

Strategic Environmental Policy Assessment — FYR of Macedonia

A review of environmental priorities for international cooperation







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List of Acronyms

BTF Balkans Task Force of the United Nations Environment Programme

BU Balkans Unit of the United Nations Environment Programme

CIC Citizen Information Centre

EBRD European Bank for Reconstruction and Development

EIA Environmental Impact Assessment EIC Environmental Information Centre

FYROM Former Yugoslav Republic of Macedonia

GEF Global Environment Facility

ISC Institute for Sustainable Communities
LEAP Local Environmental Action Plan
MEA Multilateral Environmental Agreement

MEPP Ministry of Environment and Physical Planning

NBS National Biodiversity Strategy

NEAP National Environmental Action Plan (published in 1997 for period 1997-2001)

NEAP2 2nd National Environmental Action Plan (due for publication in 2002)

NCSD National Council for Sustainable Development NSSD National Strategy for Sustainable Development

REC Regional Environmental Centre for Central and Eastern Europe

REReP Regional Environmental Reconstruction Programme

SAA Stabilisation and Association Agreement
SEPA Strategic Environmental Policy Assessment
UNDP United Nations Development Programme

UNECE United Nations Economic Commission for Europe

UNEP United Nations Environment Programme

WCSD World Commission on Sustainable Development

ZELS Association of Municipalities

Introduction

Background

The Former Yugoslav Republic of Macedonia stands on the threshold of a new and decisive phase in its history as it looks to emerge from the turmoil of armed conflicts and to begin reconstruction and development. It is at this moment that the opportunity must be seized to base plans for economic growth on the principles of sustainable development. This means integrating environmental considerations into all policy areas at all levels to ensure that everyone living in the FYR of Macedonia can breathe clean air and drink clean water. It means provision of universal and affordable access to sanitation, and solid waste disposal, and it means the conservation of the country's outstanding natural heritage. Above all, it means creating and maintaining the environmental conditions in which investment, employment, health and peace can flourish.

While this vision can only be achieved by the people and Government of FYR of Macedonia, the international community has a vital role to play. Not only in the provision of funding, capacity building and technical support, but also in pressing for environmental issues to be at the top of the development agenda. The United Nations occupies a special role within the donor community. While having access to a broad range of environmental knowledge and resources, the UN, at the same time, has the flexibility to adapt and pursue a policy agenda that closely reflects the immediate needs of the FYR of Macedonia.

As a contribution towards the realisation of sustainable development in the FYR of Macedonia this report has been prepared by the United Nations Environment Programme (UNEP)¹, with the support of the United Nations Development Programme (UNDP) country office in the FYR of Macedonia. It presents the results of a Strategic Environmental Policy Assessment (SEPA) carried out in the Former Yugoslav Republic of Macedonia during September 2001. The SEPA was conducted by UNEP, in response to UNDP's formal request for a comprehensive review of environmental policy in the country.

Objectives

The SEPA was designed to address the following principal objectives:

- · Identification of national needs in the environment sector with regard to policy development and implementation; and
- Identification of corresponding strategic areas for support by the international community, with particular reference to UNDP².

¹ UNEP established a Balkans Task Force (BTF) in 1999 to assess the consequences of the Kosovo conflict for the environment. The work of the BTF has been continued by the UNEP Balkans Unit, based in Geneva. Over the past two years, UNEP has carried out several post-conflict environmental assessments in the Balkans region, notably in Albania, FYR of Macedonia, and Yugoslavia (Kosovo and Serbia). These assessments, including the findings of a UNEP mission to FYR Macedonia in September 2000, are available through the following web site: http://balkans.unep.ch/

² UNDP's Country Cooperation Framework for 2001–2003 targets environmental support for the FYR of Macedonia towards two strategic areas: (a) strengthening the policy framework for environmental management and sustainable development; and (b) supporting the implementation of priority policy goals.

Assessment Method

The SEPA consisted of three phases:

- **Preparatory phase** (mid-August to mid-September 2001) including: (a) development of Terms of Reference agreed jointly by UNDP and UNEP, (b) technical background research and data gathering, and (c) logistical preparations for a field mission.
- Field mission (16-23 September 2001): a UNEP Expert Mission (see Appendix 1 for composition) visited FYR of Macedonia during the period 16-23 September, undertaking a broad programme of meetings with Government institutions, municipalities, non-governmental organisations, and the international donor community (see Appendix 2 for a complete listing). In most cases, the meetings took the form of open interviews. In addition, a round-table discussion was organised with representatives of the donor community in Skopje.
- Mission follow-up and report preparation (end of September to mid-November 2001): principal conclusions and recommendations were drafted before the UNEP team left the FYR of Macedonia. The team met on two further occasions to finalise its report, taking into account UNDP's comments on a draft.

Strategic Environmental Policy Assessment

UNEP has developed Strategic Environmental Policy Assessment (SEPA) as a crucial tool for securing progress in environmental governance. SEPA is independent and can be implemented quickly, providing strategic recommendations for governments, civil society, UN bodies, and the wider international community.

As a tool to assist the development and implementation of environmental policy, SEPA complements other assessment methodologies, such as the comprehensive Environmental Performance Reviews carried out by the United Nations Economic Commission for Europe (UN/ECE). It recognises that long-term solutions will be cross-sectoral in nature and based on the underlying principles of sustainable development.

Because the assessment is concise, targeted and prioritised, it will be easily accessible and digestible to a large group of users within and outside the country studied. In addition, SEPA is a relatively low-cost exercise, allowing frequent (e.g. annual) updates and monitoring of progress.

In the context of the FYR of Macedonia, as elsewhere in the countries of the former Yugoslavia, environmental issues have the potential to be builders of bridges among communities affected by armed conflict. Wise environmental stewardship is also one of the foundations for economic and social stability and has the potential to attract substantial investment and other forms of cooperation from the international donor community. The SEPA has identified both the international and national 'driving forces' for environmental policy development in FYR of Macedonia, and the obstacles and opportunities for greater synergy in these driving forces. The results of the SEPA should contribute to strengthening Macedonian implementation of Multilateral Environmental Agreements, and to advancing the environmental components of European integration.

2

Environmental Policy: Driving Forces and Key Actors

Introduction

In striving to develop and implement effective environmental policy, decision-makers in all countries are necessarily guided by the ever-changing backdrop of environmental, economic, and political factors at both national and international levels. As a relatively small and recently independent country recovering from the effects of regional conflicts, and whose economy is in transition, the FYR of Macedonia finds itself in a particularly complex and rapidly evolving situation. This chapter identifies those factors which are of such significance for the development and implementation of Macedonian environmental policy that they can be considered 'driving forces'. They fall into two broad categories: first, the international context (covering Multilateral Environmental Agreements, the EU Stabilisation and Association Agreement and the Regional Environmental Reconstruction Programme of the Stability Pact) and, secondly, the national context (covering the Framework Peace Agreement, the Law on Local Self Government, the National Environmental Action Plan, the National Biodiversity Strategy, the National Strategy for Sustainable Development, and the privatisation process).

International Context

Multilateral Environmental Agreements

The table below shows the status of FYR Macedonia in terms of its membership of Multilateral Environmental Agreements (MEAs), as of 31 October 2001.

The status of Multilateral Environmental Agreements (MEAs) in FYR of Macedonia

As of 31 October 2001, the FYR of Macedonia was party to the following twelve MEAs (listed in chronological order):³

Convention on Long-Range Transboundary Air Pollution as of 17 November 1991.

Convention for the Protection of the Ozone Layer (Vienna Convention) and the Montreal Protocol on Substances that Deplete the Ozone Layer as of 10 March 1994.

Convention on Wetlands of International Importance especially as Waterfowl Habitat (Ramsar Convention) as of 8 September 1995.

³ In addition, the FYR of Macedonia is a signatory to the 'Stockholm' Convention on Persistent Organic Pollutants, and is considering joining the Convention to Combat Desertification and the Convention on the Protection and Use of Transboundary Watercourses and International Lakes. The FYR of Macedonia is not a party to the Convention on the Transboundary Effects of Industrial Accidents.

Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal (Basel Convention) as of 16 February 1997.

Convention Concerning the Protection of the World Cultural and Natural Heritage (World Heritage Convention) as of 30 April 1997.

Convention on Biological Diversity as of 2 December 1997.

Framework Convention on Climate Change as of 28 January 1998.

Convention on the Conservation of European Wildlife and Natural Habitats (Bern Convention) as of 17 December 1998.

Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters (Aarhus Convention) as of 22 July 1999.

Convention on Environmental Impact Assessment in a Transboundary Context as of 31 August 1999.

Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention) as of 1 November 1999.

Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) as of 4 July 2000.

All of these MEAs bring with them a variety of obligations in the fields of environmental legislation, enforcement, monitoring and reporting, with some requiring highly specialised expertise and effective inter-sectoral cooperation. Since each MEA also has its own national reporting mechanisms and its own arrangements for meetings of the parties, the cumulative technical and administrative burden is considerable (although there are ongoing efforts to build greater coordination and synergy between MEAs, e.g. the common website of the biodiversity related conventions). Geographically smaller states, particularly developing countries and those whose economies are in transition, face special challenges in responding to these sometimes overlapping or competing demands. This is certainly the case in FYR of Macedonia, even though there may also be greater adaptability in a country with young, still-evolving, environmental institutions.

In spite of these considerations, the capacity of MEPP and other key ministries⁴ to implement MEAs is in urgent need of strengthening. On one hand, the Government is obliged to approximate its environmental legislation to meet EU norms. On the other hand, many of the MEAs bring global obligations and responsibilities that are additional to the requirements of the EU environmental acquis. MEPP clearly does not yet have adequate human and technical capacity to meet all its international environmental obligations and - even more importantly - to fully explore and take advantage of the opportunities offered under different agreements for assistance with training, technical support and financial assistance (e.g. the environmental funding mechanisms operated by several of the conventions).

⁴ e.g. Ministries of Economy (Energy Sector); Agriculture, Forests and Water Economy; Foreign Affairs.

EU Stabilisation and Association Agreement (SAA)

The SAA is a vital 'driving force' in the field of environmental policy, bringing with it the obligation to approximate Macedonian environmental legislation with EU norms. While the end point of this process, once achieved, will represent a very positive development in Macedonian environmental legislation, the workload involved is enormous. There must be doubts whether it is manageable within the timeframe set out, in spite of the considerable support available from the European Commission through the Phare programme (and its successor instrument, CARDS). At the same time, the approximation process will bring strategic benefits in the field of environmental policy by compelling some institutions to work more closely together than they might otherwise be inclined to do.

Stability Pact and Regional Environmental Reconstruction Programme (REReP)

With the aim of long-term regional peace building and conflict prevention in the wake of the Kosovo Conflict, more than 40 Governments and international organisations joined to form the Stability Pact for South Eastern Europe in June 1999. The Pact has established three 'Working Tables': (a) Democratisation and Human Rights; (b) Economic Reconstruction, Cooperation and Development; and (c) Security Issues. In order to develop a strategic framework for integrating environmental factors into all activities under the Stability Pact, a five-year Regional Environmental Reconstruction Programme (REReP) has been launched, beginning with a two-year budget of 30 million Euros for 'Quick Start' projects. The REReP provides a potentially significant source of environmental project funding for FYR of Macedonia and other countries in the region. However, care will be needed to ensure that political impetus for rapid results does not result in a lack of strategic prioritisation among the project proposals submitted or supported.

For further information concerning Quick Start project proposals relevant to the FYR of Macedonia, see the see the UNEP Draft Desk Study Environmental Projects and Programmes Conducted in FYR of Macedonia by Inter-governmental Organisations and Bi-Lateral Donors from 1997-2001 available at: http://balkans.unep.ch

National Context

National Environmental Action Plan (NEAP)

The NEAP, published in 1997 and covering the five-year period 1997-2001, was developed through a widely commended participatory process, which has engendered a feeling of ownership among actors other than MEPP, including many NGOs. The NEAP identified a set of environmental policy goals in the fields of air quality, water quality, biodiversity conservation, forest regeneration, and institutional strengthening. While progress has been made in several of these areas, work has been slowed by the military conflicts of the last two years. Nevertheless, the experience gained should make it possible to develop a much more detailed and more targeted 2nd National Environmental Action Plan (NEAP2). The NEAP2 process, being funded by the European Commission under the 2001 CARDS programme, has only just been initiated (October 2001) and is likely to take approximately two years to complete. The environmental components of the SAA will be given priority under NEAP2, with a presumption in favour of early completion of 'easier' lower cost, lower complexity projects to demonstrate tangible environmental gains as early as possible in the life of NEAP2.

National Biodiversity Strategy

With funding from the World Bank, the Government is about to embark on development of a National Biodiversity Strategy (NBS) to strengthen implementation of the Convention on Biological Diversity in the FYR of Macedonia. Work on the Strategy will be led by MEPP and should enable relevant priorities set out in the NEAP to be taken forward more than has been possible to date. The timing of NBS commencement also offers excellent potential for integration with the NEAP2, NSSD, and EU approximation processes.

National Strategy for Sustainable Development (NSSD)

To date, the progress made by the FYR of Macedonia in the field of environmental policy has largely centred around the 'environment sector' itself-namely the activities of MEPP and the processes for which it has direct responsibility. Important though this has been, there is growing recognition that long-term economic and environmental sustainability can only be achieved through integrating the concept and practice of Sustainable Development across Government. This is a global challenge that was formally acted on by the creation of the World Commission on Sustainable Development (WCSD) at the Rio 'Earth Summit' ten years ago. Since then, many countries have embarked on National Strategies for Sustainable Development and there is now a wealth of international experience for the FYR of Macedonia to draw on, as it considers initiation of its own NSSD with the encouragement of UNDP and other international partners. Moreover, 2002 marks the tenth anniversary of the 'Earth Summit' and the 'Rio+10' WCSD conference, due to take place in South Africa in June, will provide further global stimulus for national strategies. The Macedonian NSSD is still at a very early stage, which provides an excellent opportunity for ensuring its fullest possible integration with the other 'driving forces' for environmental policy.

Framework Peace Agreement

As part of the Framework Peace Agreement established in September 2001 to bring an end to armed conflict within the FYR of Macedonia, a Law on Local Self Government is currently in preparation. This Law will provide for the transfer of certain competencies from central Government to the municipalities. At the time of completing this report (mid-November 2001), it was anticipated that the draft Law could be approved by the Government for forwarding to Parliament by the end of November. While the ongoing legislative process can be expected to result in certain modifications, the Law was expected to assign municipal competencies for the following environmental matters:

- · pollution protection and prevention (water, air and soil)
- · nature protection
- · non-ionic radiation protection and prevention
- · noise protection and prevention
- · collection, transport and treatment of municipal waste
- · treatment of municipal waste water
- · rainwater management
- · cleaning of streets and other public areas

The Law on Local Self Government will only assign broad competencies. The detailed division of responsibilities between municipalities and central Government 'Line Ministries', as well as the financing of Local Government, will be covered by separate legislation.

The Framework Peace Agreement and associated processes, including the decentralisation of competencies, are finely balanced and of extreme political sensitivity. It is not for this report to comment in detail, beyond identifying the Agreement as a 'driving force', which may radically alter the 'implementation landscape' for environmental policy in the future. National environment-focused processes, such as NEAP2, will need to be adapted accordingly.

Privatisation process

In common with other states of Central and Eastern Europe, some former Macedonian state enterprises have had direct responsibility for managing environmental resources (e.g. water). Others have been sources of serious pollution, as demonstrated by the UNEP assessment of industrial sites in 2000. In principle, these clear environmental linkages mean that the ongoing privatisation process should have a strong environmental component. In practice, there is also likely to be pressure to minimise any environmental conditions attached to a privatisation contract, for fear of deterring potential investors.

The World Bank's FESAL-II loan process has helped to strengthen environmental management review during the restructuring of private companies. This emphasis is crucially important for ensuring both a strong economic climate and a healthy environment as the context for long-term growth and development. In general, however, the privatisation process has lacked transparency and the extent to which adequate environmental provisions have been applied is unclear. The timescale for remaining privatisations is short and cannot await the development of a National Strategy for Sustainable Development as the basis for better integration of environmental and economic concerns. A concerted Government-led initiative is required to achieve this, especially with regard to forthcoming discussions relating to water privatisation. Strong support is also needed from financial institutions and the wider international community.

Key Actors

Government

The principal Government body with responsibility for environmental management is the Ministry of Environment and Physical Planning (MEPP), established in 1998. The issues now dealt with by MEPP were formerly covered by the Ministry of Urban Planning and Construction, which no longer exists, its other responsibilities having been assumed by the Ministry of Transport and Communications. MEPP's 2001 budget is approximately DEM 7 million, with additional 'one-off' income from the privatisation of the state telecommunications enterprise. The Agency for Environmental Protection and Nature Protection and Promotion and the State Environmental Inspectorate are currently both part of MEPP, although there is draft legislation for the establishment of an independent Environmental Protection Agency.

Among other Ministries with significant environmental responsibilities are:

- · Ministry of Agriculture, Forests and Water Economy;
- · Ministry of Economy (industry and energy issues).

Several governmental institutes are responsible for gathering, analysing and disseminating environmental information, notably:

- · Republic Hydrometeorological Institute;
- · Republic Health Institute.

Originally established within MEPP, the Fund for Environmental Protection and Nature Promotion (generally known as the Environment Fund or 'Eco-Fund'), is the country's main financial instrument for environmental projects. It is anticipated that new legislation will make the Fund more independent of MEPP, with the introduction of a broadly-based Board of Directors, including representatives from other ministries.

Municipalities

While most environmental policies and laws are formulated nationally, the municipal level of government has a fundamental role to play in effective implementation. As outlined above, this role is likely to grow in importance with enactment of the new Law on Local Self Government, currently in preparation. This is not surprising given that, at local level, people's day-to-day lives are directly affected by environmental problems, such as the lack of adequate waste and water management, or the presence of chronic pollution.

Often with support of the Environment Fund and/or external donors, many municipalities have already taken significant steps towards improving environmental management. For example, 17 municipalities have developed Local Environmental Action Plans or 'LEAPs' (6 supported by the Institute for Sustainable Communities⁵, 7 by Gesellschaft fur Technische Zusammenarbeit (GTZ) and 4 by the Regional Environmental Center). Six have created Citizen Information Centres (CIC's), with an additional two centres currently being planned. The Association of Municipalities (ZELS) has also been established to act as a municipal lobby group and forum for sharing experiences and information on good practice. In addition, municipalities are cooperating on issues such as the identification of a site for construction of a regional landfill, and joint funding approaches to donors such as EBRD.

While municipalities have core responsibilities in the field of waste and water management, as well as the prevention of air pollution and soil protection, enforcement activities are primarily conducted by the State Environmental Inspectorate. As a result, municipalities are unable to monitor and enforce pollution standards and must rely on the already over-stretched team of national inspectors to impose penalties.

Although a Law on the Funding of Local Self Government is expected in due course as part of the Framework Peace Agreement, there is currently no transparent, equitable and legally based process for the disbursement of funds from central Government to the municipalities. As a consequence, there are chronic and severe budget shortfalls in some municipalities.

⁵ Including 2 LEAPs supported by UNDP

Donors

Environmental projects and programmes in FYR of Macedonia have received support from a range of donors, including the European Union, European Bank for Reconstruction and Development (EBRD), Global Environment Facility (GEF), UNDP, World Bank, and bilateral agencies such as those of Germany, Japan, Netherlands, Sweden, Switzerland and USA.

Overall, however, environment does not appear to be given the high priority that it warrants on donors' agendas – even among those donors for whom environment is generally a central component of international cooperation. If it were not for the national Environment Fund, rather few environmental projects would be receiving any support on the ground. The lack of strategic coherence among the environmental projects supported to date is partly a consequence of insufficient leadership from MEPP in setting a clear environmental agenda for donors.

Nevertheless, there is little evidence to suggest that donors are working in a strategic or targeted manner to support national environmental priorities. Taken together, the country's environmental agenda tends to be donor-driven, rather than one which is led by the recipient and, by definition, more coherent. Indeed, some donors are showing an inclination to bypass central Government altogether and to work independently with project implementing bodies. While this may yield short-term results that are in line with the wishes of a given donor, it does not result in the much-needed, long-term institutional strengthening and capacity building for environmental management at national level.

Private sector

As discussed above, the ongoing privatisation process means that the private sector is becoming of increasing importance as a 'key actor' in the field of environment, notably in relation to agriculture, industry, energy, transport and water management.

UNEP's environmental assessment in 2000 included a programme of field visits to facilities from each of the country's principal industries. Five of the ten sites visited were categorised by UNEP as environmental 'hot spots', posing immediate risks to the environment and human health and requiring urgent remedial action. This vividly illustrated the country's inheritance from absent or lax environmental controls in the past and the level of investment required – both in remediation of existing pollution and prevention of new pollution. – to reach European norms.

In the case of economically viable, yet-to-be-privatised enterprises, an emphasis should be placed on attaching realistic environmental conditions, perhaps with the promise of donor support to help new owners with corresponding investments. For newly privatised enterprises, the stress should be on working with the private sector to implement 'win-win' solutions that are environmentally and economically beneficial (e.g. introduction of more efficient production processes). In all cases, the private sector must be treated as an essential partner, to be involved in the development and implementation of all areas of environmental policy. This will involve the building of non-traditional partnerships and a long-term balance between enforcement and regulation on one hand, with incentives and voluntary measures on the other.

NGOs

An active environmental NGO community has developed since independence. In common with their counterparts in other transition countries, many of these NGOs operate under difficult conditions, including chronic under-funding. As a consequence, they tend to be driven by the priorities of external donors, and are often in competition with each other for limited funding. This can result in poor collaboration and information exchange, duplication of effort, and other inefficiencies. Nevertheless, NGOs have become key players in the implementation of a range of environmental policies and projects, notably through the LEAP process. Some NGOs have built coalitions in order to share experience and expertise, avoid overlap and make more efficient use of limited funding opportunities. A few NGOs are starting to move away from donor-driven agendas and are beginning to adopt strategic interest areas, with concrete goals and objectives. Alternative sources of funding are also being explored, including the private sector.

There are obstacles to NGO participation in FYR Macedonia's environmental protection efforts. For example, there is no clear, equitable and transparent process for: (a) involving NGOs during the drafting or revision of environmental laws and policies, or (b) NGOs to gain access to detailed, project-specific environmental information. In addition, most donors operating in FYR of Macedonia require NGOs to submit rather detailed project proposals. As a consequence, many NGOs are devoting disproportionate time and resources to project preparation before they have any clear indication of donor interest in the basic project concept. Furthermore, most funding made available to NGOs does not extend beyond a period of one year. This makes it difficult for NGOs to pursue strategic goals and increases the likelihood of project activities being disjointed and of limited long-term value.

3

Findings - Cross-Sectoral Elements of Sustainability

Integrating environmental concerns

Economic recovery and development is by far the most important priority as the FYR of Macedonia moves away from a period dominated by conflict and economic fragility. As the Government and people of Macedonia look toward the future, they must plan for sustained economic growth, which in turn implies a safe and healthy environment for investment to flourish. Belief and understanding that a sound environment is good for business is needed across all sectors of the economy, meaning that environmental considerations must be integrated throughout Government, economy and society. In other words, sustainable development is everyone's responsibility.

Within Government, MEPP can only be a focal point for environmental policy, with actual implementation depending on a wide range of actors from both the public and private sectors, at both national and municipal/local levels. It is vital that this simple yet fundamental point is recognised and acted on by all concerned. MEPP itself must make efforts to reverse the marginalisation of environmental issues by reaching out to other bodies. At the same time, those other bodies must acknowledge their responsibility to incorporate environment into the country's mainstream development agenda.

FYR Macedonia's relatively small surface area, high level of education and well-developed infrastructure ought to facilitate the kind of communication, cooperation and integration that is required to deliver environmentally sustainable development. As yet, this goal has not been achieved, with fragmentation and lack of coherence across Government being more commonly found. While such problems are far from unique to the FYR of Macedonia, they manifest themselves to an unusually high degree, needing a concerted effort, beginning at the highest levels of Government, if they are to be overcome.

Legislation

The EU approximation process, notably through CARDS funding for strengthening the capacity of MEPP, will lead to revision of the Act on the Environment, finalisation of the Act on EIA (see below), a new Act on Waste, approximation of legislation on hazardous waste, and revision of nature conservation laws.

In developing new environmental legislation, it will be important to ensure that this is not understood as a threat to economic growth. Consequently, broad consultation of economic interests (both governmental and non-governmental) should be ensured from the beginning. Equally, these interest groups must accept that they do not have a right of veto and that their point of view must be balanced with those of others. Achieving such difficult balances at a national level could conceivably be enabled by an appropriately constituted NC SD.

There is currently no Environmental Impact Assessment legislation in FYR of Macedonia, although its development is required as part of the EU approximation process and an Act on EIA is in preparation. To date, EIAs have tended only to be carried out when required by external

donors. For example, road construction projects funded from the State budget through the National Fund for Roads are not subject to EIA procedures, whilst those involving international investment generally are.

Enforcement

Capacity to enforce existing environmental legislation is weak, with divided competencies and an over-stretched, under-resourced and politically vulnerable State Environmental Inspectorate. There is a need on one hand to strengthen 'traditional' enforcement capacity, but on the other hand to develop alternative 'softer' means of enforcement, such as the use of positive incentives and voluntary agreements. The latter are likely to be vital for securing environmental commitments from the young and expanding private sector.

The decision-making and law enforcement system is poorly adapted for dealing with environmental matters, with little or no public access to decision-making, and poor access to justice, in spite of obligations under the Aarhus Convention. Up to 80% of environmental infringement cases are not heard within two years of filing, resulting in automatic dismissal. Of those cases that have gone forward, around half result in a warning only, while the other 50% involve penalties that have often been very small and inadequate to compensate for environmental losses or damage to human health. Currently, environmental law is not taught as a component of university law programmes. Not surprisingly, judges are often unfamiliar with national environmental legislation and the underlying objectives and principles.

Institutions and Administration

As discussed in the Key Actors section of Chapter 2, MEPP has made positive progress during its relatively short life as the principal Government focal point for environmental issues. However, the institution is still young and in need of further strengthening and support. Intersectoral cooperation in relation to environmental matters is extremely weak. At present, cross-ministerial steering committees may be formed for certain projects, but generally only when required by donors and even then they are of doubtful effectiveness. While the concept is good in theory, the strong institutional hierarchy means that environmental concerns are frequently over-ruled. In the case of construction projects, the Ministry of Transport and Communications has the lead and chairs steering committees that typically include the Ministries of Finance, Agriculture, and MEPP, the Government Department of European Integration, and sometimes the Ministry of Foreign Affairs. In such committees, the voice of MEPP is relatively weak in political terms.

It is likely that the next few years will see significant reform and restructuring of the public administration, responding in part to the requirements of the multilateral donor community. The latter attaches high priority to reducing the overall size of the administration, and to increasing efficiency. This process may provide opportunities for better coordination and implementation of environmental policy in the future, but is also likely to result in pressure on MEPP from longer-established and more powerful ministries. The international community will need to continue stressing support for a strong and independent environment ministry, with eventual establishment of a fully independent and adequately resourced Environmental Inspectorate and Environmental Protection Agency. With the forthcoming Law on Local Self Government, it will be vital to put in place structures for ensuring that MEPP, the State Inspectorate and the Environmental Protection Agency can work effectively at local level. This will require a carefully planned and properly resourced decentralisation and regionalisation strategy (while maintaining strong national coordination).

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As part of Phare funding made available to strengthen the capacity of MEPP, the European Commission is assisting with awareness raising work by the Ministry, environmental monitoring and data management (including three air quality monitoring stations), permitting and enforcement, integrated pollution prevention and control (IPPC), the phasing out of leaded petrol, and the provision of equipment. This funding will also provide for additional local and international expertise to assist with the approximation of EU legislation. Additional EC funding, through the 2001 CARDS programme will support preparation of NEAP2, preparation of a feasibility study and investment proposals for solid waste management, and provision of equipment for a further five air quality monitoring stations.

Finance

While funding for MEPP has increased significantly in percentage terms since the Ministry's establishment in 1998, the 2001 budget of DEM 7 million remains woefully inadequate in comparison with the scale of the environmental challenges facing the country. Due to Government spending restrictions in the wake of the recent armed conflict, it is unlikely that the MEPP budget will be increased in 2002 and there will probably be pressure for a decrease. It is vital that any such pressure be resisted, recognising environment as a strategic field of investment for long-term economic development. At the same time, environmental budget lines should be established in other key ministries.

As discussed above, positive incentives for environmentally beneficial actions, including the use of economic incentives, are lacking in the FYR of Macedonia. The development of economic instruments would provide much-needed additional revenues for the state while creating positive incentives for resource conservation and protection. Currently, revenue for the Environment Fund is derived from vehicle taxation, but this does not include any incentive component for vehicle owners to modify their behaviour. FYR of Macedonia has been reluctant to borrow money to fund environmental projects owing to the higher priority attached to other fields of investment.

Information and Monitoring

Monitoring of environmental parameters is highly fragmented and major Government decisions are being made without the benefit of adequate supporting data. Furthermore, information is often treated as a market good, to be bought and sold for institutional gain, rather than to be shared freely for national benefit.

Many different public institutions are involved in the gathering and analysis of environmental data (e.g. Republic Hydrometeorological Institute; Public Health Institute; Ministry of Environment and Physical Planning; Ministry of Transport and Communications; Ministry of Agriculture, Forestry and Water Economy). This leads to limited resources being spread too thinly, data not being shared, differing standards being applied and the lack of any clear 'state of the environment' overview at the national level.

There is an urgent need to improve the flow of information from Government ministries and institutes to the MEPP's Environmental Information Centre (EIC). This same need applies within the MEPP itself. The Citizen Information Centres that are currently being established in some municipalities also need to be linked to the EIC.

Environmental monitoring should be centrally coordinated, although actual collection of monitoring data is likely to remain the responsibility of multiple bodies - perhaps with an increasing

role at the municipal level. The primary goal of central coordination is to ensure general availability of the data required to support sound decision making at a national level. This also implies the use of appropriately standardised tools and methods for collecting, analysing and interpreting data.

Emphasis should be put on rapid publication of all monitoring data in a citizen-friendly format, similar to the 'real time' display of air quality information already provided in Skopje. The media should also be used more extensively for conveying information to citizens. This would in turn build greater confidence in the monitoring system, and, could, in the longer term, help to increase the resources available. With its relatively well-developed infrastructure, the FYR of Macedonia could become a 'beacon' in the Balkans region with regard to implementation of the information component of the Aarhus Convention.

Education

There is a strong appreciation of nature among the people of FYR of Macedonia and an impressive awareness of environmental issues, at least in areas where there is ready access to a good level of general education. However, the environment is only dealt with indirectly through the official curriculum (e.g. a new 'Civic Education' programme for the 6th and 7th Grades), with no specific courses. A number of NGOs are promoting extra-curricular environmental activities, but these are bound to be highly variable in content and 'reach' (i.e. the percentage of children involved in a given area) and cannot substitute for formal programmes. At university level there is a new four-year interdisciplinary course on Environmental Protection (first graduations will be in 2002), but there is no teaching of Environmental Law. The Faculty of Pedagogy does not provide any specific environmental training for school or university teachers. Since environmental problems directly affect the quality of everyday life for millions of Macedonians, the apparent lack of priority given to these issues in the education system is a cause for some concern.

Public Awareness and Participation

The process of European integration will also require implementation of the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters. While FYR of Macedonia has made some progress in terms of access to information through MEPP's Environmental Information Centre and municipal Citizen Information Centres, much work remains to be done. This is even more the case in the fields of public participation in decision-making and access to justice in environmental matters. The development of environmental laws occurs largely out of public sight, and there is serious lack of transparency in the application of enforcement and justice mechanisms. Clearly, the aims of the Aarhus Convention will need underpinning by national legislation if these problems are to be resolved in the foreseeable future.

Professional Training and Capacity Building

There is an obvious need for cross-sectoral training and capacity building to increase awareness of the environmental dimension of sustainable economic development and to promote intersectoral cooperation. This could be one of the tasks to be overseen by the National Council for Sustainable Development. The EU's Phare 99 funding programme for FYR Macedonia foresees the recruitment of local and international expertise to assist MEPP with approximation of EU environmental legislation. The agreement between the European Commission and the Government provides for the retention of locally-recruited experts on the Ministry's payroll after completion of the Phare project, as a contribution to building of longer-term staff capacity for MEPP.

4

Findings - Sectoral Challenges in Environmental Policy

Introduction

The following are the most important findings to emerge from the SEPA as far as specific policy sectors are concerned. It is important to bear in mind that these paragraphs focus on those matters within the scope of the UNEP mission. They are not intended to present comprehensive reviews of each sector.

Highest priority has been given to water, waste and air issues, since shortcomings in these areas have direct negative impacts on human health and quality of life, and thus the potential for social stability and economic growth. Biodiversity, agriculture and energy also require priority action, with international support where appropriate, to raise the country's overall level of environmental protection and potential for sustainable economic development.

As highlighted in Chapters 2 and 3, all of these sectors will need to work together, to ensure the delivery of coherent, efficient and effective policy implementation, including coordination of activities at national and municipal levels.

Water

The Ministry of Agriculture, Forests and Water Economy is currently developing an updated Water Master Plan (WMP) that will govern the management of all water resources in FYR of Macedonia. The Ministry, however, is focusing primarily on water supply and less so on the impacts that agricultural practices have on water quantity and quality. In particular, there appear to be serious gaps in information concerning water conservation, soil erosion and runoff of agri-chemicals. By implication of the need for an integrated approach, the new WMP should be a joint product of the Ministry of Agriculture, Forests and Water Economy, Ministry of Transport & Communications (which has the responsibility for the physical construction of all water management infrastructure, including pipelines, irrigation canals, reservoirs, and treatment plants) and MEPP (which has overall responsibility for ensuring approximation of EU water legislation).

Although the Government intends to repair sections of the country's water distribution system, it appears that insufficient priority is being given to the use of demand management and other water conservation tools, as a central element of water resource planning. Instead, emphasis is being placed on the development of supplementary water resources, notably through pumping of groundwater and the construction of additional surface water reservoirs.

While groundwater can provide a ready source of safe drinking water, it appears

that there is insufficient knowledge of the country's groundwater resources for current and planned abstraction to be characterised as sustainable. Given that FYR of Macedonia has a karst landscape, the behaviour of ground and surface water is complex. However, most groundwater monitoring was suspended in 1981 due to a lack of financial resources. Since then, monitoring has focused on groundwater levels, not on water quality. Given that FYR of Macedonia is a semi-arid country, that groundwater bodies can be vulnerable to the effects of industrial, municipal and agricultural pollution, and that over-abstraction can damage or destroy sensitive freshwater ecosystems, priority should be given to establishing a comprehensive groundwater monitoring programme. The data from such a programme should be used to guide the future direction of water resource management. In the meantime, the Water Management Plan should adopt a precautionary approach to the use of groundwater resources, giving highest priority to water conservation measures and clean-up of surface water bodies.

Restoration of Lake Dojran

The restoration of Lake Dojran, which has suffered a drastic fall in water level in recent years, is a high Government priority given that lakes Dojran, Ohrid and Prespa are much-loved symbols of the country's natural heritage. Consequently, Dojran is receiving a great deal of attention by MEPP with restoration proposals, to be funded completely by State budget, mainly with money from privatisation of the state telecommunications sector. However, the current plans appear to include some potentially conflicting objectives. Pumping of groundwater is proposed as the principal means of raising water levels in the lake, yet this would not tackle the root causes of the problem, which are reportedly climatic in part but largely the result of over-abstraction, notably across the border in Greece. Moreover, it is envisaged that the inflow of pumped groundwater might be used for power generation, irrigation and water supply in FYR of Macedonia. Each of these proposed elements may have implications for the quality and quantity of water in the lake itself. The Government is aware of these difficulties and recognises that a transboundary solution, involving cooperative integrated basin management by FYR of Macedonia and Greece would be the ideal solution. Effective transboundary dialogue has not been established to date and it may be that international mechanisms such as the EU Water Framework Directive or the 'Ramsar' Convention on Wetlands could facilitate such dialogue.

Waste

Collection and disposal of solid waste remains one of the most serious environmental problems facing the country. Since independence, economic transition has brought exponential growth of plastic and other environmentally persistent waste. With only one official landfill site in the country, illegal dumps have proliferated. Many of these dumps are in areas likely to cause pollution of surface and groundwater bodies, including those used for drinking water. Burning is typically used as the means of reducing the volume of material in these dumps, leading to the release of potentially hazardous air-borne pollutants. Although some initiatives have been taken at local level, there is no national programme for recycling of solid waste.

The Government is giving high priority to improvements in waste management, with the preparation of feasibility studies to realise some of the proposals of the EU-funded strategy published in 1999, notably establishment of fully equipped regional solid waste facilities. As an interim measure, MEPP is investigating the possibility of creating well-managed, small-scale, landfills at local level, though care will be needed to ensure that these do not become de facto substitutes for longer-term, environmentally secure regional

disposal sites. The Government is also preparing new waste management legislation, in conjunction with the EU approximation process. Furthermore, waste is one of the areas of competence likely to be devolved to municipalities under the new Law on Local Self Government. In spite of these positive trends, the Government has yet to adopt a national solid waste management strategy.

Problems relating to hazardous waste are perhaps even more acute. FYR Macedonia has so far introduced only limited policy controls on the safe disposal of hazardous waste, and relevant cooperation between MEPP and the Ministry of Transport and Communications appears to be lacking. Donors have also largely neglected this issue to date.

However, MEPP is moving forward with plans to site a secured hazardous waste landfill. It will be essential to ensure that this facility, and any future hazardous waste landfills, are built to the highest environmental standards, properly managed and treated as part of an integrated solid waste system covering the whole country.

Safe disposal of medical waste presents a specific challenge, and one that appears manageable with relatively modest resources. To date, medical waste from most of the country is being disposed of and burned in illegal landfills. Drisla landfill, near Skopje, currently incinerates medical waste from the city, but only one-third of the incinerator's capacity is being used. Investment in transportation of medical waste to Drisla would seem a practicable solution.

Air

Air pollution, primarily from industrial sources and increasing vehicle emissions in urban areas, remains a locally acute environmental problem and one which poses ongoing threats to human health in large centres of population such as Skopje and Veles. The UNEP environmental assessment in 2000 contains a summary of findings and recommendations relating to air quality problems at a number of industrial sites (e.g. HEK Jugochrom in Jegunovce, OHIS A.D. in Skopje, MHK Zletovo in Veles, and REK Bitola). Both MEPP and the NEAP attach high priority to tackling air pollution, with donor-supported investments in new monitoring equipment and new legislation in preparation. However, it will be important to ensure that future policy decisions are based on the results of monitoring data. The country is not a party to the Protocols to the UN/ECE Convention on Long Range Transboundary Air Pollution.

The monitoring of air resources is gradually improving thanks to strong donor support in this area. However, certain parameters of relevance to human health, e.g. heavy metals and persistent organic pollutants (POPs) are not within current technical capacities. Nevertheless, air monitoring data are currently collected by three state institutions - MEPP, the Hydrometeorological Institute and the Public Health Institute. Collection and use of the data are not as well coordinated as they should be, with the result that efforts are duplicated and the credibility of Government information is undermined.

Traffic emissions, which contribute substantially to poor air quality in urban centres, are not adequately regulated. Car inspections do not include routine emissions testing against given standards and there is no effective enforcement or incentive regime to stimulate better environmental performance.

Biodiversity

The FYR of Macedonia has an extremely rich biodiversity, with its own intrinsic value, but also an important economic value in terms of attracting future international tourism. Maintenance of these values will depend in part on the building of an effective, well-managed protected areas network, with carefully planned visitor facilities. However, since many important Macedonian landscapes are the product of centuries of human activity, protected areas cannot provide the whole answer. In addition, biodiversity conservation measures must be integrated across economic sectors, including agriculture, forestry, land-use planning and transport.

FYR Macedonia's current biodiversity legislation is very basic and out of date (from the early 1970s) and a radical overhaul is being prepared by MEPP. While approximation of the EU Habitats and Birds Directives will be a major step forward, this will not be sufficient to address all of the country's responsibilities under the Convention on Biological Diversity (e.g. biosafety), but the newly funded National Biodiversity Strategy should enable these issues to be progressed. It will be important to seek and achieve the maximum possible synergy between development of the NBS and that of NEAP2, NSSD, EU approximation, and the Pan-European Biological and Landscape Diversity Strategy (under the Ministerial 'Environment for Europe' process).

Agriculture

Among the key environmental issues related to agriculture are: the importance of extensive agricultural practices for maintaining attractive and biodiverse landscapes; the potential harm to water resources from over-abstraction for irrigation or runoff from agricultural chemicals; and erosion due to over-grazing or poor ploughing practices.

The future direction of agriculture will be broadly determined by implementation of the EU SAA, which will incorporate elements of sustainable agriculture, organic agriculture and integrated rural development in line with the trend for EU Member States. The World Bank is currently preparing a review of the agriculture sector in FYR of Macedonia, while a law on organic agriculture has recently been prepared jointly by MEPP and the Ministry of Agriculture, Forestry and Water Economy. The World Bank review is due for completion in 2002 and will involve a thorough analysis of policies, comparative advantages and relevant institutions. It will be essential for the implications of the SAA and the World Bank review to be built into development of NEAP2, the NSSD and the NBS.

Energy

The Government does not appear to be assigning high priority to energy planning. The resources allocated within the Ministry of Economy, which has competence for the energy portfolio, are very limited. With regard to the environmental dimensions of energy provision, the Ministry is engaged in preparation of an Energy Efficiency Strategy. While this is a positive step, a national Energy Development Strategy is also being prepared and there is potential for the two documents to lack overall coherence. Clearly, the future direction of energy resource development will be a key test of sustainability. In this respect, consolidation of the recent cooperation between MEPP and the Ministry of Economy on climate change issues is strongly encouraged.

Recommendations and Project Concepts

Introduction

UNEP's recommendations are presented first and foremost to the international donor community. The donor community can continue to make an essential contribution to effective implementation of environmental policy in FYR of Macedonia through:

(a) assisting the Government of FYR Macedonia to build on the solid achievements made in recent years, such as the:

- · introduction of new environmental legislation;
- establishment of the Ministry of Environment and Physical Planning;
- · establishment of the Environment Fund; and
- development of the National Environmental Action Plan (NEAP) and seven Local Environmental Action Plans (LEAPs).

(b) supporting carefully selected environmental projects and programmes that clearly contribute to meeting defined strategic goals and priorities, such as those set out in the National Environmental Action Plan (NEAP) and the forthcoming update of the Plan (NEAP2).

The detailed recommendations below are divided into thematic areas, beginning with institutional strengthening, but also embracing key sectors of environmental policy. Within each section, priority has been assigned to certain key recommendations on the basis of urgency and the feasibility of achieving at least some progress in the foreseeable future. These recommendations are highlighted with the following symbol:

UNEP recognises that the ability of donors to provide effective assistance and support is influenced by a wide range of factors, some beyond the direct control of the donor community. Consequently, many of the detailed recommendations presented below have components that are directed to several actors, notably central Government, municipalities and NGOs. All of these actors have a high degree of responsibility for ensuring that the partnership with donors leads to genuine environmental gains, notably through the minimizing of obstacles and maximizing of opportunities and synergies.

Most of the recommendations UNEP made in last year's Post-Conflict Environmental Assessment-FYR Macedonia (http://balkans.unep.ch/fyrom/reports/7.html) remain valid. These dealt with:

- · Five industrial 'hot spots' (HEK Jugochrom, Jegunovce; OHIS A.D., Skopje; MHK Zletovo, Veles; Rudnici Zletovo, Probistip; and REK Bitola).
- · Other industrial sites visited during the 2000 mission.
- The environmental consequences of the refugee flows associated with the Kosovo conflict.
- · Institutional capacities for environmental management.

The continuing applicability of these recommendations indicates the extent to which the wider political, economic and security context of the past year has prevented or delayed further progress on many key environmental issues. However, now is the appropriate time to be looking forward and to be ensuring that environmental matters take their rightful place at the heart of efforts to build a peaceful, economically prosperous and environmentally sustainable future for FYR Macedonia.

The potential role of the international community is not limited (nor should it be) to the provision of direct financial support. Donors are frequently in a position to contribute vitally important experience, expertise, and 'good practice' examples to their Macedonian partners - though such 'practical' support should also be targeted on the basis of clear strategic priorities.

Donors can increase the impact of their support by devoting more energy to coordinating their project agendas. This process could be facilitated by the introduction of a biannual donor meeting (organised by UNDP). Opportunities for joint funding and for introducing environmental components into other sectors of support should also be taken up by the donor community. In addition, donors working on the municipal level can play a useful role by helping to integrate the MEPP and the NGO communities further into municipal environmental project work.

Strengthening of Government Institutions



Accelerate reforms within MEPP: MEPP should intensify its programme of internal management and organisational reforms aimed at: (a) decreasing the extent of political appointments and institutionalising a strong 'public service' ethos within the Ministry; (b) building and retaining an effective 'institutional memory'; (c) ensuring that decision making occurs at the most appropriate level through use of delegation and decentralisation; and (d) leading and driving forward the national environmental agenda.

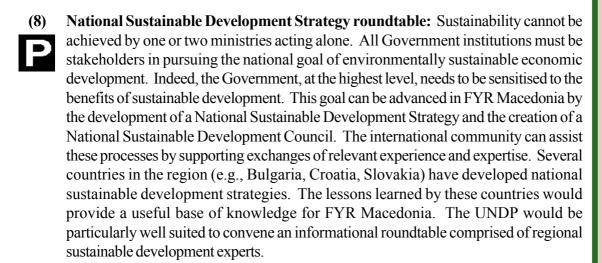


- Revise Environment Fund structure: New legislation, currently in preparation, is needed in order for the Environment Fund to evolve into a mechanism for implementing the strategic priorities of national environmental policy. The international community should press to ensure that this legislation includes: (a) new sources of income for the Fund; (b) an independent Board of Directors; (c) clear linkages between the priorities set out in national environmental policy documents such as the forthcoming NEAP2 and NSSD and the projects supported by the Fund; and (d) maximum transparency in the Fund's operating methods.
- Donor coordination: The MEPP should take the lead in stimulating and coordinating the environmental activities of the donor community. With donor assistance, the MEPP might establish a database aimed at building a 'good practice' reference library and project status-tracking facility.
- **(4) Conduct Government-wide review**: The current high degree of environmental policy fragmentation indicates the need for:
 - consolidating competence for certain key policy areas (e.g., water management, waste management);
 - strengthening inter-ministerial communication (including sharing of operational information, monitoring data, etc.);
 - · clearer separation of political, legislative, administrative and scientific competencies; and
 - enhanced technical, human and financial capacity to implement and enforce environmental legislation.

The Government needs to tackle these issues systematically, in depth, and appropriate resources, if significant progress is to be made. The review should be conducted in close consultation and cooperation with all Government institutions that have environmental responsibilities. It should lead to a set of detailed recommendations that can be implemented consistent with the driving forces enumerated above. The envisioned creation of a National Council for Sustainable Development should not be viewed as a substitute for urgently needed reforms.

- (5) Strengthen capacity to implement conventions: The successful implementation of environmental conventions will require the MEPP to work closely with other relevant ministries. The MEPP should consider allocating staff resources within MEPP to coordinate implementation, reporting and funding/training applications.
- (6) Rule of law for funding and conflict-of-interest: Confidence in state and local institutions could be strengthened by the development of geographic funding formulas that would ensure the distribution of state support across the country on the basis of law. Similarly, a strong and well-enforced conflict-of-interest law would reduce the appearance that self-dealing is possible and increase public support for the rule of law.
- (7) Encourage scientific independence: The Government should provide greater scien tific independence for Government institutes in order for the institutes to build more effective links with the international environmental science community.

National Strategy for Sustainable Development



- (9) Create National Sustainable Development Council: The National Sustainable Development Council should take the form of a high-level consultative body with its own secretariat and strong political leadership. The Council would be responsible for fostering greater inter-sectoral communication and cooperation within Government, and between the public and private sectors. It should have representatives drawn from a wide range of Ministries, from the private sector and from NGOs. It should be responsible for preparing discussion papers and advising the Cabinet of Ministers on development and implementation of environmental policy and legislation.
- (10) Equal distribution of environmental benefits: One of the underlying principles for the NSSD should be to ensure the equitable distribution of environmental benefits and responsibilities throughout the country, covering all sections of the community. The delivery of environmental services (e.g. regional solid waste disposal facilities) provides an opportunity for the state Government to build confidence and strengthen trust.

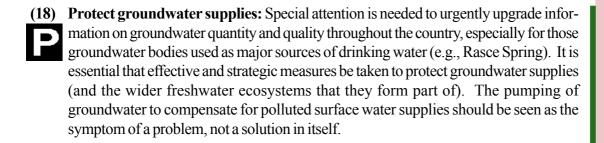
Environmental Data / Monitoring and Access to Environmental Information

- (11) Central coordination of monitoring data: The international donor community should consider supporting the development of a centralised, strategic environmental monitoring programme capable of delivering the information needed by all environmental decision makers. Such a programme could harmonise the disparate methods, standards and indicators currently in use by the various monitoring authorities and ensure a closer alignment of monitoring data and environmental policy objectives.
- (12) Improve flow of information: Shortcomings in the flow of information within the Government and within the MEPP reflect the ongoing institutional weaknesses discussed above. It is important this problem be tackled as an integral part of institutional strengthening.

- (13) Better access to information and decision making: The EU and other donors should assist the Government in realigning its legislative process with EU norms/ requirements and the Århus Convention to enable broad public access to information and public participation in Government decision making. This will require additional legislation and capacity building measures, for example to underpin access to environmental information at the municipal level and community participation in decision making.
- (14) Create information-sharing mechanisms: International technical assistance is required across all fields of environmental policy to ensure that current international 'good practice' information and experience is applied in FYR Macedonia. This requires MEPP and other environment-related Ministries to be proactive in seeking out examples of 'good practice'. The international community, however, should be equally proactive and create vehicles for information sharing. Examples of proven successes from other Successor States to the former Yugoslavia would be especially valuable.

Water Management

- Create inter-Ministerial mechanism to review Water Master Plan: There is an urgent need for an inter-Ministerial mechanism to be set up to review the proposed scope and content of the new Plan. The committee should ensure that the revised WMP will meet the requirements of the latest EU water-related environmental protection legislation, notably the Water Framework Directive adopted in 2000. The WMP should also embrace water supply, use, treatment and conservation, and be based on the principles of integrated river basin management (including protection and sustainable use of freshwater ecosystems that regulate water quality and quantity through natural processes).
- (16) **Promote conservation:** Greater efforts should be made to promote rational water use through the development of a comprehensive conservation strategy that involves the agricultural, industrial and municipal sectors. Such a strategy should take into account pricing and other economic instruments or incentives that may be available to lower the demand for water. The international community can assist through funding of pilot projects and provision of 'good practice' examples and lessons learned.
- Promote watershed planning: The GEF-funded watershed planning project for Lake Ohrid (which has attracted significant additional infrastructure investment by GTZ) should be viewed as a model for the protection of water bodies elsewhere in FYR of Macedonia. The proposed two-year extension of this project should be given priority support by GEF to secure the finalisation of a watershed management plan. At the same time, the international community should give special priority to providing financial, technical and political support for the development of integrated river basin management plans (IRBMPs) for the Vardar river (which provides for 75% of national water consumption) and the other major transboundary lakes, Dojran and Prespa (the latter building on the successful establishment of a trilateral 'Prespa Park' supported at the highest level by Albania, FYR of Macedonia and Greece).



- (19) EIA for Lake Dojran: Before any work is carried out on Lake Dojran, the Government should commission a full, independent, environmental impact assessment. Cooperation with the Greek Government should be further intensified to ensure that future management of the lake and its catchment is sustainable, coordinated and transboundary in nature.
- (20) Invest in water infrastructure: The international donor community should make water management a priority sector for investment, and should work to ensure that the new WMP take adequate account of the issues listed above. While some of the infrastructure improvements needed will clearly demand levels of investment beyond the scope of most donors, there will be many opportunities for strategic, smaller-scale investments, such as the provision of water-saving irrigation methods or wastewater treatment systems for rural communities.

Waste Management

- Adopt national waste strategy: The adoption of a national waste management strategy remains a national priority. A fully integrated scheme should set an overall direction for waste management in the country and map activities and timelines. The strategy should include specific plans for creation of interim and long-term landfills and address the country's need for waste separation and recycling.
- **Encourage small-scale landfills**: The MEPP's examination of the possibility of creating small-scale, interim solid waste landfills deserve strong donor support. It is essential, however, that these landfills be viewed as only a short-term risk reduction measure aimed at minimising hazards posed by existing illegal landfills.
- (23) Medical waste disposal: MEPP, in cooperation with the Public Health Institute, should develop and submit to donors plans to deliver and incinerate at Drisla medical waste from Bitola, Veles and other municipalities. This appears to be achievable at relatively low cost. Requirements for the disposal of animal waste might also be examined concurrently.
- **Support hazardous waste management**: Proper hazardous waste disposal is an urgent national priority that deserves immediate and sustained donor support for those projects set out as part of a clear national strategy.

Air

- Upgrade air monitoring: Within the framework of NEAP2 and the NSSD, the Government should implement the institutional and technological reforms needed for a fully integrated and modern national air monitoring programme, designed to meet the needs of both central and municipal decision makers. The reforms should ensure that an appropriate range of parameters are deployed, including strategic monitoring for persistent organic pollutants and metals.
- (26) Develop traffic-related pollution strategy: The opportunities offered by the NEAP2 and NSSD processes should be harnessed in order to implement a coherent traffic-related pollution reduction strategy, involving MEPP, the Ministry of Transport, municipalities, the private sector and the travelling public. Given the scale of the challenge, preparatory work for such a strategy should begin as soon as possible.

Enforcement and Incentives

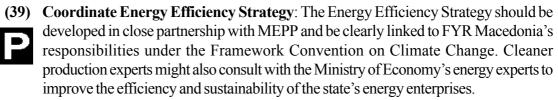
- **Part of the Spot' action programme:** Urgent attention should be given to developing an action programme for tackling the known industrial 'hot spots' (including those highlighted in UNEP's *Post-Conflict Environmental Assessment—FYR Macedonia*). This should comprise pollution reduction and remediation measures, and, where possible, be based on the 'polluter pays' principle.
- (28) Permits and effluent limits: The development of effluent limits and a permitting and penalty system should be assigned high priority.
- Analyse water privatisation: The current trend toward privatisation of municipal water enterprises should be closely examined before further steps are taken. A study should investigate whether and how affordable water and sewer rates will be maintained, should Skopje Vodovod and other municipal enterprises move toward complete or partial privatisation of their operations (even at current rates, only 20% of water bills are paid). The study should include the experiences of municipal enterprises that have been privatised elsewhere in the world and, perhaps, positive examples of private utilities that have improved their operations without being privatised.
- (30) Voluntary agreements: A system of voluntary agreements should be established as soon as possible. There is no need for the creation of such agreements to await the enactment of legislation. Voluntary agreements can help tackle immediate environmental problems and reduce long-term financial liabilities from pollution without the coercive effect of regulation. The international donor community can assist by providing 'good practice' examples and supporting training and pilot agreements in FYR of Macedonia. The Chamber of Commerce could support this process, focusing, *inter alia*, on encouraging ISO certification among its members.
- (31) Strengthen State Environmental Inspectorate: The capacity of the State Environmental Inspectorate should be significantly strengthened. The international community should consider supporting a programme that would recruit and train additional inspectors for a fixed duration, on the understanding that the trained inspectors would subsequently be taken on as part of MEPP's permanent payroll.

- (32) Access to justice: Legal accountability, a cornerstone of any environmental enforcement regime, requires access to justice. In keeping with the Aarhus Convention, legislation will be needed to provide citizens with access to justice.
- (33) Cleaner Production: The continuing use of outmoded production methods is environ mentally damaging and economically inefficient. There is an urgent need for companies to have improved access to loans or other financial instruments that would encourage investment in cleaner production technologies and the efficient use of resources. In addition, the establishment of a National Cleaner Production Centre (NCPC) should remain a high priority. A feasibility study should be conducted to identify a suitable host institution (or institutions) for the NCPC. The international donor community could assist by providing experience and expertise, as well as direct financial support. In addition to developing cleaner production techniques, the Centre should focus on identifying and promoting positive policy measures, financial incentives and economic instruments for expanding cleaner production throughout the country. This might include the use of 'full cost accounting', whereby the external costs of production (e.g., treating surface water polluted by industrial effluent) are identified and internalised.
- (34) Environmental audits: Continued efforts will be needed to encourage the owners of newly privatised companies to become good 'corporate citizens' by conducting voluntary environmental audits and implementing affordable risk reduction and remediation measures. Donors could play an especially important role in assisting with the finance and implementation of environmental audits. Where major investment is required, partnerships between the private sector, Government and the donor community can be effective, as demonstrated by UNEP's 2001 feasibility studies of industrial 'hot spots'.
- (35) Strategic Environmental Assessment (SEA): The enactment and implementation of a SEA law should be a major priority under the EU Approximation process.

Agriculture

- Joint WMP development: As discussed above, it is essential that the new Water Master Plan be developed in real partnership with MEPP and other relevant bodies.
- (37) Environmental conditions for privatisation: Environmental protection measures should be attached as conditions of sale during the privatisation of state agriculture concerns. While this point appears to be recognised in principle by the Government, for example through inclusion of MEPP in the Government's enterprise restructuring committee, the extent to which it is put into practice is unclear.
- (38) Promote organic and other sustainable agriculture practices: The potential of the new law on organic agriculture to result in environmental and economic 'win-win' scenarios should be maximised, for example, by linking measures to support organic farming practices with efforts to maintain landscapes, habitats of high biodiversity value, and biosafety standards. The donor community can provide technical and knowledge assistance in this area.

Energy



(40) Make energy a high priority: The Government should attach high priority to energy policy as a key strategic issue for the country's future economic and environmental performance. The international community should encourage the integration of environmental and energy policies and ensure the adoption of strategic goals and concrete targets in the updated NEAP and forthcoming NSSD.

Biodiversity

- (41) Revise biodiversity legislation: There is an urgent need for a complete overhaul of biodiversity legislation in FYR Macedonia. Consideration could be given to the development of a new law embracing both the 'traditional' biodiversity focus on protected areas and species, and more recently emerging issues such as the Biosafety Protocol of the Convention on Biological Diversity. The revision of biodiversity legislation should be given high priority in development of the National Biodiversity Strategy and strongly linked with the NEAP2, NSSD and EU approximation processes.
- (42) Allocate sufficient resources: As with other environmental legislation, it will be essential to allocate sufficient human, financial and technical resources for effective implementation.

Environmental Education

- (43) Support education initiatives, teacher training: The international community could consult with the Ministry of Education and Science to identify any specific opportunities for providing practical or financial support for environmental education programmes. In particular, approaches used in other countries might be shared through training courses and exchange visits.
- (44) Environmental law education/training: The country's legal practitioners are relatively inexperienced in environmental law. Steps should be taken to introduce the teaching of environmental law and to raise the awareness of judges and prosecutors with regard to environmental legislation.

Municipalities

- Assist municipalities to overcome common challenges: Most Macedonian municipalities suffer from problems that, while common to many countries with economies in transition, are nevertheless important obstacles to more effective implementation of environmental policy. These include:
 - an inability to raise sufficient revenue either to perform basic municipal duties and responsibilities, or to implement additional key measures identified in LEAPs;
 - an inability to obtain loans from central banks for infrastructure development or improvement projects;
 - · inadequate capacity in the fields of project development, implementation, and reporting to donors.
 - · inadequate access to and use of environmental information to aid decision making.

Donor investments in addressing any of these significant needs would be well spent.

- (46) Support Local Environmental Action Plans (LEAPs): The international community should encourage and support the development of further LEAPs, preferably using a common approach and format (at least methods three are currently in operation). It is imperative that all community stakeholders, including representatives of all ethnic groups, be involved in the LEAP process.
- (47) Coordinate municipal inspectorates: Subject to the provisions of the new Law on Local Self Government, it will be essential for the country to establish well-defined criteria mapping out the respective responsibilities of state and municipal inspectors and establishing mechanisms and incentives for information-sharing. Municipal inspectors should have the powers and the capacity to enforce penalties, including fines and temporary closures, where there are urgent and serious threats to the environment and/or human health for example, through an accidental spillage or catastrophic failure. Such responsibility would require appropriate levels of training, capacity building and funding as well as a high level of coordination between national and municipal levels.

Non-Governmental Organisations, Civil Society Organisations

- (48) Improve access to Government processes: Measures to address the lack of NGO access to governmental processes are needed at both national and local levels, notably in forthcoming environmental policy development processes such as the NCSD, NSSD, NEAP2 and LEAPs. This will require the Government to engage in effective consultation with NGOs, perhaps dealing mainly with 'umbrella' organisations for reasons of efficiency. In this case, it might be desirable to devise and publish consultation criteria for ensuring that the views of all key stakeholder groups are adequately represented.
- (49) Assist NGO capacity building: NGOs urgently require continued capacity building to improve their fund raising strategies, programme development, communication (including the publication and translation of documents), transparency and accountability. They should also be encouraged to build coalitions and partnerships that are sectoror issue-driven, and to prepare and submit joint project proposals. In many cases, it will first be necessary for individual NGOs to better define their overall goals and *modus operandi* (e.g., to be a project implementing NGO, a lobby group, a membership-based organisation, a source of technical/professional expertise).
- (50) Introduce simplified donor procedures: The international donor community could usefully streamline project preparation/submission procedures to help ensure that detailed proposals are invited/considered only after an initial concept has been approved.
- (51) Support document translation and publication: NGOs frequently lack the resources to publish key documents in local languages. Modest donor support in this area could have very significant benefits in terms of public awareness and access to information.

EU Stabilisation and Association Agreement and the Approximation Process

Resources required: FYR of Macedonia is today experiencing difficulties in implementing its existing environmental legislation. The 'approximation' process will require a major commitment of staff resources at MEPP and the other environment-related Ministries, especially the Ministry of Agriculture, Forestry and Water Economy. While this has been recognised by the European Commission through support for additional staffing (see below), the process still has the potential to divert scarce resources from the implementation of new and existing legislation. It will be important for the Government, in partnership with the European Commission, to establish a realistic work programme that will not create this undesirable effect.

- (53) Building knowledge links: MEPP could be proactive in building up strong and interactive links on this issue with environment ministries of existing EU-Candidate Countries. Applying lessons learned in such countries could lead to significant savings of time and resources. The existing EU Member States can also play an important role through provision of 'lessons learned', 'good practice' and educational and training opportunities (e.g., through exchange visits) that focus on their experiences in implementing environmental Directives and other instruments.
- **(54) Increasing staff capacity:** Phare 99's approach to building staff capacity is most interesting and could usefully be applied (with adaptations as necessary) by other externally-supported projects.

Appendix 1

Members of the UNEP Expert Team

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Mr Tim Jones Member of assessment mission /

Team leader / Report Coordinator

Mr John Bennett Member of assessment mission

Mr Harald Egerer Member of assessment mission

Mr David Jensen Member of assessment mission /

Mission Coordinator

Mr Mikko Halonen Environmental expert

Ms. Diana Rizzolio Environmental expert

Mr Otto Simonett Information Officer / GRID Arendal

UNDP Policy/Technical Support and Logistics

Ms Raquel Ragragio Resident Representative

Mr Vladimir Kuculovski Focal Point UNEP Team 1

Mr Dimitar Malinovski Focal Point UNEP Team 2

Mr Jovan Gavrilovski UNDP Project Implementation Unit

Appendix 2

Team 1: Meeting Schedule and Contact Information

Monday 17.09

09.00

United Nations Development Programme

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11.00

World Bank

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13.00

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16.00

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Tuesday 18.09

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Friday 21.09

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10.00

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Team 2 – Meeting Schedule and Contact Information

Monday 17.09

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Tuesday 18.09

10.00

Donor briefing

Representatives of SIDA, JICA, GTZ, EU, UNDP

13.00

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LEAP Coordinator for Skopje

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09.00

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12.00

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Friday 21.09

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10.00

Organisation for Security and Cooperation in Europe (OSCE)

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12.00

Macedonian Center for International Cooperation

Cancelled

15.00

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