ETS has been extended to a third phase (2013-2020). For this phase, the system will be widened to include greenhouse gases other than CO₂, such as nitrous oxide (N₂O) and perfluorocarbons (PFCs), and other sectors.
- 1.8 The EU ETS anticipates a progressive inclusion of the various sectors subject to restrictions. More specifically, EU ETS has opted for the simultaneous and immediate inclusion of electricity and heat producers and industries that emit high levels of CO₂ (refineries; steel, cement, glass and paper plants).

1.9 During phases 1 and 2 of the EU ETS, member states are responsible, under the supervision of the European Commission, for the definition of the quantity of allowances allocated to their industrial facilities and the method for distributing them within the framework of their National Allocation Plan (NAP).

1.10 From 2013 the allowance process can be used to raise funds to finance research and development but also for the technological and commercial rollout of innovative technologies such as carbon capture and storage. This support has been anticipated in the EU ETS Directive by the sale of some of the allowances from the New Entrants Reserve for phase 3. A total of 300 million allowances have been allocated to be auctioned by the European Investment Bank.

1.11 The distribution of the revenue from the auctions is left to the discretion of Member States. The Member States have obtained the right to distribute the revenue from the allowances auctions according to a distribution grid. This has been negotiated on the basis of their contribution to European emissions and their level of development. Thus, 88% of the allocations destined for auction will be distributed to the Member States on the basis of their contribution to EU ETS emissions between 2005 and 2007. The remaining 12% will be redistributed to Member States. Therefore all the revenue from allowances auctions is returned to Member States. However, it is recommended that each Member State uses half the revenue to fund climate policies in developed or developing countries, and seeks to encourage the use of renewable energy or combat deforestation.

1.12 The EU ETS also accepts credits corresponding to emissions reductions achieved before the European system was implemented within the framework of the Clean Development Mechanism. This is a reward for early investment and not for early action from the regulated industries, given that these reductions took place outside of Europe.

1.13 As a candidate country for membership in EU, Macedonia have to transpose the key EU climate change legislation in the process of moving closer to EU accession and should prepare for the effective implementation of the EU ETS, from the moment of accession. The EU ETS is the major tool for CO₂ reduction and all other carbon trading mechanisms should be implemented in line with it, e.g. avoiding double counting of emission reductions. The proper implementation of the EU ETS requires a lot of capacity building for the government as well as the private sector.

1.14 Establishing and maintaining a national registry will be a requirement under the EU accession process. The country has therefore expressed interest to build expertise on the conditions of implementation of this registry system.

1.15 A strong for monitoring, reporting and verification (MRV) of the impacts on greenhouse gas emissions of actions taken will also be important in the process of developing Nationally Appropriate Mitigation Actions (NAMAs) and Low Emission Development Strategies. Implementation of NAMAs for non Annex I Parties has already been agreed in year 2007 (Bali Action Plan); currently more details of the NAMAs are under negotiations. The formulation of national appropriate mitigation actions whether those are in form of legal regulations or multi-year (low-emission) development strategies/plans – are at the heart of the Copenhagen Accord and the Cancun Agreement.

1.16 NAMAs are in general categorized as “Unilateral NAMAs” - mitigation actions undertaken by developing countries on their own, and “Supported NAMAs” - mitigation actions in developing countries, supported by direct climate finance from Annex I countries. International funding will require some form of measurable result in exchange. Any project generating credits that can be used on the carbon market requires a stringent MRV system. The reason for that is that carbon markets cannot afford to be diluted by credits that represent lower or even virtual reduction values on the market. Supported NAMAs will not however, be used to any offset emissions in developed countries. The MRV of supported NAMAs might therefore not need to be as stringent as MRV for credited projects or actions. Mitigation actions taken by non-Annex I parties will be subject to their domestic measurement, reporting and verification of the result of which will be reported through their national communications every two years.

1.17 Each developing country will be requested to report its domestic actions in the National Communications and will be able to register the NAMAs requiring international support, to be supported

possibly through the Green Climate Change Fund. Following these requirements, Macedonia associated to the Accord at the end of January 2010 and submitted its reduction targets, based on the climate scenarios developed within the Second National Communication on Climate Change. The conceptualization of NAMAs is just commencing.

1.18 Providing incentives and encouraging developing countries to Nationally Appropriate Mitigation Actions (NAMA) supported and enabled by technology, financing and capacity-building, in a MRV (Measurable, Reportable, and Verifiable) manner, as defined by Bali Action Plan, is one of the important elements in designing post-2012 climate regime.

1.19 The Ministry of Environment and Physical Planning is the focal point for the UNFCCC and Kyoto Protocol. In the past decade, the Ministry was leading the process for establishment of proper climate policies and legal framework in the country, as well as regular reporting to the Convention. Representatives of the Ministry, together with other relevant government authorities were actively participating at global negotiations on climate change. However, although significant progress has been achieved in this area, there is a need to further develop the capacities of the Ministry and other relevant stakeholders in regards to application of the EU related climate change legislation.

II. STRATEGY

2.1 One of the three areas of cooperation for the UN in the country stated in the UNDAF 2010-2015 is environment protection. The UN's support in this area responds to the national priority for strengthening national capacities for integrated environmental management and enhancing administrative capacities at central and local level for enforcement and fulfilment of obligations of regional and global conventions. The value added by the UNCT lies in its ability to consider innovative programmes and projects by adapting global best practices to local conditions combined with the scientific and technical expertise of specialized agencies and their networks in specific environmental areas, building partnerships and mobilizing financial and human resources.

2.2 The UNDP 2010-2015 Country Programme promotes a long-term development agenda, in line with the MDGs and the process of EU integration. The main result of UNDP support is expected to be improved capacities of central and local level authorities to integrate environment and disaster risk reduction into national and local development frameworks, while communities and CSOs participate more effectively in environmental protection and disaster risk reduction planning, implementation and monitoring. This will be achieved through support for development of national policies that better address climate adaptation and mitigation challenges, implementation of demonstration energy efficiency and renewable programmes/projects and public awareness on climate change issues and raised competencies of CSOs to influence national and local level decision making.

2.3 In the past decade UNDP has supported national efforts for addressing and responding to climate change challenges by a variety of programmes for strengthening national capacities to monitor climate variability and assess the vulnerability of different sectors to climate change. UNDP provided primary support in creating a GHG inventory and developing mitigation measures for emission reductions, and assessment of vulnerability sectors to climate change and respective adaptation measures as an integral part of the development of the Initial and the Second National Communication to Climate Change. It also provided an in-depth assessment of the potential socio-economic risks of climate change to the most vulnerable sectors and proposed systematic measures that mitigate its negative impacts and threats. Additionally, comprehensive policy support for the establishment of a legal and institutional framework for the implementation of the Kyoto Protocol has been also provided including amongst others development of the National Strategy for the implementation of the Clean Development Mechanism (CDM) for the first commitment period, as well as a training programme that better enabled relevant national institutions and potential project proponents to participate and benefit from the global carbon market.

2.4 In the last quarter of 2011, the country will start the work on the Third National Communication to the UNFCCC, led by the Ministry of Environment and Physical Planning and with technical and advisory

support provided by UNDP. During this process particular attention will be put on utilization of the results of all relevant prior or ongoing national or international activities related to the climate change issues and the country's commitments under the UNFCCC and the EU accession. Special emphasis will be put on exploring the synergies between the UNFCCC and the relevant EU Directives and possibilities to harmonize the country's reporting obligations and to increase the capacities to participate in the international negotiations on climate change issues.

Project objective, intended outputs/activities

2.5 The main aim of the project is to support the implementation process of the most relevant provisions from the consolidated version of Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC in Macedonia by utilizing Bulgarian expertise and capitalizing on best practices and lessons learned by the Republic of Bulgaria in the field of monitoring, reporting and verification of greenhouse gas emissions (MRV of GHGs) required for emission trading under the European Union Emission Trading Scheme (EU ETS).

2.6 The beneficiary of the project will be the Ministry of Environment and Physical Planning. Relevant experts from the Macedonian Ministry will have an opportunity to directly interact with their colleagues from the Bulgarian Ministry of Environment and Water in order to get first-hand information on the process for transposition of the EU ETS Directive in Bulgaria, changes required in the legal and institutional frameworks, and building of capacities needed for the enforcement of the relevant legislation. This will facilitate experience and knowledge transfer and will help to better prepare for the negotiation process of the respective chapters from the EU *acquis communautaire*.

2.7 In addition, a consultant from Bulgaria will assist the Ministry of Environment and Physical Planning to prepare the necessary changes in the Macedonian national legislation based on an institutional and legal gap analysis. This will be followed by capacity building activities aimed at strengthening of the capacities of the relevant Macedonian authorities regarding MRV of GHGs related to EU ETS emissions trading.

2.8 The project will encourage the information exchange between the relevant Macedonian and Bulgarian institution and will open opportunities for wing of the collaboration in other areas of interest for both countries.

2.9 The project should strengthen the information exchange and cooperation among all relevant stakeholders including governmental, non-governmental, academic, and private sectors. This will contribute to the achievement of a national consensus on the actions and measures that need to be undertaken to address climate change related issues in relation to the EU ETS in the short and long term. This should also open a dialogue on the need for allocation of adequate financial means for realization of the agreed actions and measures.

2.10 The intended outputs of the project are:

- 1) Strengthening of the capacity of the Ministry of Environment and Physical Planning for introduction of Monitoring, Reporting and Verification (MRV) of Greenhouse Gas Emissions for participation in the EU Emission Trading Schemes (EU ETS)
- 2) Awareness of MRV of GHGs for participation in the EU ETS among the key stakeholders in the country increased

Intended activities:

- 1) Preparation of a roadmap for introduction of MRV of GHGs required for participation in the EU ETS based on the Bulgarian experience in implementing the EU ETS Directive

2.11 A consultant will be appointed to prepare a legal and institutional gap analysis, and recommend steps for the introduction of MRV of GHGs related to the EU ETS in the country based on the Bulgarian

experience and lessons learnt. The recommendations should give special attention to the following: 1) Steps to be taken to incorporate relevant parts of the EU ETS Directive into Macedonian national legislation; 2) Institutional changes to support the implementation of the relevant parts of the EU ETS Directive; 3) Measures and actions introduced to support the enforcement of the EU ETS Directive especially with regards to financial facilities and programmes; 4) Stakeholders involvement.

2.12 The overall report shall encompass not more than 25-30 pages (default Microsoft Word 2003 font and formatting) and include three main chapters. The introductory chapter shall summarize the experience and benefits gained through the implementation of the EU ETS Directive. The main chapter shall address key approaches, measures and strategies used to facilitate the implementation process of the EU ETS Directive. The last chapter shall summarize lessons learned and provide concrete recommendations in the context of Macedonia, based on a legal and institutional gap analysis.

2.13 The consultant is expected to carry out two short-term missions to Skopje, one fact-finding mission in 2011 to assess the national context for the implementation of aforementioned Directive, and one mission at the end of the assignment (in 2012) to present the findings of the report through a public presentation targeting key stakeholders. This presentation will focus on the benefits, lessons learned and best practices of Bulgaria gained in the field of MRV of GHGs related to EU ETS emissions trading. The mission in 2012 will also include hands-on technical assistance workshops for targeted stakeholders on key issues identified within the report.

- 2) Study tour for representatives of the Ministry of Environment and Physical Planning, the Secretariat for European Affairs and other relevant stakeholders to the Bulgarian Ministry of Environment and Water

2.14 In order to facilitate direct contacts between the relevant stakeholders of the two countries, the project will organize a study tour in the Republic of Bulgaria. The key target group for the study tour will be representatives of the Ministry of Environment and Physical Planning, the Secretariat of European Affairs and national experts. The host institution in Bulgaria will be the Ministry of Environment and Water. The host institution will present its experience during the process of preparation of the country for EU accession, steps taken to change the legal and institutional frameworks with special focus on MRV of GHGs related to the EU ETS, lessons learnt and the way forward.

- 3) Advocacy and awareness activities implemented, targeting key institutions, media and private sector entities to understand and promote MRV of GHGs related to the EU ETS

2.15 Series of activities aimed at increasing the knowledge and understanding of the MRV of GHGs and EU ETS on national level will be organized. This will include translation of the consolidated version of the EU Directive into Macedonian language, creation of a leaflet which will explain the key requirements of the ETS Directive in a plain language, understandable for a broader public, and workshops for targeted stakeholders.

III. RESULTS AND RESOURCES FRAMEWORK

Intended Outcome as stated in the Country Programme Results and Resource Framework:

3.1. By 2015, national policies better address climate change adaptation and mitigation needs and demonstration programmes respond to climate change challenges

Outcome indicators as stated in the Country Programme Results and Resources Framework, including baseline and targets:

Indicator: Number of programmes addressing climate change issues implemented by the central government, municipalities, civil society organizations; *Baseline: 0; Target: 5.*

Applicable Key Result Area (from 2008-11 Strategic Plan):

Mainstreaming Environment and Energy

Partnership Strategy: The project will closely collaborate and coordinate with the key national entities dealing with climate change and EU integration issues, as well as with other donors supporting complementary activities in the country.

Project title and ID (ATLAS Award ID): "Bulgarian Fast Start Finance Contribution 2011-2012: Utilizing Bulgarian Experience in Monitoring, Reporting and Verification of Greenhouse Gas Emissions required for participation in the European Union Emission Trading Scheme"

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	INPUTS
<p>Output 1</p> <p>Strengthened capacities of the Ministry of Environment and Physical Planning for introduction of MRV of GHGs related to the EU ETS</p> <p>Baseline:</p> <p>No provisions in the current Macedonian legislation related to MRV of GHGs related to the EU ETS</p> <p>Insufficient capacities for implementation of MRV of GHGs related to the EU ETS on national level</p> <p>Indicators:</p> <p>Roadmap for introduction of MRV of GHGs related to the EU ETS</p> <p>Number of persons with increased understanding of MRV of GHGs</p>	<p>Preparation of a roadmap for introduction of MRV and EU ETS based on the Bulgarian experience in implementing the EU Directives 2003/87/EC and 2009/29/EC (2011)</p> <p>Study tour to the Bulgarian Ministry of Environment and Waters aimed at experience exchange (2011)</p>	<p>1 Preparation of a roadmap for introduction of MRV and EU ETS</p> <ul style="list-style-type: none"> ▪ Fact-finding mission of a selected consultant ▪ Development of a report <p>2 Capacity building activities</p> <ul style="list-style-type: none"> ▪ Study tour to Bulgaria 	<p>Ministry of Environment and Physical Planning MK</p> <p>Ministry of Environment and Water BG</p> <p>UNDP</p>	<p>Contract for individual consultant</p> <p>Travel</p> <p>DSA</p> <p>Total: 20,000 Euro</p>

<p>related to the EU ETS in the Ministry of Environment and Physical Planning and other key national institutions</p>				
<p>Output 2 Awareness on the MRV of GHGs related to EU ETS among the key stakeholders in the country increased</p> <p>Baselines: Very limited knowledge of MRV of GHGs related to the EU ETS among the key national stakeholders</p> <p>Indicators: Number of stakeholder with increased understanding of MRV of GHGs related to the EU ETS</p>	<p>Advocacy and awareness activities implemented, targeting key institutions, media and private sector entities to understand and promote MRV and EU ETS (2012)</p>	<p>1 EU Directives 2003/87/EC and 2009/29/EC translated into Macedonian language</p> <ul style="list-style-type: none"> ▪ Creation of a leaflet on MRV and EU ETS <p>2 Targeted advocacy and awareness activities</p> <ul style="list-style-type: none"> ▪ Presentation of the report developed in 2011 ▪ Workshops for targeted stakeholders including meetings between representatives of the respective Ministries of Environment 	<p>Ministry of Environment and Physical Planning MK Ministry of Environment and Waters BG UNDP</p>	<p>Individual contract Service contracts Travel Total 20,000 Euro</p>

IV. ANNUAL WORK PLAN

Year: 2011/2012

EXPECTED OUTPUTS <i>And baseline, indicators including annual targets</i>	PLANNED ACTIVITIES <i>List activity, results and associated actions</i>	TIMEFRAME				RESPONSIBLE PARTY	PLANNED BUDGET		
		Q1	Q2	Q3	Q4		Funding Source	Budget Description	Amount
Output 1 Strengthened capacities of the Ministry of Environment and Physical Planning for introduction of MRV of GHGs related to the EU ETS	1) Preparation of a roadmap for introduction of MRV related to EU ETS <ul style="list-style-type: none"> ▪ Fact-finding mission of a selected consultant ▪ Development of a report 	X				MoEPP, MoEW, UNDP	30000	71200 21300	5,000 2,000

<p>Baseline:</p> <p>No provisions in the current Macedonian legislation related to MRV of GHGs related to the EU ETS</p> <p>Insufficient capacities for implementation of MRV of GHGs related to the EU ETS on national level</p> <p>Indicators:</p> <p>Roadmap for introduction of MRV of GHGs and participation in the EU ETS developed</p> <p>Number of persons with increased understanding on the MRV of GHGs related to the EU ETS in the Ministry of Environment and Physical Planning and other key national institutions</p> <p><i>Related CP outcome:</i></p> <p>3.1. By 2015, national policies better address climate change adaptation and mitigation needs and demonstration programmes respond to climate change challenges.</p>	<p>2) Capacity building activities</p> <ul style="list-style-type: none"> ▪ Study tour to Bulgaria 	<p>X</p>		<p>X</p>	<p>MoEPP, MoEW, UNDP</p>	<p>30000</p>	<p>71600</p> <p>72100</p>	<p>15,000</p> <p>4,000</p>
---	---	----------	--	----------	--------------------------	--------------	---------------------------	----------------------------

<p>Output 2</p> <p>Awareness on the MRV of GHGs related to EU ETS among the key stakeholders in the country increased</p> <p>Baselines:</p> <p>Very limited knowledge on the MRV of GHGs related to EU ETS among the key stakeholders in the country increased</p> <p>Indicators:</p> <p>Number of stakeholder with increased understanding of MRV of GHGs related to EU ETS</p> <p><i>Related CP outcome:</i></p> <p>3.1. By 2015, national policies better address climate change adaptation and mitigation needs and demonstration programmes respond to climate change challenges.</p>	The consolidated version of the EU ETS Directive translated into Macedonian language	X	X	MoEPP, MoEW, UNDP	30000	71300	7,000	
	Targeted educational and public awareness activities tailored to specific audiences		X					
	Creation of a leaflet on MRV and EU ETS		X	X	MoEPP, MoEW, UNDP	30000	74200	2,000
	Workshops for targeted stakeholders including meetings between representatives of the respective Ministries of Environment		X	MoEPP, MoEW, UNDP	30000	72100	5,000	
TOTAL								40,000 Euro

V. MANAGEMENT ARRANGEMENTS

5.1 The Project will be executed according to the National Implementation Modality (NIM) under the overall responsibility of the national Government represented by the Ministry of Environment and Physical Planning. UNDP Country Office (CO) will provide support to the execution of the project through provision of technical assistance and policy advice. The Ministry of Environment and Physical Planning (MoEPP) and UNDP will be responsible for timely and quality delivery of the project results, and will ensure close collaboration and coordination with all relevant stakeholders on national level.

5.2 The project will be part of the overall UNDP Programme on climate change that consists of the project for preparation of the Third National Communication to the UNFCCC, the project on Mitigation of the GHG emissions from public building sector, and project for development of reports on climate change adaptation costing and climate change screening of the key national strategies. The Project Management Unit that manages climate change projects implemented by the Ministry of Environment and Physical Planning will be responsible for day-to-day management of the project, and the CO Energy and Environment Unit will provide programme guidance, quality assurance and monitoring.

5.3 The project will establish a Project Board (PB) that serves as a main project coordinating body, to formally steer the implementation of the project.

5.4 The core responsibilities include:

- Facilitation of the institutional arrangements that are necessary for effective project implementation;
- Approval of work plans and ensuring of their adherence to project priorities;
- Periodic oversight of financial activities and programme achievements; and
- Review of quarterly reports including financial and progress reports;

5.5 The Project Board shall be comprised of representative from the Ministry of Environment and Physical Planning dealing with climate change issues, the Deputy Resident Representative of UNDP CO and representative of the Bulgarian Ministry of Environment and Water. Project Board meetings will be organized at least once in one calendar year.

5.6 Management of the project budget will be carried out in accordance to the UNDP financial rules and procedures. The funds from the project shall not be used for paying any taxes, excise or levies. The Government of Macedonia will bear all charges of this kind.

5.7 Any assets purchased with the project funds will be transferred to the national counterpart and/or project beneficiary as per the standard UNDP procedure.

5.8 UNDP Country Office will be responsible for submission of annual project progress report to the donor.

Direct UNDP Country Office Support Services to the Project Implementation

5.9 UNDP and the Ministry of Environment and Physical Planning agree that the UNDP Country Office will provide the following support services for the project activities:

- a) Identification and/or recruitment and solution of administrative issues related to the project personnel;
- b) Procurement of commodities, labour and services;
- c) Identification and facilitation of training activities, seminars and workshops;
- d) Processing of direct payments;
- e) Financial monitoring and reporting;
- f) Supervision of project implementation, monitoring and assistance in project assessment;
- g) Communication with an aim to ensure transparency, accountability and results reporting.
- h) Contribute to the detailed report of the state of delivery of EU fast-start funding, prepared annually in connection to the Conference of the Parties to the United Nations Framework Convention on Climate Change;
- i) Prepare and submit updates to the detailed report of the state of delivery of EU fast-start funding by the end of April 2012 and April 2013.

5.10 In providing such support services, the UNDP Country Office shall ensure that the capacity of the Ministry of Environment and Physical Planning is strengthened especially through participation of the Ministry representative in the evaluation committees and recruitment panels with a voting right.

5.11 When providing the above support services, the UNDP Country Office will recover the costs for providing Implementation Support Services on the basis of actual costs and transaction fee based on the Universal Price List and other corporate policies.

5.12 The procurement of goods and services and the recruitment of project personnel and consultants by the UNDP Country Office shall be in accordance with the UNDP regulations, rules, policies and procedures.

VI. MONITORING FRAMEWORK AND EVALUATION

6.1 In accordance with the programming policies and procedures outlined in the UNDP User Guide, the project will be monitored through the following:

Within the annual cycle

- On a quarterly basis, a quality assessment shall record progress towards the completion of key results.
- An Issue Log shall be activated in Atlas and updated by the Project Manager to facilitate tracking and resolution of potential problems or requests for change.
- Based on the initial risk analysis submitted a risk log shall be activated in Atlas and regularly updated by reviewing the external environment that may affect the project implementation.
- Based on the above information recorded in Atlas, a Project Progress Reports (PPR) shall be submitted by the Project Manager to the Project Board through Project Assurance, using the standard report format available in the Executive Snapshot.
- A project Lesson-learned log shall be activated and regularly updated to ensure on-going learning and adaptation within the organization, and to facilitate the preparation of the Lessons-learned Report at the end of the project

Annually

- **Annual Review Report.** An Annual Review Report shall be prepared by the Project Manager and shared with the Project Board. As minimum requirement, the Annual Review Report shall consist of the Atlas standard format for the QPR covering the whole year with updated information for each above element of the QPR as well as a summary of results achieved against pre-defined annual targets at the output level.

Financial Audit

6.2 The project will be subject to an audit, at least once during its live span and according to applicable UNDP rules and procedures.

VII. LEGAL CONTEXT

7.1 This project document shall be the instrument referred to as such in Article 1 of the SBAA between the Government of Macedonia and UNDP, signed on 30 October 1995.

Consistent with the Article III of the Standard Basic Assistance Agreement, the responsibility for the safety and security of the executing agency and its personnel and property, and of UNDP's property in the executing agency's custody, rests with the executing agency.

7.2 The executing agency shall:

- a) put in place an appropriate security plan and maintain the security plan, taking into account the security situation in the country where the project is being carried;
- b) assume all risks and liabilities related to the executing agency's security, and the full implementation of the security plan.

7.3 UNDP reserves the right to verify whether such a plan is in place, and to suggest modifications to the plan when necessary. Failure to maintain and implement an appropriate security plan as required hereunder shall be deemed a breach of this agreement.

7.4 The executing agency agrees to undertake all reasonable efforts to ensure that none of the UNDP funds received pursuant to the Project Document are used to provide support to individuals or entities associated with terrorism and that the recipients of any amounts provided by UNDP hereunder do not appear on the list maintained by the Security Council Committee established pursuant to resolution 1267 (1999). The list can be accessed via <http://www.un.org/Docs/sc/committees/1267/1267ListEng.htm>. This provision must be included in all sub-contracts or sub-agreements entered into under this Project Document.

