TRAINING ON THE METHODOLOGY FOR URBAN AUDIT PREPARATION

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Training on the methodology for Urban Audit preparation

BACKGROUND

This document presents:

- Information about the Urban audit (UA)
- Information about the Methodology for UA preparation
- Information about the training for UA preparation.

The methodology will be presented in a one-day training. The trainer is Mr. Marjan Nikolov. The trainees are Local Self Government Units (LSGUs) and USAID's Strengthening Resource Mobilization Activity team members.

What is UA?

The Urban Audit (UA) is a World Bank developed tool for municipal planning development and objective selection of investment needs and priorities, the area for service improvement and potential investment projects to improve these services and the selected communities. This tool has often been used by the Municipal Services Improvement Program (MSIP) of the World Bank to disburse grants to poorer and marginalized settlements within the LSGUs in the Republic of North Macedonia (RNM)[1]. Such communities are identified via their geographic targeting of neighborhoods/settlements within participating municipalities by using the UA.

The methodology for UA preparation will provide practical steps and recommendations for:

- **Mapping the current infrastructure** (inventory of infrastructure and assets),
- **Identification of key priority** capital investment needs per settlement,
- **Ranking the priority settlement** needs in a transparent and accountable manner,
- **Assessing the project viability** in terms of technical, financial, and administrative capacities to be implemented by the LSGUs and correlation and synergy of the urban audit with other municipal investment planning documents (Investment programs, strategies, etc.)

The purpose of UA

We did a slight adjustment of the UA methodology that was used by the MSIP of the World Bank to respond to the needs and purposes of the USAID's Strengthening Resource Mobilization Activity:

- **To identify a list of project needs** at settlement level by using participatory approach
- **To rank settlements** at LSGU level in terms of project needs by using a fact-based technique rather than perception
- **To identify "viable" projects** given preparation for the project (basic projects documents, procurement plan, allocations in the development budget etc.)
- **To identify projects** from the "viable" projects that are part of the strategic documents

[1] See more: https://finance.gov.mk/%d0%bc%d1%81%d0%b8%d0%bf-2/.
Also: https://finance.gov.mk/?s=msip&lang=en.

How can a municipality benefit from the UA?

A municipality going through the overall process of UA will strengthen capacities:

a) **To assess current urbanization trends**, existing levels of inventory of infrastructure and assets, and key challenges in the management of municipal investments.
b) **To support the identification of a municipal program** consisting of priority investments and accompanying LSGU management capacity-building measures.
c) **To connect the dots between the big picture (urbanization challenges, sectoral policies)** and the technical implementation of brick-and-mortar "construction and maintenance" of the LSGU.
d) **To improve the presentation** of the plans of the municipality in front of its stakeholders, the potential creditors, and donors.
e) **To improve the strategic planning process** as the solid municipality investment needs plan will provide better ground for developing other municipal development plans including capital investment plan.

Structure of methodology and how UA is prepared at municipal level?

The practical implementation of UA in one municipality includes the following steps (details about the steps of the Methodology in English and Macedonian are presented at the end of this document):

Step 1: Regional context – this part requires the municipality to give a brief description of the regional context of the municipality, regional economy, and demography.

Step 2: Urban setting and organization of the municipality – (a) Principal terrain relief, hydrography, undevelopable areas (steep slopes, erosion, flood-prone areas, etc.), conservation areas (forests, water tables), open areas and potential expansion areas; (b) Principal connections to other LSGUs; (c) Climate (seasonal precipitation table); (d) Assets and constraints that favor or hinder urban expansion and land occupancy.

Step 3: Population trends and projections – Provide figures for population per settlement according to the field visits and projections for 5, 10 and 15 years from now, as well as the corresponding growth rates.

Step 4: Urban economy – identify the drivers of the local economy, decision-making centers, urban employment, main economic activities, etc.

Step 5: Urban services, assets, management of assets - Prepare an inventory of access to services at settlements level, by infrastructure and superstructure facilities. Provide information on the municipal assets and public work maintenance.

Step 6: Deficiencies and needs - Summarize the main deficiencies and needs identified during the analysis and implementation of the infrastructure and service programming inventory (ISPI). On that basis, indicate feasible intervention types and sectors to help focus the process of identifying projects for the Capital investment planning (CIP).

Step 7: Urban development projects, recent and future projects – identify trends of future growth, give an overview of urban planning documents, summarize projects.

Step 8: Proposed projects, selection, consultation – discuss project eligibility, priority criteria, consultation and participation with citizens and stakeholders.

Step 9: CIP allocation and schedule of investment – Allocate investments in facilities and infrastructure according to priorities, the nature of the work (rehabilitation, new work, etc.) and the amount of the investment.

NOTE: The UA preparation requires visits and data collection at the settlement/local community (Mesna zaednica) level in the municipality because the UA is about the unbiased ranking of the settlements and their needs for projects. Each municipality develops its own fragmentation of the municipality depending on the practice, experience, characteristics and assessed needs.

OBJECTIVES OF THE TRAINING

The objective of this training is to capacitate the municipal staff members with the necessary skills for the preparation of the UA at a municipal level.

TIME AND PLACE

The training will take place online due to the COVID-19 situation.

PREPARATIONS PRIOR TO THE TRAINING:

Trainee will need laptop or computer to be able to follow the training.

No preparatory work is required for the training. The trainee should do be familiar with the related documents and data centers/spots at the LSGU prior to the training in his/her municipality. At least the following data will be required (mostly per settlements):

- Demographic data of the municipality (population in North Macedonia and in the municipality, population growth).
- General information about the municipality (economy, unemployment, annual household income, labor force, utilities, tariffs).
- Financial reports of the municipality.
- Area of the municipality.
- Inventory of infrastructure and assets.
- O&M of assets.
- Different strategic documents of the municipality.

TRAINING DAYS, CONTENT, TRAINER

The training will last for half a day.

The detailed agenda is enclosed to this training concept.

TRAINER

The trainer of this event will be Marjan Nikolov, a regional expert in Urban audit and Municipal Finance Self-assessment (MFSA) that has worked on UA and MFSA in the past 10 years. Marjan Nikolov has a PhD in economics from the Faculty of Economics in Ljubljana. His thesis was about the measurement of decentralization and the efficiency of public service delivery in ethnically fragmented municipalities. He is President of the Center for Economic Analyses (CEA) and was a local expert of the World Bank for Urban Partnership Program and is helping municipalities in North Macedonia to develop MFSA and

Urban Audit tools. He was a World Bank short-term evaluator for evaluating the implemented 12 MSIP borrowing projects at the municipal level in North Macedonia. Marjan used to work for USAID, IMF UNDP, DFID, WFD, NDI and Governments of North Macedonia, Jordan, Tunisia, Iraq, Kosovo, Bangladesh, Swaziland on topics related to fiscal decentralization, public finance management and fiscal transparency both in research and policy recommendations as well as in producing laws and legislation working individually or part of a team.

AFTER THE TRAINING

The trainee will need to submit a draft UA for his/her municipality for scrutiny by the trainer. It is expected for the municipalities to finish the draft UA within one effective month and to finalize in two months upon comments from the trainer.

NOTE:

PLEASE KEEP IN MIND THAT THE ULTIMATE GOAL OF UA IS TO:

(A) ASSESS INFRASTRUCTURE AND SERVICES GAPS AND TO

(B) ULTIMATELY PREPARE A CAPITAL INVESTMENT PLAN MATCHED TO THE FINANCIAL ABSORPTIVE CAPACITY OF THE MUNICIPALITY AND IN DOING SO TO REFLECT CLOSELY THE NEED OF THE CITIZENS.

METHODOLOGY FOR URBAN AUDIT

CONTENTS

1. Regional context

The municipality in its regional context

- Give a brief description of the planning region (major geographical features), distances to other major cities and major access routes. The planning regions in RNM are 8 and each LSGU belongs to one of it. The municipality should present itself shortly in this section: its position, connection with neighboring LSGUs, if it is neighboring other countries, main transport corridors, main socio-economic operators etc.

Regional economy and boundaries of the municipality's hinterland

- Describe the planning region's principal activities and products, storage facilities (such as silos), major train stations and markets, and busiest transportation routes. Indicate the principal regional administrative boundaries and population clusters. Define the boundaries of the municipality's hinterland (area of influence for possible agglomeration potential with neighboring LSGUs).

Demography

- Provide figures for the regional population according to the censuses and estimates from the visits to the settlements and projections for 5, 10 and 15 years from now, as well as the corresponding growth rates.

2. Urban setting and organization of the municipality

Urban setting

- Describe the municipality's physical context: (a) Principal terrain, hydrography, undevelopable areas (steep slopes, erosion, flood-prone areas, etc.), conservation areas (forests, water tables), open areas and potential expansion areas; (b) Principal connections to other cities; (c) Climate; (d) Assets and constraints that favor or hinder urban expansion.

Land occupancy

- Show administrative boundaries and division into neighborhoods or groups of neighborhoods (for ISPI use - Table 5).

NOTE: Here please, fragment the LSGU in several settlements/local communities/or other units. Please, list all settlements/local communities/or other units in the LSGU. Then, please, list those for which your LSGU administration considers are not vital (no population, emigrated population, estimate that there will be no population in the next 3-5 years).

TABLE 1– LAND OCCUPANCY

		Settlements/local communities/or other units					
		1	*2*	*3*	…	…	*Total*
- Housing	Hectares or km2						
Surface area - serviced housing*							
Surface area - underserviced housing**							
Surface area - irregular housing***							
Total surface area - housing							

Note:

- Serviced housing* are settlements/local communities/or other units that are served in an organized manner from the LSGU with all of these: electricity, water supply, sewage, asphalted road, waste collection
- Underserviced housing** are settlements/ local communities /or other unit that are served in an organized manner from the LSGU with all these services except two of them: electricity, water supply, sewage, asphalted road, waste collection.
- Irregular housing** are settlements/ local communities /or other units that are served in an organized manner from the LSGU with one or none of these services: electricity, water supply, sewage, asphalted road, waste collection

3. Population trends and projections

Urban population and population by settlements/ local communities /or other units

- Provide figures for the municipality's population according to the most recent census, assessed population from the visits of the settlements/ local communities /or other unit and projections for 5, 10 and 15 years from now, as well as the corresponding growth rates
- Break down the municipality's population by settlements/ local communities /or other units.

TABLE 2 – POPULATION

Year	*Census 2002*	*N-from the visit of the settlements/ local communities /or other units*	*N+5*	*N+10*	*N+15*
Population					

TABLE 3 - POPULATION BY SETTLEMENTS/ LOCAL COMMUNITIES /OR OTHER UNITS

	Settlements/ local communities /or other units					
	1	*2*	*3*	…	…	*Total*
Population in serviced housing						
Population in underserviced housing						
Population in irregular housing						
Total population						

Note:

- Serviced housing* are settlements/local communities/or other units that are served in an organized manner from the LSGU with all of these: electricity, water supply, sewage, asphalted road, waste collection
- Underserviced housing** are settlements/ local communities/or other units that are served in an organized manner from the LSGU with all of these services except two of them: electricity, water supply, sewage, asphalted road, waste collection.
- Irregular housing** are settlements/ local communities/or other units that are served in an organized manner from the LSGU with one or none of these services: electricity, water supply, sewage, asphalted road, waste collection

4. Urban economy

The municipality is the focal point for shaping the local economy and developing relations with hinterland areas:

- Identify the **"drivers"** of the local economy: principal stakeholders involved (public and private, local and outside the region, "modern" and "informal").
- Describe the **exchanges** of agricultural goods and services and transfers between rural areas and the municipality and analyze the interdependencies between these two areas.
- Identify the **decision-making centers** that influence the various components of the local economy, and the major external factors that affect these different components.
- Describe the features and level of urban **employmen**t: government, commerce, industry, agriculture, "informal" activities. Name the major "employers." Features of large local retailers, the transportation sector and the public buildings and works sector.
- Identify "modern" businesses and **informal activities**.

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TABLE 4 – ECONOMIC ACTIVITIES AND JOBS (NOTE THIS IS A SAMPLE TABLE. YOU CAN USE DATA FROM MAKSTAT DATABASE: HTTPS://WWW.STAT.GOV.MK/POSLEDNOOBJAVENOVOMAKSTAT_MK.ASPX)

Sector of activity	*Economic units / services*	*Type of activity*	*Number of jobs*	*Location*
Industry Crafts Commerce Public enterprise Public administration Other				
Informal activities Other				

5. Urban services. Assets. Maintenance

This part is to be filled after the field visits of all settlements/local communities/ or other units and after data will be collected on: population per settlements/local communities/ or other units, emigration trends, area in ha or km2, distance from LSGU center, main economic activities, social structure of population, inventory of existing infrastructure (water supply, sewage, roads, electricity), superstructure objects (municipal buildings and assets, school buildings, kindergartens, etc.).

Urban services and level of neighborhood access

- Prepare an inventory of neighborhood access to services, by infrastructure and superstructure facilities. Enter the information in the ISPI table.
- Once ISPI table is ready please, comment on the results of indicators and scores by giving a brief description of each settlement/local community/or other unit.
- Classify settlements/local communities/or other units according to scores received.
- Identify the most underserviced neighborhoods, where access to infrastructure and facilities is the most deficient.

Comments

A) *This analysis should help reveal the municipality's principal needs and serve as a guide for proposals under the Capital Investment Plan (CIP). The goal is to determine, for each type of infrastructure or facility, which neighborhood(s) are the most inadequate, and thereby decide on priorities. The data are entered in the "inventory" section (1) of the table. Section 2, "indicators," compares the most significant service data to the populations of each neighborhood (calculated automatically). And finally, the scores determined from these indicators serve as the basis for comparing neighborhood service data to the average for the municipality. The neighborhood score is defined qualitatively (poor, mediocre, average, fair, or good) by way of a quantitative rating of 1 to 5. A coefficient is assigned to each score according to its weight.*

B) *How to fill in the ISPI table 5 (excel file is available). First, fill in the population per settlements/local communities/or other units. Then fill in the area in ha or km2. In the 1. Access to infrastructure fill in the share of population (from 0 to 1) that receives the services (asphalted roads, waste collection, water supply, electricity and sewage). A share of say 0.4 means that 40% of the population receives the proper service. A share of say 0.7 means that 70% of the population receives the proper service. In the Access to superstructure objects fill in 1 or 0 depending on the settlement if it has buildings or gets service from: elementary school, secondary school, kindergarten, health, sport, culture, public administration building (central or local government level). Indicators are calculated by multiplying the population with the shares from 1. and 2. In the Scores fill in a number from 1 to 5 depending on the range from the indicators. Namely, if the indicator ranges for example from 0.001 to 1.5 then you can fill in for example like this:*

Od 0.001 do 0.1 = 1
Od 0.1 do 0.2 = 2
Od 0.2 do 0.5 = 3
Od 0.5 do 1 = 4
Od 1 do 1.5 = 5

It depends on the researcher to identify the range and to properly add numbers from 1 to 5 (1 being the lowest numerical indicator and 5 being the largest numerical indicator). The final score is calculated as a sum of all scores per settlement received for: density, asphalted road, waste collection, water supply, electricity, sewage, and superstructure objects.

TABLE 5– INFRASTRUCTURE AND SERVICES PROGRAMMING INVENTORY (ISPI)

	Settlements/local communities/or other units															
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**Total**
Settlement																
POPULATION																**0**
AREA in ha or km2																**0**
1. ACCESS TO INFRASTRUCTURE	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Local roads																**0**
Waste collection																**0**
Water supply																**0**
Electricity																**0**
Sewage																**0**
2. ACCESS TO SUPPERSTRUCUTRE OBJECTS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Elementary schools																**0**
Secondary schools																**0**
Kindergartens																**0**
Health																**0**
Sport terrains																**0**
Culture																**0**
Public administration																**0**
3. INDICATORS																
Population density	###	###	###	###	##	###	####	###	####	####	####	####	#####	####	###	#####
Local roads	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Waste collection	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Water supply	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Electricity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Sewage	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
Objects	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
4. SCORES																
Population density																**0**
Local roads																**0**
Waste collection																**0**
Water supply																**0**
Electricity																**0**
Sewage																**0**
Objects																**0**
FINAL SCORES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Sources of investment projects

- Here list the documents (municipal or of the planning region) that contain investment projects: LED strategy, sustainable development strategy, rural strategy, programs, also the existing process of investment planning in the municipality (if any)

Municipal assets

- Make an inventory of infrastructure and assets. Give a general estimate of their present value and the settlement they are in.

TABLE 6 - MUNICIPAL AND REGIONAL ASSETS

Description	*Size*	*Date purchased/built*	*Present value (Best is to have assessed marked value)*	*Settlement*
Developed land	*m2*			
Undeveloped land	*m2*			
Infrastructure *Asphalt roads* *Dirt roads* *Etc.*	*km*			
Buildings				
Rolling stock				
Total				

Public works maintenance

- Identify the maintenance work performed annually by the municipality: type of work, location, method of execution, resources allocated to maintenance.
- Present proper tables.

6. Deficiencies and needs

- Summarize the main deficiencies and needs identified during the analysis and implementation of the ISPI.
- On that basis, indicate feasible intervention types and sectors per settlement to help focus the process of identifying projects for the CIP.

7. Urban development projects, recent and future projects

Urban development trends and urban planning projects

- Identify trends on the municipality's periphery (growth areas per settlement).

- Give an overview of current urban planning documents, assess implementation status.
- Identify proposals for possible consideration in the CIP.
- Recent and future projects.
- Summarize all projects completed or ongoing during the past three years in the municipality or its immediate surroundings, and work projected for the immediate future per settlement.

TABLE 7 – RECENT, ONGOING AND SCHEDULED PROJECTS

	Description	*Year*	*Location-settlement*	*Amount*	*Financing*
Recent					
Ongoing					
Projected in urban planning documents					
Scheduled					

8. Proposed projects. Selection. Consultation.

Overview of the consultation process

- An "information/consultation" phase when the audits begin
- A "reinstatement/consultation" phase upon completion of the analysis; (i) the staff from the municipality that prepares the UA presents the first conclusions and a list of projects per settlement and which addresses the stated deficiencies and needs; (ii) any project proposals brought up during consultation are listed.
- A "consultation/cooperative discussion" stage after the costs and feasibility of all the projects have been assessed. This "long list" of projects[2] is examined, discussed, and filtered through the criteria listed below. The consultations are followed by discussion as needed to decide which projects are CIP-eligible.

Project eligibility and priority criteria

At the outset, the program defined objectives, beneficiaries, duration, and terms of intervention (if possible, funding envelope as well). This information serves as the basis for the initial selection criteria for project "eligibility." The criteria define the different investment categories that will receive program financing. The second set of criteria should then be established to set "priorities" among eligible projects. Criteria, the project should be:

- Part of any of the municipal strategies

[2] Projects "identified" by the consultant on the basis of urban audits. Projects "brought up" by the participants during consultation meetings.

- Have planning documents
- Come under municipal authority
- Not be redundant with other projects planned under other programs
- Respond to the needs identified in the urban analysis and/or the demands articulated during consultation
- Be scheduled in the "educational or health care letter" for educational and health care facilities
- Meet the requirement for immediate startup upon completion of the work (availability of staff to run the facility, connection to utility networks, etc.)
- Give priority consideration to underserviced neighborhoods with high population density
- Be free of land ownership concerns
- Not cause any major displacement of population or users; but in the event of displacement, a solution should be found within the parameters of the project.

9. CIP Allocation and schedule of investments

- Allocate investments in facilities and infrastructure according to priorities, the nature of the work (rehabilitation, new work, etc.) and the amount of the investment.

TABLE 8 – CITIZEN'S NEEDS FOR PROJECTS AND MINIMUM ELIGIBILITY CRITERIA

Category	Settlement	Project description	Part of strategy:	Does it have project documents	Financial construction
Roads					
Communal infrastructure					

(water supply, sewage, waste collection, etc.)					
Education					

Public hygiene					
Other					
Other					

- Make an order of priority of projects from the above table 8 and depending on the final scores per the settlements in accordance with the ISPI table 5 finals scores.

TABLE 9 - CIP – CAPITAL INVESTMENT PROGRAM

	Type of investment	*Order of priority*	*Projects*		
			New work	*Rehabilitation*	*Total*
1	*Infrastructure* - *Roads* - ….				
2	*Educational and health care facilities* - -				

3	*Communal* -				
4	*Government and municipal technical facilities* - -				
5	*Commercial facilities* -				
6	*Sport* -				
7	*Culture* -				
	Total				

TABLE 10 - CIP IMPLEMENTATION SCHEDULE

	Type of investment	*New work/rehabilitation*	*Year 1*	*Year 2*	*Year 3*	*Total*
1	*Infrastructure* - *Roads* -					
2	*Educational and health care facilities*					
3	*Communal*					
4	*Government and municipal technical facilities* -					
5	*Commercial facilities*					
6	*Sport*					
7	*Culture*					
	Total					