

PUBLIC

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

STRATEGY FOR NORTH MACEDONIA

**REPORT ON THE INVITATION
TO THE PUBLIC TO COMMENT**

PUBLIC

1. INTRODUCTION

The objective of this report is to summarise key comments received from stakeholders during the consultation period on the Bank's Strategy for North Macedonia and provide the Bank's management responses. The comments received during the public consultation period were reviewed by the Bank's management and reflected in the Strategy as appropriate.

In accordance with the EBRD Public Information Policy (PIP), the draft Strategy for North Macedonia was posted on the EBRD website in English and Macedonian for 45 calendar days starting from 22 February 2019.

Information about the public consultation process was posted on the EBRD's dedicated webpage "Have your say", which highlights the latest opportunities for the public to comment on the Bank's policies and strategies under review. The Communications Department also advertised the public consultation on social media. In addition, targeted notifications of the consultation process were sent to local and international civil society organisations (CSOs) that have expressed interest in the Bank's work in the country.

One set of comments on the draft Strategy for North Macedonia was received during the public consultation period, while another set of written comments was received during the pre-drafting stage. This report reflects the set of comments received during the public consultation period, while the Bank for the elaboration of the draft strategy considered the set of comments received during the pre-drafting stage.

In line with the Bank's increased efforts to involve civil society at an early stage of country strategy development, the EBRD organised a consultative meeting with civil society organisations on 24 July 2018 to gather civil society's feedback during the preparatory phase for developing the draft Strategy. The consultation was hosted by the Resident Office in Skopje and attracted 18 participants from 14 different civil society organisations. The EBRD was represented by the Head of the Resident Office; the Economic, Policy and Governance team; the Country Strategy Coordination team and the Civil Society Engagement Unit. The summary of the meeting and the list of CSO participants to the consultation process are provided in the Annex. The summary of the meeting was shared with participants and amended as per feedback received.

2. PUBLIC COMMENTS AND STAFF RESPONSES

Comment	EBRD Response
Key messages from Civil Society to EBRD <i>Assessments and implementation of previous strategy</i>	
Civil society encouraged to include Transparency International's Perception Index in the section titled North Macedonia Context Figures.	Transparency International Perception Index is mentioned as source in Annex 1.
Environmental organisations requested to provide more details about ESCO agreements or substantive evidence of the promotion of green technologies.	The Bank acknowledges the comment; however this is outside the scope of the North Macedonia country strategy.
Civil society would encourage reflecting as key lessons the conclusions of both the Bern Convention and the World Heritage Committee regarding respectively Boskov Most and the proposed A3 Ohrid-Pestani road section.	Key lessons from these projects have been incorporated into internal environmental and social (E&S) due diligence requirements and the 2019 Environmental and Social Policy (ESP). They will also be addressed in the guidance notes that will be prepared for the implementation of the 2019 ESP and Performance Requirements.
Civil society notes the damages that have been caused by hydropower, also including small hydropower developments, to the Macedonian natural habitats and endemic species.	<p>The Bank acknowledges the comment.</p> <p>EBRD has prepared external good practice notes/ guidance materials on HPP / sHPPs to ensure that the Bank's E&S requirements are more clear. The 2019 ESP also includes that cumulative impacts will be considered in the project categorisation as "A", and that the environmental and social assessment will consider cumulative risks and impacts of the project in combination with risks and impacts from other relevant past, present and reasonably foreseeable developments.</p>

Key messages from Civil Society to EBRD <i>Priority 1: Support Competitiveness and Inclusion by Enhancing Value Chains, Upskilling the Workforce and Strengthening Governance</i>	
Civil society praises the intention to support digitalisation and ICT skills development, especially with the focus on youth, women and underserved areas.	The Bank acknowledges the comment.
Key messages from Civil Society to EBRD <i>Priority 2: Strengthen Regional Integration, Soft Connectivity and support to EU Approximation</i>	
<p>Civil society expressed concern about the emphasis on transport and energy infrastructures in view of:</p> <ul style="list-style-type: none"> a) Inadequacies in public consultation processes and in the quality of environmental assessments; b) Poor track record of mitigation measures in place as also described by the Ministry of Environment and Physical Planning in its most recent report to the Convention on Biological Diversity (2014); c) The EBRD's lack of recognition of no-go zones in line with IUCN Motion 26 from the IUCN's World Conservation Congress, Hawaii 2016. 	<p>The Bank acknowledges the comment. All projects undergo environmental and social appraisal both to help EBRD decide if the project should be financed and, if so, the way in which environmental and social risks and impacts should be addressed in planning, implementing and operating a project. All EBRD financed projects are structured to meet EBRD Performance Requirements, in addition to the national law.</p> <p>At present, EBRD's Environment and Sustainability Department is in the midst of delivering a grant funded / Technical Cooperation Project aimed at promoting Good International Practices in North Macedonia that is specifically targeting Government authorities/organisations/state institutions, state owned companies responsible for developing, designing, building and/or operating infrastructure (energy, electricity transmission, transport, etc.), civil society, biodiversity consultants and academic institutions. The aim is to build capacity in their assessment and management of biodiversity issues and protected areas in line with good international practices and North Macedonia's obligations under international conventions (for example, the Bern Convention and UNESCO) and the EU accession process (eg. EU Habitats and Birds Directives).</p>

	EBRD will not knowingly finance projects that would contravene national laws or country obligations under relevant international treaties, conventions and agreements, as identified during project appraisal.
Civil society demands that investments related to improved connectivity of transport and energy infrastructure include upgraded mitigation measures with indicators based on ecological parameters.	All Bank funded projects will be structured to meet the Bank's Environment and Social Policy and Performance Requirements.
Civil society requests the implementation of Recommendations 1,2 and 3 of the 2017 World Heritage Centre, ICOMOS and IUCN Reactive Monitoring Mission to the UNESCO Ohrid region regarding Social and Environmental Assessments (SEAs), mitigation and the evaluation of alternative pathways for Corridor VIII as per World Heritage Committee Decision 41 COM 7B.34.	<p>The Bank acknowledges the comment, which was also received during the public consultation process for the revised Environment and Social Policy.</p> <p>EBRD will not knowingly finance projects that would contravene national laws or country obligations under relevant international treaties, conventions and agreements, as identified during project appraisal.</p>
Key messages from Civil Society to EBRD <i>Priority 2: Support Green Economy Transition through a More Sustainable Energy Mix and Greater Resource Efficiency</i>	
Civil society welcomes the intention to improve wastewater treatment, solid waste management, recycling, resource efficiency and pollution control.	The Bank acknowledges the comment.
Civil society expressed concerned about the institutional capacity of the Ministry of Environment and Physical Planning. Civil society notes a number of conflicting laws and the recent removal of environmental protection regulations. Civil society encourages supporting capacity building in nature protection and tailored ecological awareness to achieve sustainable outcomes and avoid negative consequences on the ecosystem.	EBRD's Environment and Sustainability Department is in the midst of delivering a grant funded / Technical Cooperation Project aimed at promoting Good International Practices in North Macedonia that is specifically targeting Government authorities/organisations/state institutions, state owned companies responsible for developing, designing, building and/or operating infrastructure (energy, electricity transmission, transport, etc.), civil society, biodiversity consultants and academic institutions. The aim is to build capacity in their assessment and management of biodiversity issues and protected areas in line with good international practices and North Macedonia's obligations under

	international conventions (for example, the Bern Convention and UNESCO) and the EU accession process (eg. EU Habitats and Birds Directives).
Civil society encouraged clarifying the concept of green transition and the methodology behind that. According to civil society GET does not provide with the necessary evaluation tools needed to assess relevant strategy goals.	<p>The EBRD Green Economy Transition approach can be found at https://www.ebrd.com/what-we-do/get.html.</p> <p>EBRD will support the countries where it operates in achieving their commitments, strategic goals and targets under the Paris Agreement and Sustainable Development Goals.</p>
Civil society highlights that grants for green projects are disproportionally high compared to other areas.	<p>44% for projects under the Green Transition quality is fairly close to the EBRD average. Needs for Green projects are often higher for several reasons, including the Bank scaling up its work in this area as it strives to reach the 40% Green Economy Transition target by 2020.</p> <p>The historic use of grants for green transition (since 2016) is also in line with the EBRD average. It is also worth mentioning that grants and concessional loans are classified using primary transition qualities only, and it is therefore also possible that a project classified as “Green” due to its primary transition quality may also be targeting other transition qualities.</p>
Civil society strongly challenges the EBRD support to hydropower developments and the EBRD definition of hydropower as a green energy. Civil society requests that the word ‘green’ is removed from any issues related to hydropower. Civil society requests that the EBRD redirect finance for hydropower towards other renewable energy sources, such as solar.	The Bank acknowledges the comment. EBRD has prepared external good practice notes/ guidance materials on HPP / sHPPs to ensure that the Bank’s E&S requirements are more clear.
Civil society suggests that any rehabilitation of existing hydropower plants should incorporate a comprehensive, independent strategic	EBRD has prepared external good practice notes/ guidance materials on HPP / sHPPs to ensure that the Bank’s E&S requirements are more

<p>environmental assessment overseen by the IUCN that:</p> <ul style="list-style-type: none"> a) Evaluates the full cost of rehabilitation versus the benefit of dam removal on a case-by-case basis, covering quantifications of impacts on protected areas alongside an analysis of alternatives such as solar power plants; b) Addresses existing challenges in the hydropower sector in North Macedonia, including issues related to habitat fragmentation (most notably for eels), and monitoring of water flows. 	<p>clear. The 2019 ESP also includes that cumulative impacts will be considered in the project categorisation as “A”, and that the environmental and social assessment will consider cumulative risks and impacts of the project in combination with risks and impacts from other relevant past, present and reasonably foreseeable developments.</p>
<p>Civil society urges to expand the indicators for Priority 3 to include rate of public transport usage, recycling, wetland coverage change, forest coverage change, and solar power uptake. According to civil society these indicators would better contribute in grasping the contribution to climate change goals.</p>	<p>The Bank acknowledges the comment.</p>
<p>Civil society proposes wetland conservation, construction, protection and rehabilitation, especially with regards to peat lands, as a core component of the Bank’s strategy to improve water sanitation and climate resilience.</p>	<p>The Bank acknowledges the comment. Additional guidance will be developed on considering alternative approaches to improve water sanitation and strengthen climate resilience, including on nature-based solutions, during project design.</p>
<p>Key messages from Civil Society to EBRD</p> <p><i>Annex 1: Political Assessment in the Context of Article 1</i></p>	
<p>Civil society recommends highlighting the need for improvements in the civil society space in terms of full and timely provision of/access to information; and transparency in decision-making processes. Civil society also notes that the environmental inspectorate fails to execute their responsibilities in the full spirit of transparency.</p>	<p>The scale and independence of civil society is part of the existing political methodology of the Bank and the related assessment in integrated in Annex 1. The assessment is meant to provide an overview of the main developments in the country.</p>

Civil society would encourage Annex 1 to reflect considerations on the evaluation of nature and ecology management in view of their intrinsic value to the economic progress of the country.	Considerations on nature and ecology management are not covered by the existing political methodology. These issues are covered by the Environmental and Social Policy of the Bank for what it concerns investment projects.
Other comments	
Civil society requests publically available indicators for ecological management, which should be explicit pre-conditions of EBRD finance in the country.	The Environmental and Social Policy and the Performance Requirements and the related guidelines represent the reference document for all EBRD projects on environmental and social matters. Clients are required to comply with the Performance Requirements entailed.
Civil society recommends the ecosystem services concept to be adopted as part of the project appraisal, monitoring and evaluation.	The Bank acknowledges the comment. The concept of ecosystems services has been added to Performance Requirement 6, which will become effective in January 2020.
Civil society suggests designing repayment scheme against environmental benchmarks, whereby increased repayment rates are applied in case of non-compliance with environmental standards.	The Bank acknowledges the comment; however this is outside the scope of the North Macedonia country strategy.

EBRD Strategy for FYR Macedonia

Consultation with civil society, 24 July 2018 (Skopje)

National capacity on natural protection- Civil society is concerned about the lack of a national strategic framework on climate change and natural protection that would set environmental standards for infrastructural investments (e.g. transport and energy). To address this gap, CSOs encouraged the Bank to support technical assistance for capacity building in the area of environmental conservation. In particular, two focuses were suggested, namely awareness rising on Natura 2000 and capacity building to carry out comprehensive and systematic biodiversity studies.

Transport- CSOs encouraged the Bank to be attentive to the natural and cultural heritage of the Ohrid region and take into consideration the UNESCO relevant recommendations while considering investments such as Corridor VIII.

Hydro and other infrastructural developments- CSOs expressed high expectations for the Regional Masterplan for hydropower development funded by the European Commission, which is to be completed by the end of 2018.. Environmental CSOs suggested the Bank to support the development of criteria/guidelines for the identification of no-go zones, which could be used as a reference tool by the Government when making decisions on future concessions and infrastructure projects. The scope of such guidance could be for investments in hydro as well as energy and transport.

Decarbonisation and renewable energies- CSOs welcomed the decarbonisation objective of the Bank. While switching from coal to gas is regarded as an important aspect of decarbonisation, civil society encouraged the Bank to focus more prominently on support to renewable energies such as wind and solar. CSOs would also see favourably the Bank's support to the government in the revision of the energy law.

Early consultations and integrity over licensing- CSOs in the environmental domain remain critical about the Bank's support of hydro power plants (HPPs) and past mining projects and voiced frustration about flawed consultation efforts. Early consultation with local communities and civil society was requested during the assessment phase of projects in line with the participation standards in decision-making processes set by the Aarhus Convention. Licensing of both mining and hydro concessions is also object of scrutiny from civil society driven by the objective to ensure transparency, integrity and natural protection standards.

Support to SMEs and social enterprises- Civil society engaged in economic development issues encouraged the EBRD to increase the current 10,000 Euro threshold of maximum grant for SMEs. Civil society welcomed the EBRD regional study on social entrepreneurship and expressed expectation for further EBRD support to the development of the sector.

Wastewater treatment- Civil society looked favourably at the Bank's engagement in wastewater treatment and expressed expectation for the Bank's alignment of its investment approach with the UN Guidelines on Municipal Wastewater Management.

List of CSOs participating to the consultation process

1. 21/42 Front
2. Biosfera 369
3. Centre for Civil Communication
4. Centre for economic analysis
5. Citizens' Association –MOST
6. Ecosense
7. Helsinki Committee
8. MACEF- Macedonian Centre for Energy Efficiency
9. Ohrid SOS
10. Regional Environmental Centre
11. SEGA –Coalition for youth organisation
12. Transparency International
13. Youth Education Forum
14. ZSCM