



Koninkrijk der Nederlanden



GOVERNANCE ACCOUNTABILITY PROJECT (GAP), PHASE II

ELEVENTH QUARTERLY PROGRESS REPORT

For the period July 2010 through September 2010

Submitted October 15, 2010

GAP

Excellence in Local Governance

“With dedication and expertise, promoting excellence in local governance now and for the future.”

GOVERNANCE ACCOUNTABILITY PROJECT (GAP), PHASE II

USAID Contract No.	168-C-00-08-00001-00
Sida Contribution No.	76003804
EKN Activity No.	15745

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development, the United States Government, the Swedish International Cooperation Agency, the Swedish Government, the Embassy of the Kingdom of the Netherlands in Bosnia-Herzegovina, or the Government of the Kingdom of the Netherlands.

TABLE OF CONTENTS

LIST OF ACRONYMS.....	5
EXECUTIVE SUMMARY	7
ABOUT THE PROJECT.....	9
GAP'S LEGACY AND NEW MUNICIPALITIES	10
SIGNIFICANT EVENTS OF THE QUARTER	11
SECTION I – ACTIVITIES AND RESULTS	12
A. Local Interventions	12
B. Policy Interventions	20
C. Cross-Cutting Initiatives	22
D. Monitoring and Evaluation	23
E. Project Support	24
SECTION III - REPORTS AND DELIVERABLES.....	28
SECTION IV - MAJOR ACTIVITIES PLANNED FOR NEXT QUARTER	29
ANNEX A – PERFORMANCE IMPLEMENTATION SCHEDULE AND PROGRESS	
ANNEX B – FINANCIAL REPORTS	

LIST OF ACRONYMS

CDPC	Community Development Planning Committee
CIP	Capital Improvement Plan (or Planning)
CIPS	Citizen Identification Protection System (BiH government body; after Fall 2008 named IDDEEA)
CPF	Capital Projects Fund
CoE	Council of Europe
CSC	Citizen Service Center
CSPC	Civil Society Promotion Centre
DfID	UK Department for International Development
EC	European Commission
EKN	Embassy of the Kingdom of the Netherlands in Bosnia-Herzegovina
FBiH	Federation of Bosnia and Herzegovina
GAP	Governance Accountability Project
GIS	Geographic Information System
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (a technical assistance agency of the Federal Republic of Germany)
IABS	Integrated Accounting and Budgeting System [Software]
IDDEEA	Agency for Identification Documents, Registry and Data Exchange of BiH (former CIPS)
ILDLP	Integrated Local Development Project, a UNDP/Swiss Development Agency Program
IPA	EU Instrument for Pre-Accession Funding
ISO	International Organization for Standardization
IT	Information Technology
JMC	Joint Management Committee (USAID, Sida, EKN)
KRA	Key Results Area
LAN	Local Area Network
LEAP	Local Environmental Action Plan
LED	Local Economic Development
LI	Local Interventions
LSG	Local Self-Government
MA	Municipal Assembly (in the RS)
MAP	Municipal Action Plan
MC	Municipal Council (in FBiH)
MCI	Municipal Capacity Index
MoF	Ministry of Finance
MoJ	Ministry of Justice
MoLSG	Ministry of Local Self-Governance (RS)
MoU	Memorandum of Understanding
MTS	Municipal Training System Project, a UNDP/Sida project
MZ	Mjesna Zajednica (local community), a subdivision of a municipality
NGO	Non-Governmental Organization
OSCE	Organization for Security and Cooperation in Europe
OHR	Office of the High Representative
PCM	EU-standard Project Cycle Management
PERA	Peoples' Empowerment in Rural Areas, a Sida program
PMP	Performance Monitoring Plan
POI	Public outreach initiative
RS	Republic of Srpska
RSNA	Republic of Srpska National Assembly (parliament)
Sida	Swedish International Development Cooperation Agency
SIPU	Swedish Institute for Public Administration
SoW	Scope of Work (or Statement of Work)
SNV	Netherlands Development Network
SPIRA	Streamlining Permits and Inspection Regimes Activities, a USAID program

STTA	Short-Term Technical Assistance (or Short-Term Technical Advisor)
TA	Technical Assistance
TARA	Tax Administration and Reform Activity, a USAID program
TCN	Third country national
UI	Urban Institute
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UPP	Urban Planning and Permitting
UPC	Urban Permitting Center
USAID	United States Agency for International Development
VNG	International Cooperation Agency of the Association of Netherlands Municipalities
WG	Working group

EXECUTIVE SUMMARY

This past reporting period was most notable for a reduction in participation on behalf of GAP's 72 partner municipalities, a period of inactivity primarily caused by municipal employee annual leave schedules. A similar reduced involvement on behalf of government counterparts posed additional burdens on GAP's implementation this past quarter, though the shift in government operations was due to increased focus on voting campaigns as well as preparations in advance of BiH's general elections. In spite of the temporary shortage of counterpart involvement, GAP continued to accomplish the tasks specified by its Work Plan and by the contract Scope of Work.

Lastly, during this quarter GAP's Modification to the Third Year Work Plan was approved by the JMC. The approval comes after multiple discussions to ensure GAP's activities were aligned with the recommendations made in GAP's Mid-Term Evaluation as well as responsive to the current situation in BiH.

Local Interventions

Completion of the remaining MAP projects in the 41 legacy municipalities continues. The following 19 projects were completed during this reporting period: Location Marketing in Goražde and Foča; Loan Packaging MAP project for Rogatica; Increasing IT Management Capacity in Kalesija; Networking Satellite Offices with CSC in the municipalities Kakanj, Rogatica, Kalesija, Srebrenica and Čelić; and Document Scanning and Imaging as well as Electronic Library Development in Novo Sarajevo, Bihać, Vlasenica, Velika Kladuša, Lopare, Čelić, Tomislavgrad, Rogatica, Rudo and Goražde.

Out of the 174 different MAP projects in 41 legacy municipalities, 106, or 60 percent, have been completed.

GAP trained 561 municipal employees during this reporting period, of which 237 were women, or 42 percent.

Under LI core assistance and MAP project implementation a total of 110 training events were held during this reporting period. One set of workshops focused on the use of spatial data bases and GIS in urban permitting, optical character recognition and scanning for document tracking, and loan packaging and IABS. These trainings raised the capacity of 457 participants. A second set within the 110 trainings focused on the various modules of MAP process and reached an additional 104 beneficiaries.

This quarter the GAP Capital Projects Team was pleased to reach three important milestones. First, all fifteen Cohort 3 municipalities signed cofinancing agreements. There are 29 different projects within the C3 municipalities, of which implementation expenditures are projected to be BAM 5,953,960.41. GAP will finance 31.5 percent, or BAM 1,875,000.00. Second, the important procurement procedures required to implement these 29 projects were completed during the reporting period. Lastly, July and August were highlighted with opening ceremonies for capital projects in eight legacy municipalities.

Policy Interventions

GAP's Policy Interventions component was involved in several key tasks during this reporting period. The Policy team, together with FBiH municipal Association, was heavily involved in advocacy activities related to adoption of the FBiH's Law on Forests. The Law was subject to adoption at the July session of the FBiH Parliament House of Representatives; it was adopted by the Parliament by a majority of votes. In addition, Vital Records legislation was adopted by the FBiH Government and forwarded for Parliamentary

adoption. In regards to other legislative activities, GAP's Policy team continued improving the text of the Law on Employees of LSG and held meetings on the Code on Inter-Governmental Relations. GAP also held regular meetings with the Ministry of Finance (MoF) to discuss amendments to the Chart of Accounts. Since GAP completed the work on Chart of Accounts in July, in this reporting period GAP's primarily focused on providing continued assistance to counterparts to integrate comments and suggestions to further improve the law.

GAP's Policy team also participated in cross-component activity. Together, the team drafted a paper on Treasury introduction as well as held meetings with the FBiH Association of Cities and Municipalities to discuss the Treasury issue. Also, Policy has been working with BH Experts on data gathering for the analysis of revenues in RS. The activity to promote municipal analysis of revenues began in the FBiH. The Policy team provided the FBiH Ministry of Finance with data research and technical assistance, helping to organize information available in current databases as a way to conduct future analyses.

Monitoring and Evaluation

During this period GAP conducted a Quarterly P-BMP Survey to evaluate performance indicators related to municipal services. This survey confirmed an increase in the efficiency of municipal service provision among all partner municipalities.

Project Support

Three staffing changes occurred during this reporting period. Edina Hadžiahmetović, Procurement Specialist, departed the project at the end of July 2010 for personal reasons. As a result the operations team assumed increased responsibility for GAP's procurements. Next, after receiving notice that the CIP Accountant position would end on September 30, Ms. Jasmina Dimač departed the project on August 31. To fill the CIP Accountant's duties the accounting department has been assigned to assist GAP's CIP team. Amira Busuladžić, Urbanism Specialist, resigned for personal reasons, ending her employment with GAP in August 2010. Pending donor approval, instead of filling this position with a long-term employee the Urbanism Specialist duties will be added to the scopes of work for four already-approved and contracted urbanism short-term experts.

ABOUT THE PROJECT

The Governance Accountability Project, Phase II (GAP) is a \$30 million, five-year program co-financed by the US Agency for International Development (USAID), the Swedish International Development Agency (Sida), and the Embassy of the Kingdom of the Netherlands (EKN). GAP is implemented by Chemonics International and its partners, the Urban Institute, VNG International, SIPU International, and the Civil Society Promotion Centre (CSPC).

The purpose of the program is to provide technical assistance to strengthen democratic local governance in Bosnia and Herzegovina by dramatically and visibly improving the ability of municipalities to serve their citizens and to support a policy and fiscal framework which is conducive to accountable, democratic governance.

To achieve these objectives the project is comprised of two major components: *Local Interventions* and *Policy Interventions*. The Local Interventions component provides direct technical and material assistance to 41 legacy and 31 new partner municipalities to improve municipal service delivery, improve administration, and budgeting and financial management, and to improve municipal capacity to administer capital improvement projects. The Policy Interventions component works primarily through the two associations of cities and municipalities to provide technical assistance to parliamentary bodies and ministries at the state, entity, and cantonal levels of government. This component works to strengthen intergovernmental communication, promote responsible fiscal and functional decentralization, and improve municipal advocacy. Supporting these two major components are *Cross-Cutting Initiatives*, including efforts to increase municipal borrowing, develop a consultancy market, and promote gender equity in municipal governance. A robust, performance-based *Monitoring and Evaluation* system, including periodic surveying of citizen attitudes and rigorous analysis of municipal capacities, ensures that GAP is measuring progress towards its objectives.

Underlying this approach are four guiding principles. One, *to maintain the momentum of reform* developed under the first phase of GAP (2004-2007) and during the first and subsequent years of GAP's second phase. During the first phase, GAP achieved exceptional results in creating a climate for reform, results on which the second phase of this program is building upon and expanding. Two, *to build institutional and technical sustainability* by improving the financial base and know-how in partner municipalities, strengthening their collective advocacy through the municipal associations, and laying the seeds for a dynamic local government consulting market. Third, *to foster local ownership of reform* by providing ample opportunity for stakeholder input into municipal decision-making, providing demand-driven assistance to legacy municipalities, and creating working groups and advisory committees with members from the community and civil society to help ensure that municipalities receive the assistance they need and want to achieve their goals. And four, *to facilitate effective communication* as a means of achieving project goals and institutionalizing reforms. This includes internal communication within municipalities, horizontal communication between municipalities, and vertical communication between municipal and higher levels of government.

As GAP strengthens the capacity of local governments to better serve their citizens, it is working towards a more rational and accountable system of governance throughout Bosnia and Herzegovina and pushing the country towards greater EU integration. In the following sections, we present GAP's latest quarterly report, outlining the activities and accomplishments leading toward fulfillment of the project's goals and objectives.

GAP'S LEGACY AND NEW MUNICIPALITIES

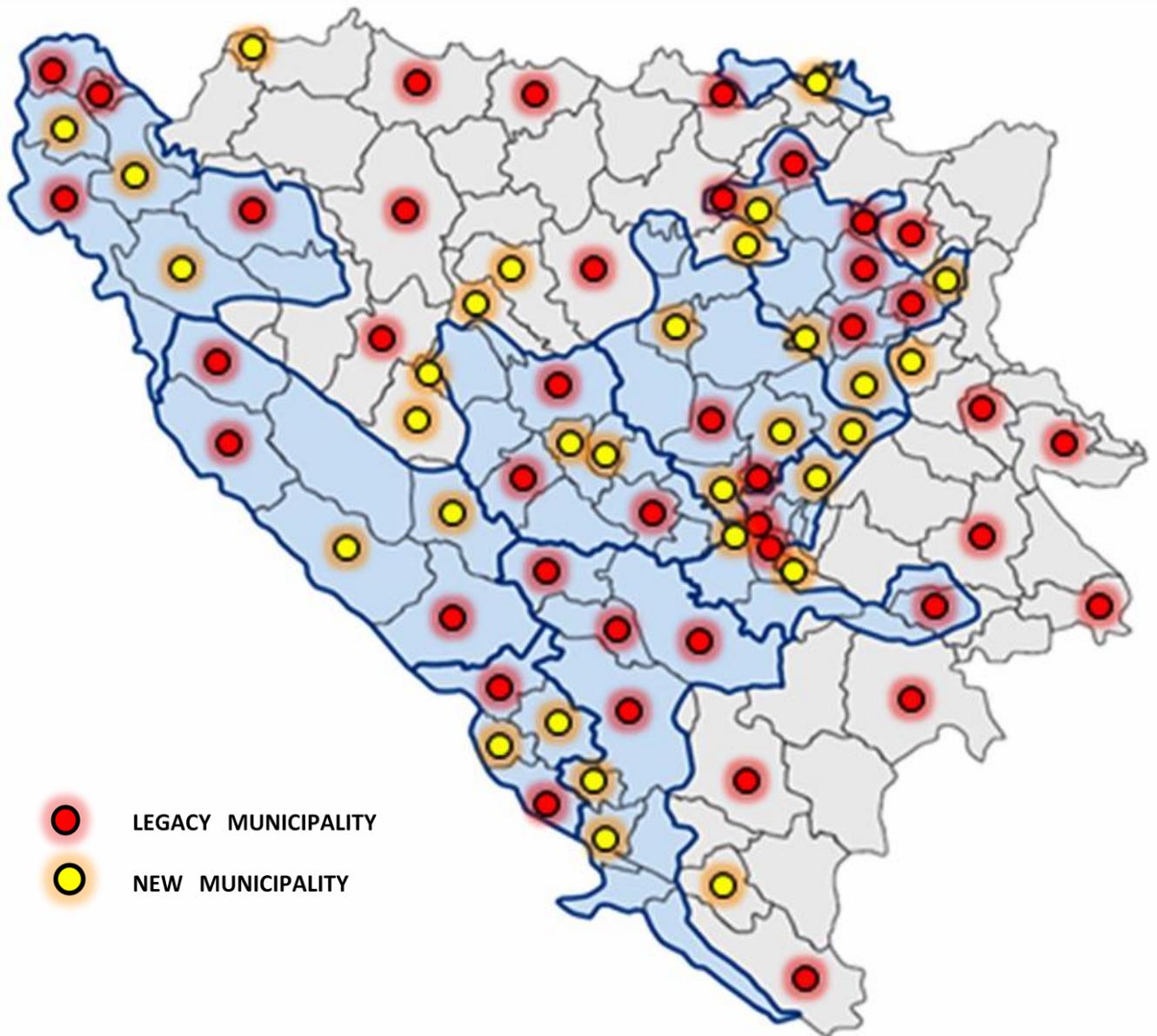


Figure 1

SIGNIFICANT EVENTS OF THE QUARTER

LOCAL INTERVENTIONS:

- 1 - 2 JULY, TWO DAY URBAN PERMITTING CONFERENCE IN BOSANSKA KRUPA (see page 17);
- 12 – 13 JULY, TWO-DAY URBAN PERMITTING CONFERENCE IN MOSTAR (see page 17);
- 26 AUGUST, MAP ADOPTED IN SAPNA (see page 15);
- 17 AUGUST, SIX NETWORKED SATALLITE OFFICES OPENING IN SRBAC (see page 14);
- 16 SEPTEMBER, MAP ADOPTED IN KNEŽEVO (see page 15);
- 22 SEPTEMBER, MAP ADOPTED IN VAREŠ (see page 15);
- 23 SEPTEMBER, MAP ADOPTED IN ČAPLJINA (see page 15)
- 29 SEPTEMBER, MAP ADOPTED IN OLOVO (see page 16);
- 29 SEPTEMBER, TUZLA, PRESENTATION OF “FINOVA XP TREZOR” (see page 18);
- 29 CAPITAL PROJECT COFINANCING AGREEMENTS SIGNED WITH TOTAL GAP FUNDING OF BAM 1,875,000.00, OR 31.5 PERCENT (see page 19);
- CAPITAL PROJECTS' OPENING CEREMONIES IN EIGHT MUNICIPALITEIS: KAKANJ, BANJA LUKA, GRADISKA, SRBAC, NEVESINJE, PROZOR RAMA, LJUBUSKI, TOMISLAVGRAD (see page 19);
- 51 OUT OF 66 CAPITAL PROJECTS FROM COHORT 1 AND 2 HAVE RECIVED FINAL PAYMENT AND WILL BE ADMINISTRATEVLY CLOSED IN THE FIRST HALF OF THE NEXT QUARTER (see page 19).

POLICY INTERVENTIONS:

- FBIH PARLIAMENT'S HOUSE OF REPRESENTATIVES ADOPTED THE NEW FBIH LAW ON FORESTS DURING THE REGULAR JULY SESSION. THE ADOPTED LAW WAS THE DRAFT PREPARED JOINTLY BY GAP, THE FBIH MUNICIPAL ASSOCIATION, AND KEY EXPERTS AND INSTITUTIONS. TO BE FULLY PASSED THE LAW NOW AWAITS THE SESSION OF THE HOUSE OF PEOPLES (see page 21);
- FBIH COA AMENDMENTS WERE COMPLETED IN COOPERATION WITH MINISTRY AND TAKEN UP BY AN INTERNAL MOF WORKING GROUP (see page 21);
- CROSS-COMPONENT WORK ON DRAFTING A PAPER ON TREASURY INTRODUCTION AND HOLDING MEETINGS WITH ASSOCIATION TO DISCUSS THE CURRENT SITUATION (see page 18);
- PI AND BH EXPERTS BEGAN GATHERING DATA FOR THE ANALYSIS OF REVENUES TO BE CONDUCTED IN RS (see page 22);
- VITAL RECORDS LEGISLATION WAS ADOPTED BY THE FBIH GOVERNMENT AND FORWARDED FOR PARLIAMENTARY ADOPTION (see page 21);
- MEETING HELD WITH THE NEW ACTING DIRECTOR OF CIVIL SERVICE AGENCY TO DISCUSS THE POSSIBLE OUTCOMES FOR THE DRAFT LAW ON EMPLOYEES OF LSG (see page 21).

MONITORING AND EVALUATION:

- CONDUCTED REGULAR QUARTERLY P-BMP SURVEY RELATED TO THE MUNICIPAL SERVICES (see pages 23-24).

SECTION I – ACTIVITIES AND RESULTS

A. Local Interventions

On September 17th Sarajevo GAP partner-municipality Ilidža hosted a VIP delegation from USAID. The Mayor of Ilidža and his key staff presented the municipality and its achievements with GAP, followed by a short tour of the community service center and urban permitting center. “I cannot believe that this kind of professional service exists in Bosnia”, said Mrs. Geeta Raj, USAID Washington / Bosnia Desk Officer, during visit to the Ilidža CSC.



GAP's Local Interventions Team undertook a significant number of activities during the past reporting period. Efforts focused on the implementation of MAP projects in Legacy and Cohort 3 municipalities, MAP process implementation in Cohorts 3 and 4, technical assistance provision to improve budget and finance practices, and assisting partner municipalities improve urban-permitting. Though details are below, the schedule and status of activities as specified by the Work Plan are displayed in the GANNT chart in Annex A.

Municipal Action Plan (MAP) Process

Progress to complete all MAP projects in the legacy municipalities continued. The following 19 projects were completed during this the reporting period:

- *Location Marketing* in Goražde and Foča;
- *Loan Packaging MAP* project for Rogatica;
- *Increasing IT Management Capacity* in Kalesija;
- *Networking Satellite Offices with CSC* in the municipalities Kakanj, Rogatica, Kalesija, Srebrenica and Čelić;
- *Document Scanning and Imaging, Development of Electronic Library* in Novo Sarajevo, Bihać, Vlasenica, Velika Kladuša, Lopare, Čelić, Tomislavgrad, Rogatica, Rudo and Goražde.

Out of 174 different MAP projects in 41 legacy municipalities, to date 106 have been completed, or 60 percent.

On July 2nd the final document “Development of Plan for Attraction of Investments” was delivered to the Mayor and the municipal working groups of the municipalities **Goražde** and **Foča**. To create this tailored investment promotion plan, each municipality first established a working group of representatives accountable to each municipal department as well as external local economic development stakeholders, including representatives from the tourism industry, entrepreneurs, and agriculture producer associations. The working groups were provided a series of training sessions, GAP held on-site consultancies, and the groups held several meetings. Upon completion of this three-month intensive training and the on-site MAP assistance in *Location Marketing*, the Goražde and Foča municipalities successfully finalized their respective Municipal Attraction Plans, a comprehensive strategy to promote investment and facilitate local economic growth.

On September 3rd GAP held its final workshop in loan packaging for the **Rogatica** municipality. As the only municipality that selected a MAP project on *Municipal Borrowing and Creditworthiness Assessment*, Rogatica received a series of training sessions on the

subject. A total of seven municipal staff participated in the MAP workshops. After the workshops, the trainees independently created a report assessing the municipality's borrowing capacity and presented the report to GAP, who then provided his final recommendations and suggestions. Based on the MAP assistance received, the trainees' report included practical and implementable recommendations to enhance borrowing capacity. The recommendations were considered, and successfully undertaken by the municipality, thereby improving its understanding of creditworthiness determination process, and definition of its capacity to borrow.

During this reporting period GAP completed MAP assistance in *Connecting Satellite Offices with CSC* to the Kakanj, Rogatica, Kalesija, Srebrenica, and Čelić municipalities.

- In Kakanj, an online link with the Mjesna Zajednica (MZ) was fully connected; the MZ employee connected with the CSC is now able to provide the majority of all of the services as in the CSC;
- In Rogatica, dial-up connections from two out of three MZs were completed; one MZ doesn't have technical infrastructure to support a connection therefore a back-up system will be utilized;
- A satellite office was fully installed in the local community of Tojšići, located 10 km from the center of Kalesija, greatly improving administrative service provisions to the 2,500 inhabitants of this remote community;
- After being connected to the main municipal office of Srebrenica, satellite offices opened in Skelani, Osatica and Sućeska, benefiting approximately 2,500 citizens within these returnee communities. The Mayor of Srebrenica expressed his wish that this project's completion would lead to a better rate of returns for internally-displaced persons living in these villages;
- In Čelić, satellite offices in the communities of Šibošnica, Nahvioci and Vražići were successfully connected to the municipal registry main office. This will improve service provision to local communities as well as ease burdens on the municipality center for administrative services. As the last step, GAP has already begun transferring database data to the satellite offices, and will conclude this activity early in the next reporting period.



Figure 2 – Opening ceremony of the satellite CSC in Kakanj, September 2010

Implementation of the *Increasing IT Management Capacity* project was completed in the municipality of **Kalesija**. In this reporting period GAP installed access control devices in the municipality's local computer network and software, enabling permanent and comprehensive record-keeping of municipal employees and visitors.

The MAP project *Document Scanning and Imaging, Development of Electronic Library* was completed successfully in **Novo Sarajevo, Bihać, Vlasenica, Velika Kladuša, Lopare, Čelić, Tomislavgrad, Rogatica, Rudo** and **Goražde**. Following installation of Optical Character Recognition (OCR) and scanning software modules, and training of the total of 82 employees, practice of document scanning either in the archive or the protocol department has been launched in the listed municipalities. Furthermore, on 30th September, GAP organized a workshop in Mostar for MAP legacy and C3 municipalities where implementation of the OCR module and electronic library was discussed. There were 14 municipal representatives present (of which nine women) from the municipalities **Livno**,

Čitluk, Posušje, Trebinje, Jablanica, Široki Brijeg and **Prozor-Rama** municipalities. All relevant municipalities have agreed to prepare an action plan until 10 October 2010, and to submit it to GAP. By continuing organizing the workshops in formal introduction of the electronic archiving and scanning in next reporting period, GAP shall contribute to sustainability of the use of the modern technologies and processes in partner municipalities.



Figure 3 – Srbac Inauguration Ceremony, August 2010

On August 17th the **Srbac** municipality organized an inaugural ceremony lauding their MAP project's completion. The ceremony, covered widely in the Republika Srpska press, celebrated the installation of a comprehensive network linking six satellite offices with the CSC and featured distinguished guest Ms. Dana Beegun, USAID's Democracy Office Director.

In addition to the above-mentioned completed MAP projects, implementation continues in the remaining legacy municipalities.

During this reporting period, implementation in 32 legacy municipalities of the most complex and lengthy urbanism-related MAP projects reached its peak. Following the procurement, delivery, and installation of spatial database and GIS software valued at over one million BAM, GAP's subcontractors intensified the follow-on trainings in order to build the skills and capacities of key municipal personnel. In this reporting period, 51 trainings were held, 38 of which were on site, enabling more interactive, dynamic workshops tailored to municipal needs. To date 224 municipal personnel, including 90 women, have received trainings in how to operate and utilize the software.

Related to the implementation of the MAP cards, this reporting period saw a fine example of peer-to-peer training of cross-region and cross-entity character, thus bearing even more significance. Specifically, on September 29, urbanism department staff from nine GAP municipalities **Nevesinje, Gradiška, Bužim, Mrkonjić Grad, Lopare, Prozor-Rama, Teslić, Kostajnica** and **Kneževo** visited the Banja Luka City Administration for a study tour. The original

The event attracted a large amount of media coverage. Notably, BEL TV aired the following statement by Ms Verica Kunić, Head of Urbanism of the City of Banja Luka:

"...the positive role of GAP, beside its material and technical assistance, is the fact that GAP succeeded in gathering in one place so many of the stakeholders involved in spatial planning".

idea was for the visit to be only a short tour of the UPC in order to reinforce the ongoing GIS training by illustrating how GIS functions in the one of the most advanced GAP municipalities in that field. The event turned out to include much more than

that, as the guests were welcomed by the Mayor and given high quality interactive PowerPoint/AutoCAD/WebGIS presentations, followed by a tour of the UPC and all of the back-offices. The presentations and the UPC tour had great educational value, not only in relation to GIS, but also regarding UPC, Zoning, legalization, department restructuring and other urbanism-related aspects that the GAP project has been supporting throughout the past six years.



Figure 4 - Mayor Davidović is greeting the representatives of nine GAP municipalities during the urbanism-related study tour of the City of Banja Luka

That evening, the Radio of Republika Srpska aired a report from the study tour event in which Ms. Kunić accredited the success and accomplishments of the municipalities to GAP's financial and educational assistance. A statement by Mr. Mujaga Nanić from the Bužim municipality was also aired, stating that "*GAP is one of the most important projects in B&H*". Neither the event nor its media coverage reflected any pre-election political aspects.

Mr. Mujaga Nanić
from the Bužim
municipality:

**"GAP is one of the
most important
projects in B&H"**

The above-mentioned complimentary remarks from local GAP partners, as well as the results of the MAP monitoring and evaluation reports that are completed by beneficiary legacy municipalities upon completion of the MAP projects is empirical evidence that GAP is getting results. From July 1 to September 30, 58 MAP projects were evaluated and on a scale of 1 to 5, the average evaluation came in at 4.6.

Concluding the MAP training process for legacy municipalities, GAP delivered consultancy and monitoring and evaluation trainings to Module IV in **Bosansko Grahovo, Prozor Rama, Jablanica, Trebinje, Tomislavgrad** and **Ljubuški**. As was the case with the previous three modules of this comprehensive and practical training, skills acquired can be utilized in other assistance programs as well as in applying for and implementing EU funded projects. A total of 28 members of the MAP WG attended the trainings, 15 of whom were women.

Regarding MAP implementation in the Cohort 3, in Banovići, Gračanica and Petrovac municipalities, *Software licensing* was completed with certified licenses for MS Office and Windows 7 operating systems installed, thus replacing the previously installed pirated software.

This reporting period also saw the adoption of the first five Municipal Action Plans (MAP) in Cohort 4 municipalities.

- On August 26, the first MAP in a Cohort 4 municipality was adopted. The Municipal Council of Sapna adopted unanimously the final MAP document. The MAP Working Group used the citizen survey as a way of collecting citizens' opinions from the business community, representatives of the Local Communities ("MZs"), councilors and other stakeholders. The survey process was conducted from July 22 – August 11, 2010, covering a total of 100 interviewees, 46 of whom were women.
- On September 16, the MAP was unanimously adopted by the Municipal Assembly in Kneževo. The opinions of citizens from the business community, representatives of the Local Communities ("MZs"), councilors and other stakeholders were collected through CSC and a web survey. The survey process was conducted from August 16-24, 2010, covering total of 100 citizens, 56 of whom were women.
- On September 22, the MAP was unanimously adopted in the municipality of Vareš. A MAP draft has been examined via various public input channels including the CSC survey, MZ survey, focus groups, and a web-based survey. This process polled a total of 107 people, of which 49 were women.
- On September 23, the MAP was adopted unanimously at the Municipal Council session in Čapljina. The MAP Working Group used the results of a survey administered between June 30 and August 30, 2010, collecting the opinions of 60 random citizens, 34 of whom were women.

- Finally, on September 29, MAP was unanimously adopted in the municipality of Olovo. 30 citizens, 10 of whom were women, participated in focus group meetings in order to obtain public input on the priorities listed in the draft MAP.

The other Cohort 4 municipalities have completed the draft MAP documents and are awaiting the October Municipal Assembly / Municipal Council sessions for the final adoption.



Figure 5 - CAP/MAP Training, Jahorina, September 2010

Regarding the MAP process trainings in Cohort 4 municipalities, on August 18, the MAP module II training was delivered to the **Ljubinje** MAP Working Group, and on July 29 and August 20, MAP module II trainings were held in **Domaljevac and Žepče**. 12 individuals were trained during these sessions, 5 of whom were women.

Following the completion of public input processes, GAP proceeded with a series of MAP module III workshops in Cohort 4 municipalities. Workshops were held from August 6 – 30 in the municipalities of **Kneževo, Bosanska Krupa, Vareš, Vitez, Novi Travnik, Olovo, Kotor Varoš,**

Čapljina and Kostajnica. On September 3, the MAP module III workshop was delivered in **Kupres** and from September 14-22 trainings were held in **Domaljevac, Sapna, Šekovići and Žepče**. These sessions resulted in 64 people being successfully trained, 21 of whom were women.

Improving Service Delivery in Legacy and New Municipalities

During this reporting period, the implementation of a new activity suggested in the project's Mid-term Evaluation Report, has commenced. The activity is aimed at fostering non-administrative municipal services. GAP has selected seven participating municipalities, based on initial criteria including the completion of MAP project # 35 "Public Utilities Services Improvement", proven use of the Info-desk and CSC Manager, and a demonstrated strong interest and willingness to improve communication with the line-services providers (i.e. successful functioning of an Urban Advisory board). Needs assessments shall be conducted in the seven trailblazer municipalities, **Foča, Travnik, Gračanica, Srbac, Gradiška, Bugojno and Trebinje**, and the GAP project will assist with producing a catalogue of services that will demonstrate improved user-friendliness for non-administrative services.

On July 6, the first CSC Performance Audit and Complaint procedure training was conducted in **Grude**. The CSC results from the Grude municipality demonstrated very good general performance with all of the necessary support in place for continued success with the procedure.

Between July 6 and August 17, the second regularly scheduled CSC Performance Audits were conducted in the following Cohort 3 municipalities: **Čitluk, Cazin, Bosanski Petrovac, Ribnik, Šipovo, Livno, Petrovo and Gračanica, Banovici and Kladanj**, demonstrating very good performance by the municipal CSCs and their personnel. In Šipovo the findings indicate excellent performance, however GAP has identified the need for additional trainings for municipal IT staff in administration of Infodesk and Docunova software. Also, the "Itineris" program will help the Municipality convert Docunova to the new organizational structure of the Municipality. GAP has also identified the need for improvement of Docunova usage in

Ribnik, and activities will move forward as soon as a new CSC manager has been appointed.



Figure 6 – A representative of the Cazin municipality presents the achievements of municipal collaboration with GAP to participants of the Bosanska Krupa urban permitting workshop this July.

Regarding GAP's assistance in the area of urban permitting to **Cohort 3 municipalities**, two two-day urban permitting conferences were held in July in **Bosanska Krupa** and **Mostar**. The municipalities presented their zoning plans for test areas including the necessary alphanumeric data tables, and municipal construction fee decisions. The municipalities also presented their plans for a test area for application of GIS software, thus linking the alphanumeric zoning data with the geospatial data from the GIS software. GAP has now concluded the "core phase" of urbanism assistance in all the municipalities of Cohort 3 in the Mostar and Banja Luka regions.

The conferences also hosted distinguished guests from the Ministry for Construction and Spatial Planning, the Agencies for Cadastre and Geodetic Institutes, the City of Mostar Urbanism Agency, and independent zoning consultants. The conferences were an ideal forum for exchanging relevant up-to-date information and experiences between the municipalities, policy makers, and other participants. As zoning methodology continues to gain more proponents at the local level, the opinion was widely reflected that more events like these conferences should be organized. Approximately 90 participants were present at the conferences, half of whom were women.

In relation to GAP's assistance in urban permitting to all of the **Cohort 4** municipalities, the UPC advisory boards have been established, MOUs have been signed with external stakeholders, and the zoning test areas have been selected. The delivery and training of GIS software has been completed and now the activities are intensifying in anticipation of the preparation of spatial plans for the test-zones. These spatial plans will then be incorporated into the overall zoning plan, resulting in more efficient permitting. Trainings and on-site coaching have continued for key municipal staff and external stakeholders to gain knowledge in the basics of zoning and electronic permitting, and enforce their commitment to share information that is necessary for streamlining the permitting process. As determined by the approved GAP Work Plan, the UPCs will be fully operational in the following reporting period.

This section shall be concluded with examples of GAP's *spill-over effect*. During this reporting period, the effects of GAP's Improving Service Delivery programs in Legacy and New Municipalities have been recorded in **Kladanj**, **Živinice** and **Novo Sarajevo**.

- In Kladanj, an extension of GAP's good practice was demonstrated through the opening of a small CSC in the local community of Stupari. Kladanj completely covered the costs of opening the center, following the instructions and guidelines of GAP CSC procedures that were implemented previously in that municipality.
- Similar to the example above, an opening is planned in Živinice where the municipality decided to found a UPC of their own and they have already invested approximately 25,000 BAM in reconstructing and equipping the center.

- Finally, the municipality of Novo Sarajevo completed two technical projects from the catalogue of services which were not part of the GAP's and municipality's SOW; "*public procurement in practice*" and "*strengthening local communities*". The technical preconditions are complete for both of these projects and they are waiting for the Mayor's decision regarding the type of services that will be provided in the new satellite offices. This municipality was not in the GAP MAP SOW.

Improving Administration, Budgeting and Financial Management in Legacy and New Municipalities

During this reporting period, GAP has intensified collaboration with the IABS provider in order to fully meet the technical specification requirements for IABS to work as a treasury system at the municipal level. Due to the overall slow progress of BiH municipalities in introducing a treasury system, previously this particular feature of the software was not a priority and had not been developed. During this reporting period however, a new and advanced version of IABS – "**Finova XP Trezor**" – was developed to incorporate the treasury function. Following successful presentation of the software in Tuzla on September 29, testing of the new software has commenced in the three pilot-municipalities of **Tuzla, Foča and Bužim**, and installation will take place during the next reporting period.

The GAP Local Interventions and Policy Teams jointly completed a study on the current status of treasury introduction at the municipal level in BiH. The study assessed the situation in Republika Srpska and the Federation of BiH and laid out a set of recommendations for further activities. The study also analyzed the present and future implementation of treasury-related tasks stipulated in GAP's approved Work Plan.

Throughout the entire month of July, GAP held on-site workshops in four Cohort 4 IABS user municipalities; **Sapna, Olovo, Domaljevac and Čapljina**. The workshops focused on advanced functions of IABS and the process of improving revenue reports. These municipalities were the last four Cohort 4 municipalities to be covered by this particular training as other Cohort 4 municipalities were trained during previous reporting periods. During the workshops it was noted that some of the modules are not used to the full capacity, meaning that trainings are tailored to the particular conditions of a municipality. In addition, during this reporting period, GAP organized a total of 13 trainings in other aspects of IABS software usage. At the 17 trainings and workshops, total of 40 of budget and finance personnel participated, 22 of whom were women.

In partnership with two Associations of Cities and Municipalities, a new chapter of GAP's Guide for Budget and Finance for Municipalities in BiH has been distributed to partner municipalities. The new chapter, titled "**Program Budgeting and Local Government**" will be made also available on both municipal associations' websites in order to be available to partner municipalities and non-partner municipalities in an efficient and effective manner.

During this reporting period, two rounds of meetings and on-site coaching in **program budgeting** took place in five trailblazer municipalities. These training sessions were geared towards the heads of municipal departments and introduced them to the concept of program budgeting. Each municipality selected several competencies and/or programs that will be used as examples for program budgeting. Practical work commenced during these training sessions, and workshops continue on daily basis. A number of obstacles emerged during this process, the most important of which is a pressing need for systematization of working positions. Such systematization is already implemented in higher level government offices and is needed to further support the program budgeting concept.

A total of 72 individual **Municipal Revenue Profiles** have been simplified, upgraded, and updated in order to reflect the revenue collections in 2009. Input for the profiles has

previously been based on the municipal annual budget execution reports. Similarly, the 2010 profiles only take into account municipal non-tax revenues. According to GAP's Work Plan commitment, the upgraded version of the revenue profiles now includes an analysis of personal income tax collections between 2005 and 2009 for each specific municipality. GAP will provide each municipality with a CD containing its own profile and reader instructions.

Increasing Capacity of Municipalities to Administer Capital Improvement Projects

Implementation of projects in Cohort 1 and 2 municipalities is in the final stages. Out of 66 originally awarded projects, 51 have been completed and have received final payments. Most of the documentation for administrative closing of the completed projects has been collected, and the majority of these projects are ready to be administratively completed.

During this quarter, eight opening ceremonies were held, hosting representatives from SIDA, USAID, EKN, and GAP. Further opening ceremony details can be found below:

- The Nevesinje Municipality held an opening ceremony on July 1, 2010 for 3 co-financed projects; "Construction of the Water Supply System Udbina Nevesinje, Part I"; "Improvement to the Existing Water Supply System"; and "Pavement of the Road to the Kalufi Necropolis";
- The Prozor-Rama Municipality held an opening ceremony on July 8, 2010 for the co-financed project "Regulation of the Prozorčica Stream and Construction of the Sewage System";
- The Ljubuški Municipality held an opening ceremony on July 19, 2010 for the co-financed project "Completion of Construction of the Domovinske Zahvalnosti City Square";
- The Tomislavgrad Municipality held an opening ceremony on July 20, 2010 for the co-financed project "Construction of the Water Supply System Duvanjsko Polje";
- The City of Banja Luka Municipality held an opening ceremony on July 28, 2010 for the "Reconstruction and Repair of the Cultural Centre in Potkozarje" project;
- The Gradiška Municipality had an opening ceremony on July 29, 2010 for the "Construction of the Water Supply System Network in Brezik – Laminci" project;
- The Srbac Municipality had an opening ceremony on August 17 for the "Construction of Secondary Water Supply Systems in the South-East" project;
- The Kakanj Municipality had an opening ceremony on August 10, 2010 for their inaugural capital project entitled "Construction of Dobož Clinic".



Figure 7 – Opening of the project in Ljubuški, July 2010

During this quarter, fifteen Cohort 3 Municipalities have signed Co-financing Agreements for a total of twenty nine capital improvement projects. All of the necessary tendering procedures have been completed accordingly and the municipalities are already moving full steam ahead with project implementation. The total estimated worth of the agreed upon projects is approximately 5,950,000 BAM, the bulk of which (68.5%) is to be financed by the municipalities.



Figure 8 - Srbac, August 17, 2010
Capital Project Inauguration



Figure 9 - Kakanj, August 10, 2010
Capital Project Inauguration

Of particular note is the fact that the City of Mostar has completed all of the CDPC procedures, including completion of a public campaign, collection of project proposals, and the scoring and ranking of project proposals. On September 23, 2010, the municipality made their selection of one project to be co-financed by GAP. The selected project will procure furniture and equipment for the new Mostar City Hall building that is currently under reconstruction. Within the next 2 weeks, the Mayor of Mostar will send a letter to GAP confirming the decision and officially seeking co-financing for 2011.

During this quarter, activities related to CIP establishment and procedures have taken place in the Cohort 4 municipalities. It is expected that all CIP procedures (public campaign, scoring and CIP document preparation) will be completed in these municipalities by mid-November, 2010 and the adoption of projects will be completed before 2011. In cooperation with UNDP, the Ljubinje Municipality has collected project proposals, and is currently working on preparation of the Ljubinje Municipal Development Strategy. This means that Ljubinje is now ready for GAP's assistance with scoring the collected proposals in correspondence to potential funding. GAP has been coordinating activities with UNDP in Ljubinje so as to avoid duplication of similar proposals and projects. According to this methodology, the municipality will have both the Development Strategy and CIP prepared simultaneously. Similarly, Žepče is in process of CIP development under the supervision of GAP and OSCE. Both GAP and OSCE have agreed on future steps for the development of CIP that would satisfy necessary criteria from both sides. In both Ljubinje and Žepče all of the initial documentation has been processed accordingly, the coordination teams have been established, and media campaigns were initiated at the beginning of October, 2010.

B. Policy Interventions

During this reporting period some of the key tasks that the GAP policy team was involved in include collaboration with the FBiH Municipal Association on Key Legislation. Specific tasks included the analysis of the Law on Forests, Vital Records Legislation, FBiH Draft Law on Employees of LSG, and continuing work on the Code for Inter-Governmental Relations. Policy Fiscal Advisors continued to work on the Chart of Accounts in FBiH and the RS, and during this period activities of this nature were completed in the RS. Policy work also consisted of cross-component efforts in drafting a paper on Treasury introduction. The GAP policy team held meetings with the FBiH Association and Ministry of Finance to discuss the gathering of information about municipal revenues for the purpose of analysis. In the RS, GAP and BiH experts have already begun to gather data of this nature.

Strengthening Inter-Governmental Communication and the Capacity of Municipalities to Advocate Collectively

Vital Records

Vital Records legislation has been adopted by the FBiH Government and is now in the table for Parliamentary adoption. It is expected that the FBiH Parliament will hold one more session prior to the formation of the new Government as a result of recent elections.

Policy Initiatives to Operationalize the Local Self-Governance Development Strategy

Law on Forests

At the regular July 2010 session of the FBiH Parliamentary House of Representatives, the Parliament adopted the new FBiH Law on Forests.

At the regular July 2010 session of the FBiH Parliamentary House of Representatives, the new FBiH Law on Forests was successfully adopted. The draft law was prepared jointly by the FBiH Municipal Association, GAP, and other key experts and institutions. During the next session of the House of Peoples, the Law will be put

forward for adoption.

Law on Employees of LSG

During this period, the GAP policy team coordinated with the acting Director of the Civil Service Agency, Mr. Sead Maslo, to discuss possible outcomes of legislation related to the two draft laws currently being worked on, the BiH Law on Employees of LSG, and the Civil Service Law. In order to harmonize the process driving these draft laws, it was decided that a working group comprised of individuals from the MoJ, OSCE, GAP, the Civil Service Agency, and the FBiH Municipal Association should lead the harmonization process.

Chart of Accounts

FBiH:

During this reporting period, the GAP policy team worked on the Chart of Accounts in FBiH and had regular meetings with the MoF to discuss amendments to the Chart of Accounts. Despite some obstacles within the Ministry, the GAP policy team was able to complete the work as expected and the majority of proposed amendments were successfully integrated into the final draft by the end of July.

A working group was formed within the FBiH MoF to finalize the official changes to the CoA and incorporate the changes into the rulebook on accounting for the public sector, and the rulebook for report formatting. The CoA and accounting rulebooks were previously finalized by the Treasury department with GAP's assistance and in September, the working group was able to agree on the materials without any major modifications. The rulebook on report formatting was created by the budget department and has not been changed since 2002. Currently the IMF is insisting that changes need to be made to this rulebook, but thus far the budget department has not acted on the IMF's recommendations.

RS:

After inquiries were submitted to GAP presenting questions and comments collected from local government officials that participated in five separate CoA workshops, a meeting was

Due to continuous GAP support and persistent efforts, the Rules of Budget Classifications, the Content of Accounts, and the User's Guide to the Chart of Accounts for RS Municipalities was published on September 16, 2010 (Official Gazette of RS, No. 90/10).

organized with the RS MoF to provide additional explanations and clarifications.

Following this explanatory meeting, "Rules of Budget Classifications, the Content of Accounts, and the User's Guide to the Chart of Accounts for RS Municipalities was published on September 16, 2010" (Official Gazette of RS, No. 90/10).



Figure 10 - From Workshop in Banja Luka

Analysis of Revenues

FBIH:

Despite the fact that a working group has not been established, activities on revenue analysis in FBIH are now underway with the Department for Fiscal policy of the FBIH MoF. In collaboration with the FBIH Association and the FBIH MoF, gathering information about municipal revenues for the purpose of in-depth analysis is moving forward. Data research and collection is ongoing and the information gathered will be organized into a database for future data analysis ease and accessibility.

A list of cantonal legislation for all 10 Cantons was compiled during this reporting period and the MoF sent a letter to each Canton requiring an update of each individual list and requested that all relevant backup documentation be sent to the MoF. In addition, available information about cantonal revenues is now organized in a database that has been shared with the FBIH Association and is currently being used to organize municipal information for data analysis ease and accessibility.

RS:

GAP and BiH experts have started to gather data for the analysis of revenues collected in the RS. From 2005 to 2009, GAP collected information about actual revenues from income taxes for each municipality. The RS Tax Administration participated in this activity and in the development of the format for data entry into the new database. Two junior BiH Experts will continue the work on the Personal Income Tax issue and will develop separate documents that contain important municipal information. By October 15, 2010 the data is expected to be entered into the new database. The policy team continues to collect other data needed for more in-depth and comprehensive analyses such as population, high school registration, municipal area, and calculation of GDP of municipalities.

C. Cross-Cutting Initiatives

Developing market for consulting services

This activity is on-track with Work Plan deadlines. The filling of the Consultancy database has continued with a few new potential experts registering into the database each month. The consultancy database is accessible via the websites for the Association of Cities and

Municipalities. Full transfer of ownership of the database to the Associations is being discussed in collaboration with SIDA's Capacity Development of the Municipal Associations (CDMA) project.

As part of Module 4 of the MAP training and using real-life MAP projects as examples, the GAP project continues to help municipalities increase their skills in designing and contracting consultancy services, as well as in monitoring and evaluating consultancy performance and implementation. Full information about the MAP Module 4 trainings is reported on page 15 of this report.

Promoting Gender Equity in Municipal Governance

During the reporting period an agreement was reached to cooperate with the UNIFEM project. UNIFEM's and UNICEF's budget experts have agreed to take provide technical assistance for GAP's November regional budget workshops. These experts will, as outlined in our work plan, continue beyond the meetings and provide on-site assistance during 2011 for two pioneering municipalities focusing on gender budgeting.

Municipal revenue profiles

GAP's Policy Advisor developed a database and produced analyses of the Personal Income Taxes (PIT) income revenues for all FBiH and RS municipalities. The analysis covered a five-year period (2005-2009) and utilized Tax Administration data (RS and FBiH), municipal execution reports, and statistical population data. Analyses of PIT revenue trends were presented to the FBiH; a chart showing each municipality's revenues for the period as well as charts of PIT revenues for each municipality per capita, as compared to the average PIT revenues of those municipalities in the Canton and FBiH. Similarly, in the RS, the analysis of PIT revenue covered trends in relation to total tax revenue for each municipality, as well as charts of PIT revenues for municipality per capita in relation to average PIT revenues of the RS.

D. Monitoring and Evaluation

GAP conducted the Quarterly P-BMP Survey on performance indicators related to the municipal services. These performance indicators are:

- 1.1-2** Number of complaints made by citizens regarding municipality issues;
- 1.1-3** Proportion of complaints submitted to municipalities resolved; and
- 1.1-4** Municipality's responsiveness to delivering services to the public.

The survey covered the quarterly period March 31 – June 30, 2010. The survey findings confirmed that GAP partner municipalities increased their efficiency in providing municipal services to citizens and other clients. Additional data among GAP new cohorts showed a reduction of delivery time for vital records. These are just some of measurements that GAP completes to monitor different types of municipal services. Similar analyses were conducted for the first and second Cohorts as well.

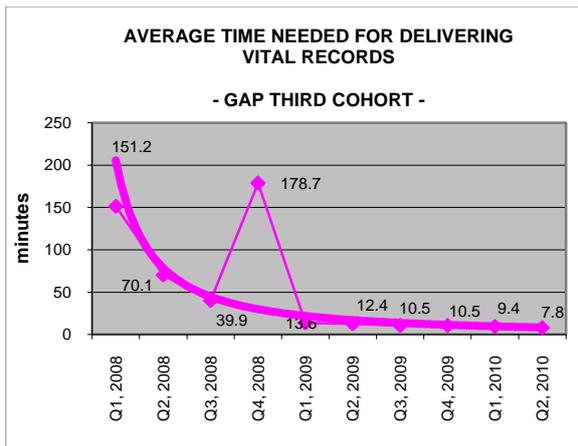


Figure 11

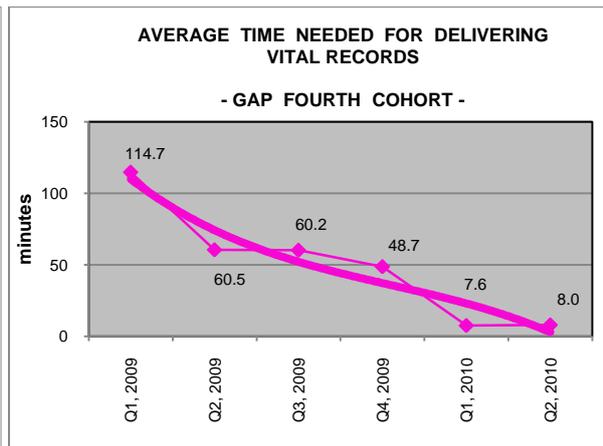


Figure 12

The Municipal Services Efficiency Index (MSEI) - a metric established by GAP and explained in details in previous reports - also shows an improvement in efficiency among all GAP municipalities (red and yellow data). Figures 9 and 10 demonstrate the increase in efficiency achieved by the third and fourth Cohort municipalities in providing municipal services.

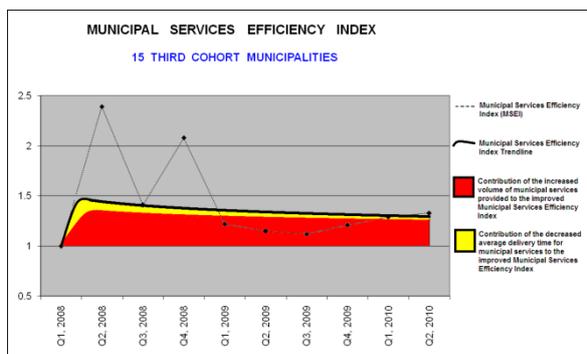


Figure 13

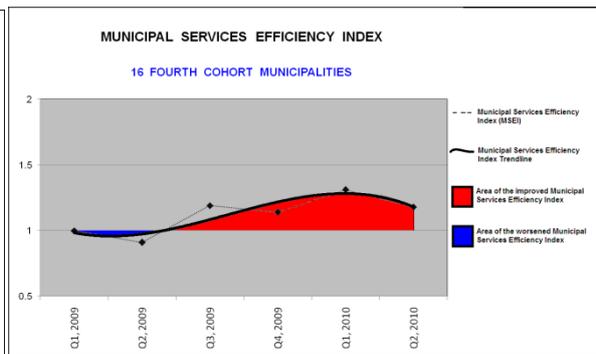


Figure 14

E. Project Support

GAP's operations team is responsible for a wide range of administrative, logistical, and financial management activities at GAP. This team ensures that all assistance is compliant with internal policies and procedures and those technical activities are matched by the GAP staff as well as with the staff's resources. Lastly, this team provides staff members with human resources and personnel support.

Staff Departures: In July 2010 the Procurement Specialist resigned from GAP for personal reasons. This position will not be filled; rather the Procurement duties will be redistributed among GAP's IT systems manager and the BL Administrative Assistant, with additional involvement of the LI director and Operations Director. At the end of August the CIP Accountant left the project. This position was also not filled. Lastly, the Urbanism Specialist resigned for personal reasons and left the project at the end of August. This position will not be replaced; instead a portion of the Urbanism Specialist's duties will be redistributed to four already-approved short-term urbanism consultants.

There are 34 GAP employees at the end of September, including 26 professional staff and 8 support staff.

Restructuring: The operations team Assistant has been re-assigned temporarily to assist GAP's Budget and Financial Management Specialist as they work on municipal revenue profiles. GAP's HR & Office Manager has been assigned to work with the Municipal Coordinator on *Department Restructuring* a MAP card. This assignment will be finished in December 2010.

Due to restructuring in the LI team and the development of a new scope for all coordinators, the titles of Municipal Coordinator and Regional Coordinator have been merged and updated to Local Interventions Coordinator.

Recruitment and Hiring: Four new short-term assignments were approved in the last quarter: two zoning specialist and two GIS specialists. The selection of a GIS specialist for the Sarajevo region is pending.

Ongoing STTA Assignments: There are currently eight ongoing STTA assignments; one is scheduled to end at the end of October and the remainder will be completed by the end of December 2010.

GAP financial forecast: GAP's expenses during this reporting period were lower than projected during the last quarter. This is caused by delayed STTA invoices and expense reports. These expenses have been accordingly added to financial projections for the upcoming quarter. Though the procurements for municipalities are being implemented as planned, due to varying reasons, including unfinished distributions or unsigned acceptance tests, invoices have been delayed. A portion of these procurement payments will be moved to the next quarter's financial projections.

GAP events coverage: GAP's Translator/Communication Officer attended several openings of CIP projects in the last quarter, including Nevesinje (July 1), Prozor-Rama (July 8), Ljubuški (July 19), Tomislavgrad (July 20), Banja Luka (July 28) and Gradiška (July 29). The Officer prepared stories about these events and posted the press releases on GAP's web site (<http://www.bihgap.ba/engleski/novosti/index.asp>). All press clippings related to GAP in local media and a power point presentation on all Citizen Service Centers opened under GAP's technical assistance are available publicly on the following web page: (<http://www.bihgap.ba/engleski/index.asp>).

Trainings & Workshops: GAP's administration team supported a regional urbanism conference with 43 participants in Bosanska Krupa on July 1 and 2.

Travel: The total mileage for this reporting period was 40,419 kilometers. To date, a total of 728,616 kilometers have been logged from the beginning of this phase of the project.

Procurement: As described above under Restructuring, due to the departure of GAP's Procurement Specialist, the operations team has assumed additional procurement. Small procurements will be the duty of the Banja Luka Administrative Assistant while procurement procedures, the selection of vendors, and compliance with contracts and deliverables will be overseen by the Operations Director. Lastly, during this quarter the operations team completed a review of all completed legacy municipality procurements against the original SOWs. This analysis provided an additional level of monitoring for both the procurement procedures and compliance with the SOW.

Office: The Banja Luka office moved to a new location to share office space with Chemonics' PARE project, achieving significant cost savings.

SECTION II - PERFORMANCE CHALLENGES

In light of the perceived negative side effect capacity building activities can have on staff productivity, municipalities can be hesitant to devote time and staff resources to lengthy trainings. During this busy budget and accounting year GAP implemented a unique solution – leveraging partner municipalities' key financial staff's valuable time by teaming training topics. In 2010 GAP explored and implemented conjoined program budgeting and financial trainings and workshops. By doing so however, GAP had to adjust the timing of planned training activities. Specifically, instead of September, workshops on the use of the new budget guide chapter and in gender awareness were originally planned for September. Instead these trainings are planned for delivery next quarter, in mid-November.

As part of a sub activity within the broader effort aimed at improving public expenditure management, in the previous reporting period GAP approached the Associations of Cities and Municipalities to discuss creating a finance officers association within the municipal associations. The municipal associations' did not express interest and therefore no additional actions were taken. As such, at this time GAP considers the broader initiative completed. However, during this reporting period the new Sida-funded project *Capacity Building to the Municipal Associations* was launched; GAP has raised this issue with the new Sida project in the event interest in creating a finance officers association takes hold in the future.

Political situation in Šekovići has become complicated, which may cause delay in adoption of MAP in October, despite the fact that the municipality in partnership with GAP has completed on time all the preparatory activities. Namely, a group of Šekovići citizens protested in front of the Election Commission office in Sarajevo, requesting to accelerate confirmation of the decision on the Šekovići Mayor impeachment. The commission has made decision that the impeachment procedure was valid and that mayor's mandate can cease as of the decisions confirmation. Also legally the mayor filed an appeal of such decision prolonging the whole process. Meanwhile, the Municipal Assembly session which was previously interrupted has never been continued so that the budget is not yet adopted which hampers of the GAP activities in this municipality. Beside numerous meetings and phone calls at which seriousness of not meeting the October deadline has been stressed with the municipal management and August letter of GAP Director to the municipal assembly president on the same matter, GAP continues to monitor and intensify its presence in this partner municipality.

Šipovo's political situation became unstable when the Municipal Assembly voted to recall the deputy mayor, Mr. Milan Plavšić, the coordinator for GAP as well as the Head of the Economy and Finance Department. In addition, the Assembly recalled Ms. Biljana Šegrt, Head of General Administration, and Ms. Draginja Dakić of the Urban Planning Department. GAP has ongoing activities in this Municipality, and, in fact, is beginning implementation of MAP. To date there have been no communication problems encountered, however the primary counterparts with whom GAP works are directly affected by this political instability. These disruptions also greatly affect managers of public enterprises and institutions. Soon after the vote the Municipal Assembly's attempt to remove these key municipal personnel was suspended by the RS Government. While the key personnel will stay in their offices, most expect the Municipal Assembly to declare a "no confidence" vote for the Mayor. In sum, delays in implementation of GAP activities are expected in the coming quarter, possibly longer. GAP is continuing to work closely with Šipovo and will aim, to the extent possible, to isolate activities from the current political struggle.

In Bosansko Grahovo, the installation of Optical Character Recognition software was postponed due to delays on the Municipality's part in purchasing the requisite computer scanner. As a result of increased GAP dialogue on the Municipality's obligations, the Municipality promptly contacted the company Itineris for required technical specifications and made a firm commitment to launch a procurement procedure for an A3/A4 scanner without further delay. Additional challenges to implementation of the urbanism-related MAP projects were encountered in Bosansko Grahovo, though this challenge is caused by inadequate human resources. An architect employed by the Municipality was not a full-time employee and thus the Municipality re-opened for a full-time position to a very little interest by applicants. In the meantime the Municipality continues to operate without an Urbanism Department engineer. This staffing gap has caused problems and delays in implementing MAP cards, especially since they all relate to urbanism.

Challenges facing implementation of GAP's capital projects are related to funding. The Nevesinje municipality is continuing to encounter issues raising funds to fulfill its cost share requirement for the project "Pavement of the Road to the Kalufi Necropolis." The project was completed at the beginning of 2010 and Nevesinje planned to receive funds for their share from the RS' Ministry of Tourism. Though these funds were never received, the municipality was able to gather BAM 15,000 in September and will pay the BAM 20,000 remainder in the following month. Accordingly, another no-cost, one-month extension will be required for this project. In the event that Nevesinje does not receive funds from the Ministry of Tourism within this time period, the implementation of another capital project in the municipality, called "Construction of the Road Leading to the Ovčiji Brod Bridge," will have to be canceled.

Lastly, though construction efforts are going as planned in the municipality Vogošća, delays in municipal cost share realization have been encountered. GAP will follow these projects closely and ensure the committed funds are realized in the upcoming two months.

SECTION III - REPORTS AND DELIVERABLES

Date	REPORTS AND/OR DELIVERABLES	CITATION
July 2010	Municipal Investment Attraction Plan Trebinje	Work Plan, Annex A, PIS # 2
July 2010	Municipal Investment Attraction Plan Nevesinje	Work Plan, Annex A, PIS # 2
July 2010	Municipal Investment Attraction Plan Foča	Work Plan, Annex A, PIS # 2
July 2010	Municipal Investment Attraction Plan Goražde	Work Plan, Annex A, PIS # 2
August 2010	Current Status of Treasury System Implementation in the BH Municipalities	Work Plan, Annex A, PIS # 29
August, 2010	Regular Quarterly P-BMP Survey (Q2, 2010)	Work Plan # 3, Monitoring and Evaluation
September 2010	Training materials in program budgeting for trailblazer municipalities	Work Plan, Annex A, PIS # 42, 43
September 2010	72 Municipal Revenue Profiles, including data on income tax	Work Plan, Annex A, PIS # 40, 41
September 2010	Municipal Creditworthiness Assessment Rogatica	Work Plan, Annex A, PIS # 2
September, 2010	Twenty three capital projects programmatically completed in the reporting period.	Work Plan, Annex A, PIS # 80
September, 2010	Rules of budget classifications, the content of accounts and use the Chart of accounts for the users of the budget of the RS, municipalities and funds was published on September 16, 2010 (Official Gazette of RS, No. 90/10). With the entry into force of the Rulebook, previous rulebooks cease to be valid (Official Gazette RS, No. 86/02 and 1 / 04) except for the preparation of financial statements for 2010.	Work Plan, Annex A, PIS # 122-124

Note: All materials are available in the GAP offices.

SECTION IV - MAJOR ACTIVITIES PLANNED FOR NEXT QUARTER

LOCAL INTERVENTIONS

No.	Activity
-----	----------

- | | |
|----|---|
| 1 | Adoption of MAP in all Cohort 4 municipalities and development of the consequent SOWs |
| 2 | Implementation of the MAP SoWs in the legacy and Cohort 3 municipalities |
| 3 | In the legacy (where part of MAP) and in the Cohort 4 municipalities – digitalizing of spatial planning documentation and loading to UPC server, linking to other institutions involved in the permitting process |
| 4 | Set of regional workshops for IABS user-groups – exchange of experiences in using advanced features of the system |
| 5 | Training in use of new Chapter to the Budget Guide (on program budgeting) |
| 6 | Present results of the revenue profiles to partner municipalities at regional workshops, and explore possibility of transfer of the revenue profiles to two Municipal Associations |
| 7 | Final on-site coaching and finalization of improved draft budgets in trailblazer municipalities |
| 8 | Draft initial training materials in gender budgeting and introduction of training in gender budgeting to the trailblazer municipalities. |
| 9 | Selection of trailblazer municipalities and production of the municipal expenditure pie-charts |
| 10 | Administratively close all Cohort I and II co-financing projects which have received last payments |
| 11 | Monitor and work on closing remaining capital projects from Cohort I and II municipalities |
| 12 | Help with organization/preparation of project opening ceremonies |
| 13 | Monitor implementation of capital projects in Cohort III municipalities |
| 14 | Work intensely with CIP municipalities from Cohort IV on CIP preparation and adoption at by the MCs |
| 15 | Meet with Cohort IV CDPC municipalities and initiate CDPC procedure activities |

POLICY INTERVENTIONS

No.	Activity
1	With BH Experts and RS Association for Cities and towns, examine data, produce comprehensive analysis on local government shared revenues, meaning in particular the rules the RS impose on local governments with regard to share of direct tax revenues (PIT). Develop simulator for the taxes allocation and review effects of possible new allocation model proposal with the RS Association Committee for Budget and Finance
2	Attend meetings of the Sarajevo City WGs and continue working with them
3	Organize the collected information about Cantonal legislation in a document that will give an outline of the legal framework for revenues regulated at the level of cantons for the analysis of revenues
4	Complete a database of municipal revenues for the selected period with FBIH Association and FBIH MoF
5	Continue the work and draft the Annexes of the Code on Inter-Governmental Relations
6	Continue lobbying for the adoption of the Vital Records legislation
7	As a part of the working group, work on the Law on Employees of LSG

CROSS-CUTTING INITIATIVES

No.	Activity
1	Ongoing activities in developing market for local government consulting services including support in use of consultancy data base and handover of the same to the Associations, training in the context of MAP in consultancy contracting and performance evaluation and, and continuing review of funding responsibilities for consulting services.
2	Promote the principles and raise skills of the gender-sensitive budgeting, at the regional workshops on budget and finance in mid-November
3	Provide training capital budgeting using simplified methods and training in increasing capacities of municipalities to recognize gender issues in design of capital projects and infrastructure to be done in C4 municipalities

MONITORING AND EVALUATION

No.	Activity
1	Conduct P-BMP and MCI Regular Semi-Annual Survey
2	Conduct Annual Attitudinal Survey 2010 related to the citizens' satisfaction with municipal services delivery

PROJECT SUPPORT

No.	Activity
1	Monitor project expenditures against the projections to make sure they are in line
2	Physical inventory check-up of equipment procured for legacy municipalities as part of disposition request that will be submitted to donors once the work with legacy municipalities is officially completed
3	Continue to provide support to the procurement department, including review of procurements against the SOW for C3 and C4 core assistance
4	Regularly update the new webpage
5	Continue to successfully support all technical components of the project

ANNEX A

PERFORMANCE IMPLEMENTATION SCHEDULE AND PROGRESS

(please see separate Excel file)

ANNEX B

FINANCIAL REPORTS

GAP2 Quarterly Finance Report: Actual Expenditures for July - Sept 2010*

Amount Obligated (at time of quarterly report)	Amount Invoiced through Sept 2010*	Percent of Obligation Invoiced*
\$18,394,904	\$16,605,850	90%

Cost Category	Expenditures through Q2 2010	Q2 2010 Expenditures*			Total Accumulated Expenditures	Contract Budget**	Total Funds Remaining in the Contract as of Sept 2010*
		Jul-10	Aug-10	Sep-10			
I. Salaries	\$ 1,826,370	\$ 50,845	\$ 88,694	\$ 42,163	\$ 2,008,072	\$ 1,999,533	\$ (8,539)
II. Fringe Benefits	\$ 955,925	\$ 21,595	\$ (2,560)	\$ 19,305	\$ 994,265	\$ 798,762	\$ (195,503)
III. Overhead	\$ 1,153,578	\$ 32,095	\$ 36,750	\$ 27,181	\$ 1,249,604	\$ 1,366,698	\$ 117,094
IV. Travel and Transportation	\$ 119,434	\$ 4,276	\$ 716	\$ 4,701	\$ 129,127	\$ 251,264	\$ 122,137
V. Allowances	\$ 335,694	\$ 6,654	\$ 1,671	\$ 857	\$ 344,876	\$ 208,783	\$ (136,093)
VI. Other Direct Costs	\$ 828,769	\$ 30,146	\$ 8,377	\$ 16,895	\$ 884,187	\$ 442,941	\$ (441,246)
VII. Equipment, Vehicles and Freight	\$ 74,759	\$ -	\$ -	\$ -	\$ 74,759	\$ 105,290	\$ 30,531
VIII. Training	\$ 116,788	\$ 3,785	\$ -	\$ -	\$ 120,573	\$ 114,570	\$ (6,003)
IX. Subcontractors	\$ 3,772,159	\$ 170,540	\$ 54,532	\$ 66,609	\$ 4,063,840	\$ 7,376,876	\$ 3,313,036
X. Material Assistance to Municipalities	\$ 5,085,134	\$ 192,719	\$ 193,893	\$ 143,159	\$ 5,614,905	\$ 8,460,000	\$ 2,845,095
XI. General and Administrative	\$ 642,088	\$ 23,069	\$ 17,193	\$ 14,439	\$ 696,789	\$ 920,205	\$ 223,416
XII. Fixed Fee	\$ 392,386	\$ 13,952	\$ 9,952	\$ 8,563	\$ 424,853	\$ 554,161	\$ 129,308
Total	\$ 15,303,084	\$ 549,676	\$ 409,218	\$ 343,872	\$ 16,605,850	\$ 22,599,083	\$ 5,993,233

*Sept 2010 expenditures are based on preliminary invoice figures.

**The prime contract only provides ceiling amounts for Material Assistance to Municipalities, Fixed Fee, and the total contract value.

GAP2 Quarterly Expenditures and Forecast through March 2011

Cost Category	Accumulated Expenditures										Projected Expenditures		
	Jan-Mar, 2008	Apr-Jun, 2008	Jul-Sep, 2008	Oct-Dec, 2008	Jan-Mar, 2009	Apr-Jun, 2009	Jul-Sep, 2009	Oct-Dec, 2009	Jan-Mar, 2010	Apr-June, 2010	Jul-Sep*, 2010	Oct-Dec, 2010	Jan-March 2011
Total Salaries	\$173,445	\$166,366	\$174,006	\$175,847	\$162,463.90	\$174,821	\$196,071	\$195,425	\$195,810	\$212,116	\$181,701	\$152,001	\$123,405
Long Term Expatriates	\$23,093	\$37,390	\$37,390	\$37,390	\$51,609	\$61,060	\$66,779	\$64,633	\$65,384	\$53,410	\$27,292	\$26,643	\$27,053
Short Term Expatriates	\$12,650	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Home Office Professionals	\$27,349	\$0	\$26	\$448	\$1,264	\$5,821	\$0	\$40	\$38	\$12,625	\$0	\$0	\$0
Long Term Local Professionals**	\$64,215	\$74,302	\$82,337	\$72,296	\$59,419	\$54,106	\$56,704	\$60,829	\$62,804	\$68,323	\$89,026	\$72,147	\$73,087
Long Term Local Support**	\$46,139	\$54,673	\$54,253	\$48,060	\$47,854	\$49,663	\$52,652	\$55,648	\$56,984	\$55,993	\$48,747	\$35,211	\$20,915
Short Term Local Professionals**	\$0	\$0	\$0	\$17,653	\$2,318	\$4,171	\$19,936	\$14,275	\$10,599	\$21,764	\$16,636	\$18,000	\$2,350
Total Other Costs	\$526,906	\$610,530	\$1,007,578	\$1,267,085	\$1,328,108	\$1,173,464	\$2,028,553	\$2,233,822	\$1,101,167	\$1,143,052	\$1,033,898	\$1,224,156	\$559,607
Fringe Benefits (Direct and Indirect)	\$96,731	\$81,298	\$84,348	\$85,551	\$106,729	\$89,041	\$95,088	\$115,604	\$104,710	\$95,166	\$38,340	\$87,636	\$63,318
Overhead	\$117,800	\$97,307	\$103,938	\$103,745	\$105,944	\$105,624	\$118,906	\$126,536	\$123,190	\$130,274	\$96,026	\$108,766	\$90,395
Travel and Transportation	\$34,284	\$8,489	\$24,555	\$3,924	\$694	\$10,665	\$4,097	\$11,793	\$7,047	\$13,887	\$9,693	\$46,050	\$3,500
Allowances	\$42,369	\$34,242	\$30,529	\$32,364	\$32,522	\$34,557	\$32,018	\$44,150	\$27,424	\$25,520	\$9,182	\$9,000	\$6,000
Other Direct Costs	\$95,270	\$77,155	\$74,442	\$82,264	\$74,769	\$48,088	\$103,230	\$132,336	\$91,311	\$49,905	\$55,419	\$80,627	\$57,618
Equipment, Vehicles, and Freight	\$30,925	\$10,266	\$1,365	\$11,102	\$13,663	\$4,931	\$157	\$1,297	\$2,259	-\$1,207	\$0	\$0	\$0
Training	\$15,221	\$7,414	\$10,078	\$4,872	\$16,588	\$14,858	\$16,480	\$21,217	\$2,420	\$7,641	\$3,785	\$4,000	\$2,000
Materials Assistance to Municipalities	\$0	\$0	\$0	\$576,469	\$567,210	\$461,448	\$1,245,150	\$1,295,850	\$372,604	\$566,403	\$529,771	\$539,085	\$78,688
Subcontractors	\$94,305	\$294,359	\$678,323	\$366,795	\$409,990	\$404,253	\$413,427	\$485,040	\$370,203	\$255,464	\$291,682	\$348,992	\$258,088
<i>Urban Institute</i>	\$0	\$0	\$354,606	\$127,175	\$148,837	\$144,749	\$144,695	\$209,095	\$92,699	\$44,476	\$121,374	\$179,660	\$87,255
<i>VNG International</i>	\$0	\$170,713	\$99,503	\$84,018	\$99,384	\$100,663	\$106,284	\$110,027	\$104,438	\$57,774	\$41,192	\$51,521	\$51,761
<i>SIPU International</i>	\$0	\$0	\$0	\$5,833	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>CSPC</i>	\$94,305	\$123,646	\$224,214	\$149,768	\$161,769	\$138,841	\$162,447	\$165,918	\$173,067	\$153,214	\$129,116	\$117,810	\$119,072
<i>BIH Partners Fund</i>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
General and Administrative	\$31,516	\$34,960	\$53,171	\$64,932	\$67,076	\$60,673	\$100,108	\$109,316	\$58,364	\$60,983	\$54,702	\$61,927	\$30,736
Fixed Fee	\$21,956	\$24,356	\$36,733	\$39,101	\$40,672	\$37,320	\$56,604	\$62,433	\$36,686	\$36,527	\$32,467	\$37,595	\$20,549
TOTAL	\$753,823	\$836,212	\$1,271,489	\$1,532,326	\$1,598,320	\$1,446,279	\$2,418,937	\$2,600,997	\$1,392,026	\$1,452,677	\$1,302,768	\$1,475,679	\$734,297

*Sept 2010 expenditures are based on preliminary invoice figures.

**Projected salary expenditures for local staff are based on conservative exchange rate estimates from BAM to USD.

GAP OFFICES

SARAJEVO: KOLODVORSKA 12
BANJA LUKA: I. KRAJIŠKOG KORPUSA 16/III
TUZLA: KLOSTERSKA 13
MOSTAR: RUDANOVA 7

Phone: +387 33 722 580; Fax: +387 33 722 598
Phone: +387 51 403-224; Fax: +387 51 304 235
Phone: +387 35 250 495; Fax: +387 35 364 285
Phone: +387 36 558-410; Fax: +387 36 558 411