



Maria C. Andrade-Stern

Senior Contract Administrator

Direct Dial: (202) 261-5396

FAX (202) 728-0231

mandrade@ui.urban.org

July 15, 2002

Mr. Andrew Holland
Regional Contracting Officer
USAID/Budapest
Bank Center Building
Granit Tower, 5th Floor
Szabadsag Ter. 7-9
1944 Budapest Hungary

RE: Contract No. EEU-I-00-99-00015-00, TO No. 808
UI Project 06901-011, Croatia Local Government Reform Project
Quarterly Task Order Progress and Cost Report, April to June 2002

Dear Mr. Holland:

Please find enclosed the *Quarterly Task Order Progress and Cost Report, April to June 2002, Croatia Local Government Reform Project*. This report is required by Sections F.5 and F.6 of our Local Government Assistance Initiative Indefinite Quantity Contract.

Please direct any technical questions to Maris Mikelsons at 011-385-1-485-4794 or e-mail at mikelsons@aol.com. Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,

Maria C. Andrade-Stern

Enclosures

cc: Tom Rogers (CTO/USAID/Croatia)
Mike Keshishian (USAID/W)
Maris Mikelsons (CoP/UI/Zagreb)
USAID Development Clearinghouse
IAC Deliverables File (06901-011)
IAC Chron File

bcc: Maria C. Andrade-Stern
IAC Chron Notebook
IAC Staff Person

**QUARTERLY TASK ORDER
PROGRESS AND COST
REPORT**

**CROATIA LOCAL
GOVERNMENT REFORM
PROGRAM**

APRIL TO JUNE 2002

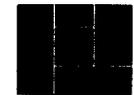
Prepared for



Croatia Local Government Reform Program
United States Agency for International Development
Contract No. EEU-1-00-99-00015-00, Task Order No. 808

Prepared by

Maris Mikelsons
The Urban Institute



THE URBAN INSTITUTE
2100 M Street, NW
Washington, DC 20037
(202)833-7200
www.urban.org

July 2002
UI Project 06901-011

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QUARTERLY TASK ORDER PROGRESS AND COST REPORT

APRIL TO JUNE 2002

CROATIA LOCAL GOVERNMENT REFORM PROGRAM

Task Order No.: EEU-I-00-99-00015-00, TO No. 808

Date of Issuance: May 24,2000

Task Order Description

The purpose of this Task Order is to implement a local government project that will work toward decentralization, transparency, and efficiency among municipal administrations. There are five programmatic components: demonstration sites, improving fiscal and management efficiencies, improving investment opportunities, improving citizen participation in local governance, and strengthening organization and advocacy by the Association of Municipalities.

Amount Obligated under Task Order: \$4,298,544

Total Potential Task Order amount: \$4,298,544

Dollars Expended to-date: \$2,238,477

Progress of Major Activities

The purpose of this report is intended to provide the United States Agency for International Development/Croatia (USAID) with an overview of the events that took place during the second quarter of 2002 under the Local Government Reform Project (LGRP).

This report is structured to include a section on *major accomplishments* ordered **by** substantive topics for each project component. The report includes a section that identifies *next steps* for the project as whole. The LGRP technical staff includes four full-time local experts (Marina Kristek, finance expert, Miljenko Smit, information management specialist, Hrvoje Bertovic, asset management specialist, Damir Cvijanovic, finance and credit market specialist) while Visnja Mrakovcic works part-time to support activities related to economic development. Jasna Rodman manages the LGRP Zagreb office with translation/interpreting support from Dario Runtic and Sanja Spoljaric. In addition, about 16 part time (local and expat) short-term consultants drawn from the Urban Institute (UI) or its U.S. based subcontractors: Training Resources Group (TRG) and Institute of Public Administration (IPA)) consultants contribute toward the project's goals as well as local firms subcontracted to work on the project (including NIT and PULS). The LGRP's Chief of Party (CoP) is Maris Mikelsons and the Deputy CoP is Krzysztof Chmura.

SUMMARY OF WORK PERFORMED JANUARY THROUGH MARCH 2002

During the second quarter of 2002, Local Government Reform Project (LGRP) staff/consultants focused on dissemination activities and work with demonstration sites to enhance the five modern management models. As part of its dissemination activities, LGRP staff/consultants held four regional dissemination conferences that invited representatives of all local governments in Croatia. The technical assistance models implemented in each demonstration site have yielded results so that representatives of sites could also participate in LGRP dissemination activities to promote the models. Following the regional dissemination conferences, LGRP staff worked to identify local governments throughout Croatia who have expressed an interest in implementing the five management models. The LGRP also made a significant contribution to the Government of Croatia with policy advice on the topics of territorial reform and inter-local government cooperation. As part of its mandate, the LGRP continued its collaboration with the Association of Cities and Municipalities.

KEY ACTIVITIES BY TECHNICAL ASSISTANCE AREA

Below is a listing of the key activities by the technical assistance area of the Project during the second quarter of 2002. Following this listing is a description of the four regional dissemination conferences that took place during the reporting period.

INFORMATION MANAGEMENT

Miljenko Smit, LGRP information specialist, designed an information management system monitoring system with the purpose of evaluating the efficiency of the work for city officials and the extent the public accesses the information management system (citizens questions frequency and content, number of conferences held on information management system and frequency of communication with city officials). The proposal to install the monitoring system was presented to the City of Osijek. It is expected that the City will move ahead to implement the monitoring system.

With the response by the citizens and the media to the system the City of Osijek is pleased with the operation of the new information management system. The City will address organizational issues related to the implementation of the information system. In many cases, citizens are overwhelming the City department heads with questions and inquiries that call for a new approach to problem solving within departments.

The City of Osijek made a commitment to purchase **15** new computers to support the implementation of the information management system. They also have plans to invest in upgrades of existing computing infrastructure and further educate citizens on the use of the information management system in the upcoming months.

Miljenko Smit wrote a short description of the LGRP information management system for the government office of non-governmental organization (NGO) development's Newsletter. The Newsletter is distributed widely throughout Croatia with a focus on NGOs.



As part of the LGRP dissemination activities, Miljenko Smit met with various IT firms in Croatia to promote the local government information management system. These firms included: Iskon, JWARE, Perpetum Mobile, and HT. The two communication firms (Iskon and HT) have capacity to connect local governments to the Internet while JWARE is capable of installing local area networks (LAN) to support the information management system.

The City of Pula expressed a strong interest in implementing the new information system. Miljenko Smit met with representatives of the City and local media to discuss the installation of the system during a meeting of the City Council that included the Deputy Mayor (Vinko Knez).

Miljenko Smit was invited to attend and make a presentation of the new information management system at a conference on "Society and Technology; Ninth International Scientific Conference" in Opatija on June 29 (sponsored by the University of Rijeka, International Information Academy and the Ministry of Science and Technology). Miljenko Smit informed hundreds of technology experts from all over the world (including Russia, Switzerland, Japan, Croatia and Slovenia) on the application and use of the new information management system for local government at the conference. His presentation was deemed as one of the most important contributions to the conference and many local government officials from Croatia asked for it to be made available in their local governments.

Representatives of the NGO "Organization for Civil Initiatives" (Split) were informed about the application of the information management system in the Cities of Osijek and Cirkvenica. This NGO will lobby for the implementation of information management system in cities where the NGO works (Split, Zadar, and Dmris).

Hundreds of citizens of the City of Osijek had access to the LGRP information management system during the first months of operation. Citizens were able to obtain information about city services and even communicate directly with those persons within the City responsible for providing services. Citizens expressed their delight at the speed of conducting business with the City. Some of the services offered by the new information management system include access to applications and documents, realize business opportunities, suggest alternative mechanisms to address the City's problems, conduct surveys on key topics of importance for the City, and even chat on-line with the Mayor.

The City of Crkvenica would like to launch its information management system soon and has invited USAID/Croatia to attend the inaugural event. The LGRP information management system experienced technical difficulties in this City due to delays caused by HT to connect the system to the Internet.

ASSET MANAGEMENT

LGRP consultant and asset management specialist, John Rutledge, along with Olga Kaganova, UI asset management specialist, traveled to Croatia over the April 1 to 4 period to conduct a major presentation on the results of the LGRP asset management methodology for City of Varazdin's council (and City department heads). Hrvoje Bertovic supported the presentation with a detailed breakdown of the features of the asset management methodology. The asset management methodology has progressed in

the City so that all ten LGRP recommendations related to the management of city-owned assets have been implemented to various degrees.

The LGRP expects that the City will adopt and implement all recommendations proposed by the LGRP, including the creation of an asset management department or assignment of persons within departments to work on implementing LGRP recommendations. This workshop for the City represents the culmination of the combined work of LGRP technicians and City of Varazdin staff to implement an asset methodology that conforms to modern management practices.

Following the presentation of the LGRP methodology to representatives of the City Council in Varazdin, Hrvoje Bertovic followed up with implementation measures to implement the asset management methodology, annual asset management report, and financial analysis of the performance of existing assets. Hrvoje Bertovic also assisted the city with methodology to evaluate assets offered by the State for the purchase by the City.

The LGRP, as part of dissemination activities, met with representatives of the Zagreb-based Economic Institute and several other professional associations to discuss the institutionalization of the LGRP asset management methodology in Croatia. The conclusion of these meetings was that professional associations and academia should also participate in supporting this new methodology in local governments.

Other local governments are adopting the LGRP asset management model. The City of Zagreb contacted the LGRP to learn more about the specific types of methodologies introduced as part of LGRP's collaboration with the City of Varazdin. Some of the methodologies (inventory of assets, property classifications, monitoring of direct and indirect subsidies, periodic assessment of performance of properties, and use of rational criteria in decision making processes related to asset management) have been adopted by the Zagreb and work continues, on a limited basis, to assist this city with asset management methodologies.

FINANCIAL MANAGEMENT

LGRP staff continued its collaboration with the Ministry of Finance (MoF) to implement the Financial Analysis Model (FAM) in all local governments in Croatia. Within the framework of this collaboration, the LGRP agreed to make changes to the FAM to accommodate the following:

- Changes in the GFS (government financial statistics) and Croatia accounting plan
- Provide linkages between the old GFS, new GFS and IMF classifications
- Incorporate new statistical reporting requirements for local governments (that calls for new reports)
- Enable consolidation of data from local government budgetary users



These changes called for the LGRP to produce a new manual that describes these changes and can be used by local governments to implement the newest version of the budget module of the FAM. Both the FAM and its new manual were prepared and placed on the MoF web site as downloadable files for easy access by local governments throughout Croatia. Additionally, the LGRP prepared guidelines for local governments to convert the old FAM into the newest version.

At the end of this reporting period, the LGRP staff and representatives of the MoF made preparations to conduct training for all local governments in Croatia on the use and application of the newest version of the FAM modules. This training will be conducted on a regional basis for all local governments (through mandatory instructions issued by the MoF). Both Marina Kristek and Damir Cvijanovic (LGRP local government finance specialists) will participate in the training.

The LGRP substantially influenced a new MoF document "Guidelines for Preparation and Reporting the 2003 Budget". Among other topics, the "Guidelines" document explains the new accounting plan, defines budgetary users, and includes a description of how to prepare a capital improvements plan with a requirement to separate the capital from operating budget. The "Guidelines" document dictates that local governments will use the FAM as part of its reporting requirements to the MoF. The application of the FAM in local governments enables the MoF to prepare reports for the IMF and World Bank according to their data requirements (consolidation of local government budgets) and format.

The LGRP director presented a proposal to the MoF to establish a technical monitoring unit within the Ministry to collect, analyze and distribute data on local governments. The LGRP will formalize the proposal through a detailed scope of work for consideration by the Ministry and work to begin establishing the technical unit by the end of the year.

Win Evans, Marina Kristek and Damir Cvijanovic conducted a "program budgeting" workshop (June 13 and 14) for representatives of demonstration sites, MoF and HBOR. This workshop included participatory exercises, homework assignments and hands-on use of demonstration site budget data in the areas of fire brigade and education for program budgeting. The second day of workshop was, in part, conducted by representatives from the City of Crikvenica on the topic of capital improvements planning. The workshop advanced the work of introducing new financial management practices in local governments.

LGRP demonstration sites continue to implement a capital improvements plan (CIP) following workshops on this topic. The City of Crikvenica prepared draft guidelines for preparing a CIP, including evaluation criteria of capital projects. A City ordinance is being prepared for adoption by the council to institutionalize the CIP process in Crikvenica. The City of Bjelovar also prepared draft guidelines to prepare a CIP along with evaluation criteria and forms. Additionally, the City established a seven-person committee to monitor the implementation of a CIP (to include city officials and council persons). The committee was established by a City council resolution that was adopted and published in the official city paper.

The LGRP finance team, Marina Kristek and Damir Cvijanovic, traveled to the City of Varazdin to conduct training on the implementation of a capital improvement plan during the first week of April. This training included topics related to the capital improvement plan workshop conducted for LGRP demonstration sites in May and advanced the work in the area of financial management for this City.

LGRP financial management staff met with representatives of the Fiscal Decentralization Project (Ron Hackett) and U.S. Treasury Advisor to the MoF (James Ruth) to discuss the implementation of “program budgeting” methodologies within line Ministries. The coordination of introducing program budgeting methodologies is important between local and central governments. At the end of this reporting period, the LGRP introduced program budgeting methodologies to local governments through a two-workshop (see below).

ECONOMIC DEVELOPMENT

The LGRP economic development team worked with officials of the City of Rijeka to implement elements of the economic development strategic plan (EDSP). Rijeka is moving ahead with implementing a fund for entrepreneurs that will be supported by LGRP technical assistance. As part of the EDSP, the City is establishing an info-center (one stop shop) next to City hall with updated information on how to obtain entrepreneurial support and access to technology transfer.

Moreover, as part of the EDSP, the City of Rijeka is moving ahead with converting the bankrupt “Torpedo” property into a viable commercial and public space. The City is working on several fronts to accomplish this. First, the City took over the property in exchange for delinquent communal fees. The City is working to protect the cultural heritage of this space by establishing an NGO to promote the historical aspect of this property. Sites within the property continue to be sold to investors and interest is growing for further investments, including a marketing campaign by a local tie manufacturer to create a “Torpedo” tie. Additionally, with the assistance of the LGRP staff, the City was able to establish legal tenure for the majority stake in the property with the confirmation of the MoF (exchange of property for delinquent communal fees).

The City of Rijeka launched the redevelopment of the “Torpedo” property through a grand reception for existing investors and future investors of the property. On June 29, the City invited about 100 persons for a reception to promote the property. The LGRP CoP gave a speech that outlined the economic development strategic planning process that led to the conversion of the “Torpedo” property into viable space. The media were also present at the reception and reported on this initiative in the local newspapers. Information on the reception and the redevelopment effort in Torpedo is available on the City’s WWW home page.

The City of Varazdin convened a large group of senior staff to present an overview of the EDSP implementation progress. The Deputy Mayor (Mr. Horvat) chaired the meeting along and included facilitation support from the LGRP economic development team (Pat Dusenbury and Visnja Mrakovcic). Representatives of the City and private business informed the meeting about the progress made in several areas of the EDSP:

- **DEVELOP ZONES FOR FREE TRADE, HIGH TECH, AND ENTREPRENEUR**—The Director of the Free Trade Zone Company reported that the zone staff settled the concession agreement and is currently preparing the zone for two important potential investors. Once the first investor is in place, others would be more easily attracted, and the zone should be fully operational by the end of 2002. Work on the zone surfaced some legal issues, which were brought to the attention of the Ministry of Economy. At present the Ministry of Economy is preparing a law



related to Free Zones, and that should facilitate their work and provide some more incentives for investors. Mr. Cesarec, president of the Chamber of Economy, reported that contacts and working relationship between the public and private sectors has become very active and constructive.

The City established a Committee for a high-tech zone and linked it with the (USAID-funded) Competitiveness Project, which brought in consultants and conducted a workshop. A pre-feasibility study will be done soon. The Committee also has initiated contact with other tech-parks in Western Europe and U.S. via the Internet using information provided by LGRP staff. The Competitiveness Project hopes to draft a law on high tech zones for Croatia.

- **LIFE-LONG LEARNING**—A group comprising of schools representatives, City and County staff was formed to generate proposals for educational programs that would facilitate economic development by linking educational resources with the needs of businesses. These proposed programs would be in addition to those defined by the Ministry of Science, Education and Technology. The group plans to present its proposals to the government in the near future.

This year the Chamber of Economy organized seminars for entrepreneurs without the financial support from the City and the County that had been available in previous years. The Chamber cannot keep doing this alone and needs to explore alternative funding sources.

- **PROMOTION OF THE CITY**—Promotion efforts involve the City, the Chamber of Economy and other institutions. There are numerous contacts with other cities in Europe, and always, economic issues and possibilities for cooperation are explored; i.e., next week there will be an Austrian city delegation coming in Varazdin. A Regional Entrepreneurs Center was established, and one of its functions is to work on promotion of the city.

The next step of the process to implement the EDSP will rely on the establishment of an economic development implementation entity. Both Varazdin and Rijeka moved into implementation of their strategic plans. Their initiatives related to the projects (interventions) are producing positive results. As part of creating an economic development entity, the LGRP provided both cities with information on establishing economic development entities, specifically an overview of local economic development from the U.S. National League of Cities and summary of the Barcelona model (Activa).

The City of Varazdin would like to take the lead in establishing the economic development entity, but other partners needed to be involved. Rather than create another entity, the City wishes to start with the Economic Council, which already exists within the City Administration. (At the beginning of the EDSP process that Council was used as a base for creating the task force). Their proposal would involve representatives of the Chamber of Commerce, Chamber of Craftsmen, Faculty of Information Management, City and County departments for economic issues and finance, Employment Office, Association of innovators, City Department for Education and Schools, and City Board representative for economic issues (Mr. Cvetko). In addition to the Economic Council, a newly formed Committee for Education and Science would implement four EDSP interventions related to human resources and education.

The City of Rijeka would like to establish its economic development entity as part of PORIN, the existing entrepreneurial incubator in the City (with the city owning about 62 percent of its shares along with the County and Banka Riadria). PORIN is the center of an entrepreneurial incubator system of the Primorsko-Goranskacounty and Croatia. It was founded in order to provide a systematic support at starting and development of small and medium size limited liability companies and craftsmen. The City of Rijeka promotes PORIN as its lead economic development entity to address the projects (interventions) in the EDSP. These relate to the creation of an info-center (*Support*), labor mobility center, and managing a new fund for entrepreneurs.

Both Cities of Varazdin and Rijeka have requested assistance from the LGRP in establishing the economic development entity. The LGRP has responded to this request by providing the cities with a document that describes the functions, structure, and organization (to include scopes of work) of a model economic development entity. These documents were tailored to the specific needs of each city and projects identified in their strategic economic development plans.

LGRP staff developed a proposal to conduct an economic development study tour to a Western European city for representatives of its demonstration sites. USAID-sponsored World Learning will implement the study tour. The tour will focus on the creation, functions, and structure of an economic development entity in port city (one that is similar to the City of Rijeka). The list of participants for the study tour is expected to include representatives from the new (regional) development fund and Ministry of Economy. The study tour is expected to take place in September.

Pat Dusenbury and Visnja Mrakovic conducted a series of meetings with local organizations external to the LGRP that could support EDSP implementation activities in the demonstration sites or were potential partners for the dissemination or LGRP models developed in year one. These meetings and identified opportunities for cooperation are described below.

- **Ministry of Small and Medium Enterprises (SME)**—SME Ministry provides funds to local governments, which they match, to deposit in banks as guarantees and interest write-downs for loans to SMEs. Similar arrangements support subsidized interest loans for high tech, tourism, and exports-in cooperation with banks. Grants support establishment of incubators—especially in war-affected areas—and underwrite firms' costs for ISO certification. The Ministry has established a network of business info centers.

The LGRP provided copies of the Varazdin and Rijeka EDSPs to the Ministry, noting that both call for support of SME development. The SME Ministry is having problems with the MoF—a new law limits local governments relationships to one bank, but the SME Ministry has signed contracts with multiple banks in a locality to provide deposits, with the local government, to support loan programs for entrepreneurs. There may be an opportunity for the LGRP to facilitate a solution; i.e., modifying the MoF regulation to allow special purpose deposits at additional lending institutions.

The SME Ministry trained trainers for technical assistance to SMEs (1998), established a Croatian Consultants Network, and produced a (1999) book listing consultants, that can be used by the LGRP as a start for identifying potential trainers to train for EDSP replication. The book has no capacity or quality



information—this is an issue, and the Ministry plans a licensing program for SME consultants with continuing education requirements.

- Commercial Office, **U.S.** Embassy—The function of this office is to promote export sales of U.S. products in Croatia and neighboring countries. A possible overlap of missions would be when a U.S. firm needed a local partner for a particular project. The Commercial office suggested follow-up with a Commercial Specialist on staff, who works in the CEEBIC, Central and Eastern Europe Business Information Center. The CEEBIC web site (www.mac.doc.gov/ceebic) provides economic information in a newsletter for firms interested in exporting or investing into his part of Europe. For example, a recent posting featured the Port of Kofer. LGRP staff agreed that they would draft an article for the newsletter on the CEEBIC web site about the emergence of public-private cooperation in Rijeka and Varazdin as evidenced by the creation of the strategic plans and about the plans themselves. In a few months, when there are more concrete investment opportunities associated with specific projects—Torpedo redevelopment in Rijeka and the free trade zone in Varazdin—those can be highlighted in the CEEBIC newsletter.
- American Chamber **of Commerce**—The purpose of AmCham is to advance the interests of American business, help create a market-oriented business environment, and promote international business standards. Members include American and Croatian firms and individuals. AmCham Croatia has a strong Zagreb orientation. Its sole office is in Zagreb; it focuses on member services and information provision for members, almost all of who are in Zagreb. Still, there is interest in working with firms from other parts of Croatia, and LGRP economic development team discussed opportunities for synergy between AmCham and the economic development component of the LGRP.

The first point of cooperation is facilitating contacts between AmCham and the SME support activities in LGRP demonstration sites. LGRP staff has provided the relevant information so that demonstration sites can be placed on their newsletter mailing list and sent a copy of the **Support** brochure to AMCham.

- National Project Coordinator **UNDP-UNOPS PD VM**—The United Nations Development Program (UNDP) has developed sector specific plans and funded economic development projects in the war-affected areas. Now it has begun a new approach and is establishing a network of local economic development agencies (LEDAs) in the war-affected areas. These are areas with predominantly small cities, and so a multi-jurisdictional approach makes sense for economic development. The LEDAs will be developing sub-regional economic development plans following the EU model.

LGRP economic development team described work with demonstration sites of Rijeka and Varazdin, the resulting strategic plans, and the EDSP workbook developed to disseminate the methodology and models developed during that process. Both the UNDP representatives and LGRP staff agreed that there is a potential common interest—UNDP could help with disseminating the LGRP economic development model, and the LGRP could help them by providing tools for the strategic planning and even possibly training LEDA staff in use of the model.

The LGRP economic development team shared information on the LGRP strategic planning model with representatives of the Economics Institute, who are implementing an economic development strategic plan in local governments on a pilot basis. The LGRP will collaborate with Economics Institute to disseminate its model. Both projects are moving into implementation and dissemination phases and needing to train trainers.

Additionally, the LGRP management met with Renata Seperic, Assistant Minister of Economy, to seek collaboration with the Ministry of Economy to implement the economic development strategic plan in other local governments. The Ministry is considering a LGRP proposal to conduct a contest among local governments for the best economic development strategic plan.

The City of Pregrada heard of the LGRP from citizens in Varazdin, and through the LGRP's webpage. Pregrada is a small city with a few thousands inhabitants only. In the former Yugoslavia it was a city with a highest number of craftsmen at the national level. At the time, the municipality was providing special incentives for craftsmen, so a significant number of people were attracted to start their businesses in Pregrada.

A group of citizens, along with the Mayor, recognized a need for strategic planning in order to revitalize what is possible at their level. In January 2002, a coordination group (or task force) was organized from public and private sector to investigate possible options (10 persons in the task force, Mayor actively involved). The City's Board and the Council were informed about the initiative and supported it.

The group came across LGRP's EDSP model in Varazdin, copied it and started its work. They produced the vision, came to SWOT analyses and there they felt they needed support. The group did not know if what it was doing was correct and at that point decided to contact the LGRP. While they are working out the EDSP model, the coordination group did some concrete actions that brought results, i.e., made contacts with some sponsors who donated computers for elementary schools.

During June, USAID and World Learning organized training for twenty-two war-affected local governments from Croatia and Bosnia and Herzegovina. A representative from Istria County was hired as a trainer for the economic development training component. Through World Learning, the LGRP distributed materials on its economic development component and used this opportunity to promote the EDSP model.

During mid-June, LGRP economic development specialist, Visnja Mrakovcic, attended an economic development conference in Sibinik that was organized by the Ministry for Small and Medium Enterprises (SMEs). The invitees were entrepreneurs, local government officials, national and international institutions, and NGOs. All in all, about 400 persons attended the conference. The first day of the conference focused on roundtable discussions related to regional development while the second day consisted of award ceremonies for small business development and lectures on economic development. The LGRP used this opportunity to promote its economic development model.

During June, at the request of the City of Pula, Visnja Mrakovcic (LGRP economic development specialist) traveled to Pula to give a presentation of the EDSP model to members of the City Council, Department heads, and Executive Board. Following the presentation, the City would like to proceed with implementation of the EDSP model.



PUBLIC PARTICIPATION

The City of Rijeka is implementing a model citizen participation plan (“Citizen Participation: A Comprehensive Plan for Rijeka”). The City prioritized implementation of chosen interventions in the Plan; with implementation of some interventions currently taking place while other interventions will be implemented later this year or early next year. Some interventions identified in the Plan were modified due to new circumstances (which shows that the citizen participation issues are taken seriously into account) and the City is analyzing new ideas and possibilities to promote citizen participation. The decision to postpone some interventions was due to shortages of resources, as budget decisions on resource allocation were made prior to development and adoption of the plan.

- **NGO charter**—a joint task force of representatives of local NGOs (lead by RI-Center, a center for support of NGOs) of the City of Rijeka continued to work on the NGO charter. The task force developed a draft (based on examples of similar charters that were translated and provided to the task force by the LGRP) NGO charter. The draft is now in a process of being commented on by all NGOs in the region. The next step will be reaching consensus with city representatives on the content of the charter and eventual adoption by the City board and council.
- **Talk shows**—The City of Rijeka implemented a series of talk shows using the local TV (in Canal-RI) channel on different subjects, including redevelopment of facilities of bankrupt factories, plans for improvement of transportation network (connected to the World Bank loan for the port). The format of these talk shows includes a presentation of the key subject of interest by key person from local government and then opportunity for citizens to call and ask questions or make comments.

To improve communication with citizens, the City of Rijeka is implementing E-munis project whose goal is to utilize computer technology to better communicate with citizens (web page/sites and other tools). An important element of the project is to provide neighborhood councils with computer and connection them in a network to enable citizens to easy connect to web page and receive information or communicate on needs to the local government.

The City of Rijeka is analyzing the feasibility of publishing different kinds of brochures or publications proposed in Citizen Participation Plan. One type of publication is a city newsletter. The City is analyzing the feasibility of publishing the newsletter in collaboration with the LGRP.

NATIONAL POLICY INITIATIVE

The LGRP continued its collaboration with the Association of Cities and Municipalities by developing a comprehensive “Local Government Handbook”. The handbook will contain ten chapters on various topic designed to educate local government officials in Croatia. The LGRP along with the Association identified a person (Professor Kopic, University of Zagreb) to edit the draft version of the “Handbook” and write an introduction. The Handbook should be finalized during September and distributed to all local governments in Croatia.

The LGRP CoP and his eputy were asked to participate in the Assembly of the Association of Cities and Municipalities. Over a two-day period (June 16 and 17), representatives of local governments met in Zagreb to reconstitute the Association of Cities and Municipalities. The Association invited all local governments to attend the meeting. At the start of the meeting, only 65 municipalities and 44 cities were represented. The assembly meeting followed the agenda to dissolve the "old" Association and create two new associations, one for municipalities and the other for cities, and then form the union of the two associations as the Association of Cities and Municipalities. The board of the Association of Municipalities was chosen and elected Mr. Ivo Emic (Mayor of Stefanje, Bjelovarsko-bilogorsak county) as the President of this association. The board of the Association of Cities was chosen and elected Mr. Vojko Obersnel (Mayor of Rijeka) as its President. At time of voting for the President of the Union of the Association of Cities and Municipalities, a total of 76 representatives from local governments were present. They elected Mr. Vladimir Stengl, Mayor of Vukovar, as president of the union of Association of Cities and Municipalities (replacing Mr. Kalmata). All representatives voted unanimously in favor of the candidate.

The LGRP staff and consultants (Juliana Pigey, Inga Vilka, Damir Cvijanovic, Jelena Ladovac, and Maris Mikelsons) completed a comprehensive report on territorial reform and inter-local government cooperation. The report (both English and Croatian versions) was presented to members of the Local Government Advisory Committee (to include local government officials, representatives of Ministries, and NGOs) at a meeting on 6 June in Zagreb. The Mayor of the City of Krk was invited to make a presentation on the extent of cooperation among seven local governments (on the island of Krk) in the areas of water provision, fire brigades, and education. Inga Vilka traveled from Latvia to make a presentation on the experiences of territorial reform in Latvia and Estonia. The report was well received by members of the Local Government Advisory Committee evidenced by a lively debate on these two topics that followed the presentation.

During the reporting period, the LGRP World Wide Web (WWW) home page (www.urban-institute.hr) underwent construction. As part of its cooperation with Lausanne (Switzerland) based NGO, Syni 21, the LGRP arranged for Seda Himinian to take over the work of Marc Roux to update and revise the LGRP WWW home page with new information and features that will allow downloadable files to be transferred to external computers. Seda Himinian will work with the LGRP for a six-month period before she returns to Switzerland.

The LGRP collaborated with USAID-funded "Privatization Project" (implemented by Price Waters Cooper with Chris Homan as project manager) to implement a public education campaign on the topic of privatization for local governments. The LGRP suggested that the joint seminars include the Association of Cities and Municipalities to strengthen their capacity as service providers for their members. This collaboration will commence once the Association has reconstituted itself into a new organization.

The LGRP was approached by Paul Unger, head of the Unger Public Administration Program, to collaborate on the creation of a new public administration (master degree program) at the University of Rijeka. This public administration program will have focus on local government administration practices. The University of Rijeka is expected to join with the Cleveland State University to administer the new program. LGRP is well positioned to influence the curricula for the new program and contribute toward enhancing the capacity of local governments through the introduction of its models.



PROJECT MANAGEMENT

The CoP and his Deputy met with Mayors of all demonstration sites to review progress in all areas of LGRP collaboration. As part of this review, the LGRP constructed a table that showed the extent of work performed in each demonstration site with proposed “next steps” in each technical assistance area.

The LGRP is facilitating the work of two regional USAID-funded projects: Regional Infrastructure Project (RIP) and the Energy Efficiency Project. The LGRP through its established relationships with local governments can provide continuity for these projects to ease implementation and coordination of activities.

The LGRP placed an advertisement in local newspaper in order to solicit applications for the position of financial management specialist. Due to the intensity of work with the MoF, the LGRP requires additional resources to implement its work plan for this area of the project. The LGRP expects to hire a new local full time financial management specialist during the next reporting period.

DESCRIPTION OF LGRP REGIONAL DISSEMINATION CONFERENCES

The LGRP conducted four one-day regional dissemination conferences. These conferences consumed the bulk of time and resources during the reporting period but contributed towards advancing the project’s goal—to replicate modern management models in local governments throughout Croatia. Therefore, the Project gave the title of the conferences as “Modern Methods of Management in Local Government; Models of the LGRP. The purpose of the conferences was to inform and educate local governments on the availability of modern management models introduced by the LGRP in demonstration sites. In this manner, the conferences served to gauge demand for LGRP models among local governments and discern which local governments (by location, size and type) expressed an interest and willingness to work with the LGRP to implement the models.

Organization of the Four Regional Conferences—The conferences were organized by the staff of the LGRP to include presentations on the application and results of all five modern management models introduced to demonstration sites over the course of the project. All local governments (567 cities, municipalities, and counties) were formally invited to the conferences. The locations of the four conferences were chosen strategically so that no local government officials would have to travel more than two hours by car to reach the conference location. The conference sites were Zagreb (May 8), Osijek (May 14), Opatija (May 16) and Split/Trogir (May 21). Invitations to the conferences were sent by mail well in advance of each conference and were directed at the Mayor or Zupan of the local government. In addition, the media and other local and national level organizations (Ministries, OSCE, Chamber of Economy, UNDP, Economics Institute, etc.) were invited to attend. After sending invitations, the LGRP staff called local governments and, in some cases, resent the invitations or registration forms. In this manner every local government was made aware of the conferences.

The conferences were preceded by a national press conference held at the U.S. Embassy on May 7 to include USAID/Croatia representatives and the President of the Association of Cities (Mayor Maletestinic). The press conference (with nine journalists in attendance) helped launch the conferences through the national media.

LGRP staff/consultants prepared presentation materials in advance of the conferences. A general brochure (10 to 15 pages) on each model was prepared to describe the methodology of the model and results from its implementation in demonstration sites. Additionally, each LGRP task manager prepared a power point presentation that summarized the methodology of the model and included a section on the results of its implementation in demonstration sites. Representatives of demonstration sites (Ivan Beslic, Deputy Mayor of Osijek, Natasa Zrilic, Economic advisor the Mayor of Rijeka, Bojan Lukman, City of Varazdin, Ksenjija Cule, Head of the Staff in the City of Rijeka, and Mayor Maletestinic, Mayor of Crikvenica) were identified to make a presentation on their collaboration with the LGRP to implement the model. Preceding each conference, Assistant Minister of Justice/Administration/Local Government, Teodore Antic, gave opening remarks on the importance of capacity building of local governments along with introductory remarks by USAID/Croatia's project officer, Tom Rogers. As part of the conference materials (brochures on each model), the LGRP devised a survey to evaluate the willingness and ability of local governments to implement each model. The survey form also included questions on quality of presentations at the conferences that helped to improve subsequent presentations. Local governments officials were asked to complete the survey at the end of the conference.

Conference Results—There was a positive response to the four LGRP regional conferences. In total, approximately 300 persons attended the four regional conferences with representation by about 135 local governments. Of the local governments who registered for the conferences (by returning their registration forms sent with invitations), about **68** percent attended the conferences. The highest response to the conference came from municipalities with about 74 percent municipalities attending the conferences based on registration forms. Local governments with populations between 2,000 and 10,000 inhabitants showed the greatest interest in the conferences (about 73 percent of those that registered). Many local organizations (NGOs, international donors, and Ministry representatives), that were invited, also attended the conferences to learn about LGRP models.

The LGRP conference survey results showed a high level of interest in all five models. The survey was designed to capture different levels of interest in each model. One survey question asked if a local government was interested in receiving more information on a model. Another question asked if a local government representative would like to implement a LGRP model. The table below shows the responses to these two questions broken down by each model.

All Local Governments Who Attended the Conference	Information Management	Economic Development	Asset Management	Financial Management	Citizen Participation
Requested implementation of the LGRP model	42 percent (or 56 LGs)	60 percent (or 79 LGs)	41 percent (or 55 LGs)	45 percent (or 60 LGs)	36 percent (or 52 LGs)
Requested additional information	57 percent (or 75 LGs)	73 percent (or 96 LGs)	63 percent (or 83 LGs)	62 percent (or 82 LGs)	53 percent (or 73 LGs)



All Local Governments Who Attended the Conference	Information Management	Economic Development	Asset Management	Financial Management	Citizen Participation
Requested to participate in seminars, workshops, and conferences	47 percent (or 64 LGs)	64 percent (or 86 LGs)	47 percent (or 64 LGs)	55 percent (or 74 LGs)	42 percent (or 57 LGs)

As the table shows, local governments expressed an interest in all LGRP models about equally. However, about 15 percent more local governments expressed an interest in implementing the economic development model than any of the other models. The lowest interest by local governments was for the citizen participation model with about 36 percent of local governments expressing an interest to implement this model. A higher percent of local governments expressed an interest in receiving additional materials on the models than they did for actually implementing the models. Again, more local governments were interested in economic development model than any other model in response to this question.

The LGRP is using information collected by the surveys to gauge demand for each model as well as information gleaned from other dissemination activities. Based on these analyses, the LGRP will refine and adjust its upcoming dissemination and replication strategy.

Work Planned for the Next Reporting Period

During the next reporting period, the LGRP will continue work to strengthen each of the models implemented in collaboration with demonstration sites. These activities will include (but will not be limited to) the following:

- Work towards creating an economic development entity (study tour to a West European city) and support for the projects identified in the economic development strategic plan in the Cities of Riejka and Varazdin.
- Enhance the financial management practices (budget preparation, capital improvements planning, creditworthiness assessment, and program budgeting) introduced in demonstration sites with follow up visits by the local financial management team.
- Continue the LGRP collaboration with the MoF to include preliminary work to establish a technical/monitoring unit within the Ministry for the purpose of lending support to local governments with FAM implementation, budget data consolidation, and analysis.

- Collaborate with the MoF to conduct training for all local governments on the use of latest version of the FAM. The data and reports generated by FAM will be used by the Ministry to report consolidated figures on local government for the IMF and World Bank.
- Continue to support the action plan for introducing asset management methodologies to the City of Varazdin and helping to establish a sound organizational structure within the City to implement the action plan methodologies.
- Launch the information management system in the City of Crikvenica by conducting an “opening ceremony” to introduce the system to the public. Also, help the Cities of Osijek and Crikvenica to establish a monitoring methodology to evaluate the use of the information management system.
- Continue to support the various citizen participation activities initiated by the City of Rijeka to strengthen the “Comprehensive Citizen Participation Plan” introduced to the City.
- The LGRP plans to conduct regional conferences related to its work in the area of financial management. These conferences will focus on the budget preparation process to include training for local governments (in addition to the demonstration sites) on issuance of a mayor’s message, conducting a public hearing on the budget, and issuance of budget-in-brief.
- The majority of LGRP resources during the next reporting period will be devoted to designing and writing a comprehensive manual for each of the LGRP models. The LGRP will document each model through the issuance of a comprehensive manual that shows (in some detail) the methodology used to implement the model in a demonstration sites. The manual will contain a description of the steps taken by each demonstration site to implement the model and the results of the collaboration between the site and the LGRP. The manual will then be used as a basis to develop curricula for training local government officials or consultants on the implementation of each model.
- Additionally, LGRP resources will be devoted to estimating demand for each model in order to plan a methodology to implement the models in more local governments (other than demonstration sites). As described in the previous quarterly report, the LGRP will consider two approaches; one that involves training of local government officials by LGRP technicians (through workshops, seminars) and the other through training of local consultants to implement the models in local governments (with the LGRP cost-sharing the cost of the consultant services).

Significant Findings and Delays

Findings of individual studies and meetings are outlined in the program activities section above. However, the significant contribution of the LGRP during this reporting period is focused on the project’s ability to disseminate the availability of its models (in all technical assistance areas) to other local governments, thereby identifying the extent of demand for these models among local governments. During



the previous reporting period, some delays were encountered due to the additional work placed on the project by its collaboration with the MoF (FAM modification and distribution/training for all local governments).

Specific Action Requested

None

Up-To-Date Schedule of Work

Project work is consistent with time-lines for each component of the scope of work. A revised work plan (draft) was submitted to USAID for the project that reflects the reporting requirement in the revised scope of work.

Key Personnel

Maris Mikelsons, CoP, Croatia Local Government Reform Project, 011-385-1-485-4794 or Email at mikelsons@aol.com.