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October 15, 2003

Mr. Orion Yeandel
Contracting Officer
USAID, American Embassy
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Washington, DC 20521-5720

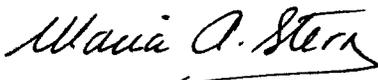
RE: Contract No. EEU-I-00-99-00015-00, TO No. 808
UI Project 06901-011, Croatia Local Government Reform Project
Quarterly Task Order Progress and Cost Report July to September 2003

Dear Mr. Yeandel:

Please find enclosed the *Quarterly Task Order Progress and Cost Report July to September 2003*. 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 +(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

**QUARTERLY TASK ORDER
PROGRESS AND COST
REPORT**

JULY TO SEPTEMBER 2003

**CROATIA LOCAL
GOVERNMENT REFORM
PROGRAM**

Prepared for



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

Prepared by

Maris Mikelsons
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October 2003
UI Project 06901-011

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Attachment

Cost Report

QUARTERLY TASK ORDER PROGRESS AND COST REPORT

JULY TO SEPTEMBER 2003

CROATIA LOCAL GOVERNMENT REFORM PROGRAM

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

Date of Issuance: June 1, 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: \$6,259,895

Total Potential Task Order Amount: \$6,259,895

Dollars Expended to-date: \$4,639,471

Key Personnel: Maris Mikelsons, Chief of Party
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I. HIGHLIGHTS

- The Local Government Reform Project (LGRP) continued to expand the number of local governments that are aware of the availability of its five management models through a broad dissemination effort that includes an Internet Web site, a newsletter (two issues were created and sent to over 200 local governments during the reporting period), collaboration with other organizations/donors, and promotion of project activities through other USAID-funded projects.
- Finalizing the participation of local governments/LGRP-trained consultants in the Cost-share program (CSP) was the major activity of the project during the reporting period. LGRP "task managers" worked with consultants to finalize the implementation matrix (scope of work) for work in local governments. By the end of July, the LGRP CSP

administrator, Dario Runtic, recorded over 75 local governments who committed to using one of the LGRP-trained consultants to implement a new management model.

- Over the period July 7-15, 2003, TRG consultants Fred Rosensweig and Kathy Allison traveled to Croatia to begin work on modifying the approach for the delivery of technical assistance to accommodate small (war-affected) local governments. The scope of work for their activities called for the TRG consultants to assess the capacity of selected local governments for training on the implementation of the LGRP models. During their visit, the TRG consultants accompanied by LGRP staff traveled to selected war-affected local governments to ascertain their training needs and to evaluate an approach for training local government officials from these localities. The consultants will then design a new training approach for implementing LGRP management models that will suit the needs of small and medium-sized local governments (see section below for more details on this LGRP activity).
- On July 8-9, Maris Mikelsons, LGRP CoP, implemented a workshop on inter-local government cooperation held on the island of Briujni. Juliana Pigey (travel dates July 5-11), and representatives of the Economics Institute collaborated to implement the workshop by leading a discussion on the various aspects of inter-local government cooperation. The workshop brought together the group of participants (both LGRP and ECRA designated participants) who had traveled to France to study how inter-local government cooperation is promoted in another country. The workshop also included representatives from the Regional Development Fund and Association of Cities and Municipalities. During the workshop, participants presented “lessons learned” and the action plans that resulted from their participation in the study tour to France. The workshop resulted in the identification of activities that should be undertaken to promote inter-local government cooperation in Croatia
- LGRP task managers continued work to refine and update the LGRP training manuals (developed for each model as a step-by-step guide to implementation) to incorporate new materials, including the issuance of a new financial analysis model (FAM) manual to be in accordance with the model’s recent update/enhancement.
- During the reporting period, the LGRP hired a new citizen participation specialist, Momo Kuzmanovic. He familiarized himself with the citizen participation model developed by the LGRP. Additionally, he continued work on developing the Citizen Participation manual by editing and revising the previous version of the manual and updating the manual with a comprehensive citizen participation toolbox.
- The LGRP learned of an innovative case of the use of the Information Management model in the City of Pula. Boris Suran, a city councilperson, was appointed to a position with the Croatian Embassy in India. From his remote location, he will use the Information Management System (connected through the Internet) to continue his work as councilperson (information retrieval on events in the City, direct communication with

colleagues, councilpersons, and even voting during Councils sessions using the information management system).

- The LGRP conducted a series of training events for consultants during the reporting period. Miljenko Smit held a training session for information management consultants on July 2 to update their work with implementing the system. The training session called together all 19 consultants trained to implement the information management system and provided them with additional skills in various aspects of the model. Marina Kristek and Damir Cvijanovic conducted a training session in Zagreb for consultants in the area of financial management (specifically, in program budgeting). The financial management training event brought together 12 consultants to actively work to build skills in the area of program budgeting.
- At the invitation of the City of Dubrovnik, the LGRP conducted a two-day workshop for officials from various departments in the City along with representatives of neighboring local governments (seven municipalities and cities, for a total of 14 participants). The workshop gave the LGRP technicians (Marina Kristek, and Damir Cvijanovic) the opportunity to transfer skills in the area of program budgeting and the use of the financial analysis model (FAM) to support the implementation of a program budget.
- The LGRP consultants hired to optimize the financial analysis model (FAM) completed their work during the reporting period. This work entailed documenting the source code for the FAM, optimizing the source code to make the FAM a more stable program, and debugging the source code to that the FAM produces optimal results during operation.
- At the request of the County of Osjecko-Baranjska, Maris Mikelsons met with county representatives on July 25 to discuss how the county could participate in the Cost-share program and receive assistance in the area of financial management. The meeting resulted in a positive response by the County officials to move ahead with participation in the Cost-share program in the area of financial management.
- LGRP continued with finalizing the participation of local governments/LGRP-trained consultants in the Cost-share program (CSP). In August, LGRP Cost-share program administrator registered 53 LGRP-trained consultants that have contracted with 73 local governments to implement one or more of the five LGPR management models. Of these 73 local and regional governments, 28 are cities, 42 are municipalities and 3 are counties. The total population that will be affected by the implementation of the new management models in these local governments is 1.160 million persons residing in Croatia.
- During August, Lori Bishop (Urban Institute staff) traveled to Croatia to work with Maris Mikelsons and LGRP task managers to design a strategy to finalize all five of the management manuals and format the various publications produced by the project over the course of three years. LGRP task managers continued work to refine and update the LGRP training manuals (developed for each model as a step-by-step guide for

implementation) and to incorporate graphics in order to enhance the appearance of the manuals.

- During the reporting period, the LGRP continued to work on developing a comprehensive “user’s manual” for the financial analysis model. The manual will be used in conjunction with the newly enhanced version of the FAM and distributed to local governments during the last months of the project.
- The LGRP took advantage of the summer holiday to improve office communication mechanisms such as design of an information board to communicate travel, work with demonstration sites and local governments who participated in the Cost-share Program.
- The LGRP management designed a template for monitoring the work of each LGRP demonstration site. The monitoring table will be used as a communications tool during planned discussions with Mayors of all demonstration sites in the month of September. Work with demonstration sites will be evaluated against the milestones of the monitoring table.
- The Cost-share Program administrator prepared detailed scopes of work for all LGRP-trained consultants that contracted with local governments. The LGRP CTO, Tom Rogers, signed all scopes of work to initiate the fixed price contracts with the Urban Institute. The contracts between LGRP-trained consultants and the Urban Institute were issued during the month of September.
- The LGRP CoP, Maris Mikelsons, designed a communications log to track the communication between the LGRP-trained consultants and LGRP staff during the implementation of each of the management models. The communication log will serve to document the output of the Cost-share Program and inform expatriate consultants on issues related to the implementation of each model.
- In August, Rebecca Lawrence traveled to Croatia to work with Maris Mikelsons and Kzysztof Chmura to finalize the LGRP monitoring plan. The monitoring plan will be used to communicate to USAID the outputs of the project as they relate to the indicators assigned to the project.
- With the approval of USAID/Croatia, the LGRP purchased new computer servers for Zagrebacka and Primorsk-Goranska (Rijeka) counties. The servers were delivered to the counties and installed with the assistance of Miljenko Smit, LGRP information management specialist. The servers are intended to support the application of the LGRP information management system.
- The LGRP hired a new economic development specialist, Vesna Tomasevic, to supplement the work of Visnja Markovic (who plans to take maternity leave through the



end of the project). Vesna will coordinate the activities of the LGPR-trained consultants in the area of economic development and advance the work in the demonstration sites.

- On September 1, Krzysztof Chmura met with Nikolai Jounda from Russia, to discuss the exchange of information on the topic of local citizen participation. Mr. Jounda provided materials from St. Petersburg, Russia on citizen participation and received in return LGRP-developed materials on the topic for use during his work with the Local Government Initiative (Budapest, Hungary).
- LGPR management met with Mr. Davor Vasicek, Director of the Office for the Association of Accountants and Finance Experts. The Association publishes a monthly finance journal called "Accounting and Finances". Mr. Vasicek is interested in promoting the output of the LGRP through a wide dissemination effort. In particular, his Association is interested in providing local government officials with practical examples of new management methodologies related to finance. As a first step in the collaboration Mr. Vasicek plans to publish LGRP materials on program budgeting. The new State Budget Act mandates that local governments submit their budgets in program budget format. However, many local governments officials do not know how to implement a program budget. In this regard, Mr. Vasicek offered to take our materials (on program budgeting to begin with and other LGRP model manuals later) and publish them for distribution to all (568) local governments. To launch the collaboration, the Association is suggesting organizing a media event around the distribution of our manuals to promote his Association and the LGRP/USAID.
- On September 4, LGRP management met with Lidija Pavic-Rogosic, Director of the NGO ODRAZ, to discuss collaboration. Ms. Pavic-Rogosic agreed to publish the LGRP citizen participation manual and distribute it to local government officials and other interested parties. The publishing costs would be borne by ODRAZ. Additionally, LGRP representatives would be invited to participate in ODRAZ-sponsored events to promote citizen involvement in governance and economic development.
- On September 8, Maris Mikelsons and Krzysztof Chmura met with UNDP representatives Jurgita Sluzdiniene and Mladen Ivanovic of the ILO to discuss the local government reform in Croatia. The UNDP is designing a comprehensive approach to addressing the reform at the local level. As part of this effort, they would like to coordinate their activities with the LGPR.
- On September 9, Maris Mikelsons, Krzysztof Chmura and Miljenko Smit met with the Mayor of the City of Osijek Slatko Kramaric. The meeting preceded the visit by the new US Ambassador to the City and was coordinated by Tom Rogers, LGRP CTO. The meeting resulted in solidification of the collaboration between the LGPR and the City of Osijek. During the meeting with the US Ambassador, Miljenko Smit gave a demonstration of the information management system installed in the City with USAID assistance.

- On September 11, Maris Mikelsons, Krzysztof Chmura and Tomislav Zic, held a meeting with the Mayor of Crikvenica Ivica Maletestinic. The meeting agenda included a discussion of the progress made over the last two years on the implementation of two of the LGPR management models – information and financial management. During the meeting, the Mayor requested LGRP assistance with designing a city-wide reorganization plan to streamline administration. The LGRP management agreed to supply the mayor with expert advice during the following week by sending Win Evans and Miljenko Smit to the city to design a new organization scheme.
- At the request of Ivica Malatestinic, Mayor of Crikvenica, and Maris Mikelsons, Win Evans traveled to Crikvenica (September 16) to review and discuss the mayor's plans to reorganize the city's department organization structure. Tomislav Zic, Miljenko Smit, and Samir Memic accompanied the consultant. The mayor's goals in this proposed reorganization were to create a new organizational structure that would operate more efficiently, to implement new quality methods (program budgeting and CIP) to support UI programs, to develop a rationale for the organizational changes, and to strengthen communications with citizens externally and internally among department staff using information technology. The LGRP representatives and the mayor discussed his proposed changes and then discussed in more detail some of the problem areas confronting the mayor. At the end, the group agreed to a flattening of the organization and creating a new Developmental Planning Department that would include physical and land use planning, capital improvement planning, economic development planning, property/asset management and information management including support for the city's Geographic Information System. The Finance Department would give up responsibility for economic development and information management systems but assume responsibility for Procurement. The Communal Economy Department would lose property/asset management and physical/land use planning but retain all design, construction and maintenance responsibilities for the city's infrastructure. The Office of the City would assume new responsibilities for communication with neighborhood associations and with citizens including citizen opinion surveys. The Public Needs Department would remain unchanged. While these changes would give the mayor an additional department reporting to him, he felt that the new department would give previously imbedded programs more visibility and provide new leadership to those areas that previously lacked direction. It would also improve the span of control and responsiveness of the other departments with more clearly defined and related responsibilities. The effect would also reduce the number of Directors/Sub directors from 8 to 5 and create a streamlined, responsive and flatter organization. The mayor appeared pleased with the new organization structure. He was given a copy of the revised organization structure, programs and sub-programs using the software *Mind Jet*, which was a very useful tool to support this exercise.
- On September 11, Krzysztof Chmura and Momo Kuzmanovic (LGRP citizen participation specialist) joined three LGPR-trained consultants at an orientation meeting for local government and NGO representatives in the City of Zabok. The meeting was organized by the LGPR-trained consultants to present the LGRP citizen participation

model to representatives of local governments, which participate in the Cost-share Program. The participants were introduced to the work plan of the consultants as it relates to the implementation of the citizen participation model and agreed on next steps.

- During the reporting period, the LGRP held internal discussions on a strategy to promote the formation of a new Association of Public Administration Consultants. Hrvoje Bertovic (LGRP asset management specialist) was placed in charge of this task and asked to develop a concept paper that would include a framework for establishing the new Association. The LGRP plans to promote the involvement of seven of its trained consultants to form a task force for creating the Association before the end of the project.
- Over the period September 15-19, Juliana Pigey traveled to Croatia to participate in 1) an information exchange meeting of LGRP-trained consultants in the area of financial management, 2) advance the work to issue a study on local government and EU/Council of Europe requirements in collaboration with the Institute of Public Finance, and 3) work with Maris Mikelsons on developing a "white paper" on the topic of inter local government cooperation. Ms. Pigey held meetings with the study team assembled by the Institute of Public Finance and participated in the information exchange meeting held on September 18 for LGRP-trained consultants in the area of financial management.
- Over the period September 15-19, Win Evans traveled to Croatia to participate in the information exchange meeting with LGRP-trained consultants on September 18 at the Dubrovnik Hotel. The purpose of the meeting was to give consultants an opportunity to share their consulting experiences and ask the international consultants and LGRP financial management staff questions. Twelve consultants had accepted the invitation to attend. The Chief of Party Maris Mikelsons, Win Evans, Juliana Pigey, Tomislav Zic, Marina Kristek and Damir Cvijanovic plus two interpreters represented the LGRP. Win Evans facilitated the meeting and reported the number of contracts they had, what cities they were currently working in and the status of the work. All consultants reported working on developing program budgets and most had two contracts under way. They were also in the beginning stages of program budget planning and were collecting data and defining program structures. The consultants did not bring any materials for review as part of their work to implement the financial models in local governments.
- Over the period September 17-29, Pat Dusenbury traveled to Croatia to continue support for (a) the work of the economic development (ED) consultants and (b) the implementation of strategic plans for local economic development in the Cities of Rijeka and Varazdin. On September 25, Pat Dusenbury along with Vesna Tomasevic, held an information exchange meeting for LGRP-trained consultants in the area of economic development. The 15 ED consultants who attended the information-sharing meeting reported that they had been able to deal with the few problems encountered to date. Of the 28 planning projects started, 25 have gone past the organizational stage and have completed or are in the process of information gathering. Those consultants with projects at the very beginning stages are also working on projects that are further along. Fifteen task forces have completed the SWOT analysis, refined their vision and identified

strategic issues. Of those, 13 have selected the critical issues. Only one task force has divided into working groups and begun the action plan development.

- Over the period September 18-22, Pat Dusenbury and Vesna Tomasevic traveled to Rijeka to participate in the international conference to commemorate the 150th anniversary of the Torpedo factory and to promote the implementation of the critical issues of the economic development strategic plan. Pat Dusenbury along with Natasa Zrilic gave a presentation at the conference on the collaboration between the City and the LGRP to advance local economic development in Rijeka. The Rijeka strategic plan gave highest priority to the critical issue of creating a good business environment in Rijeka, and one recommendation was to promote redevelopment of obsolete and bankrupt industrial properties. The Torpedo factory was chosen because of its significance in terms of location (waterfront), history, economic impact, and psychological impact. Moreover, this site lies just north of the planned port rehabilitation project, and the two efforts are complementary (for example, local fishermen, who are going to be displaced by the port rehabilitation, will bring a new use to the small port on the Torpedo factory site, which is being renovated for their use.) An NGO is being formed to promote preservation of Rijeka's industrial heritage. It will be focusing first on the preservation of the Torpedo launching site but also working with the World Bank to preserve some architecturally important and unique warehouses within the main port (currently marked for demolition).
- The Rijeka economic development strategic plan begins with a vision that refers to its “tradition as a transport hub and its maritime orientation” and includes transportation among the four critical issues. Because the critical issue “How to develop as a transport center without traffic problems?” was seen by the economic development Task Force in Rijeka as one requiring special expertise, the only recommendation was to “establish a coordinating group to oversee the development of transportation infrastructure.” Rijeka PROMET is positioning itself to serve as the nucleus and staff of that group, and the LGRP is providing technical assistance to help PROMET develop its strategic plan. The planned rehabilitation of the main Rijeka port using a World Bank loan has given this effort urgency. The LGRP is facilitating a strategic planning process to help Rijeka PROMET expand its planning and coordination functions and adjust to a reduction in its parking lot revenues. One option under consideration is participation in the construction of an intermodal trade and transport (ITTF) facility.
- On September 22, Krzysztof Chmura and Marina Kristek attended a workshop organized by the Association of Accountants and Finance Experts in Zagreb. The workshop brought together over 500 participants (including many local government officials) at the Opera Hotel to learn about the new requirements of the State Budget Law to implement a program budget at the local level. Local government officials are lacking good information on how to implement a program budget and through the LGRP collaboration with the Association it will help inform local government officials on the application of a program budget through distribution of the LGRP comprehensive financial management manual.



- Pat Dusenbury and Vesna Tomasevic participated in a discussion with City of Rijeka officials on the establishment of a new regional development agency to promote local economic development. The director of PORIN, which is being promoted by the City as the core of a regional development agency, reports that the city will adopt the necessary legislation to do this by the end of the year. Previously, the LGRP has mediated an agreement between the City and the County for a joint project, but that agreement fell apart. Rijeka has received considerable technical assistance from the LGRP in this area and information about the formation of a local development agency.
- Maris Mikelsons, Pat Dusenbury and Vesna Tomasevic traveled to the City of Varazdin on September 29 to meet with the Deputy Mayor (Horvat) and the head of economic development, Mr. Hunjak. The first topic was the status of plans to create a local economic development agency. Mr. Hunjak made it clear that Varazdin needs to institutionalize the local economic development function within the city government. The task of implementing, monitoring, and updating the economic development strategic plan is too demanding for the Economic Council, which is made up of volunteers who have other responsibilities. It was the intent of the City to accomplish this as part of a general re-organization of the City government, which was to occur by July 2003. The re-organization was delayed until after the upcoming national elections, and so the creation of a local economic development office within the City has also been delayed. However, the City is committed to getting this done as soon as the elections and their aftermath are over. Varazdin County has expressed interest in having the new economic development institution within the county government. However, the county has not developed a strategic plan and lacks a strategic framework. Varazdin City wants to have the local economic development function within city government and is talking to representatives of other cities within Varazdin County about joining their efforts in some (to be determined) manner. During this meeting, Maris Mikelsons also presented an overview of the LGRP outreach efforts (Cost-share Program using LGRP-trained consultants) using experience from Varazdin and other demonstration cities. Although Varazdin expects to accomplish little until after the parliamentary elections, they are very interested in continuing their cooperation with the LGRP.
- Krzysztof Chmura and Mirna Karzan met in Rijeka with RI-Centar representatives Sandra Kolinic-Bistic and Igor Bajok on finalizing the NGO charter for the City. RI-Centar representatives presented the status of development of NGO charter as promoted by the LGRP. The final draft was presented to the City, which raised some concerns about the draft charter. According to Ms. Kolinic, the City is motivated to finalize the Charter, although there are some issues to negotiate, e.g. the structure (whether to split it into policy document and detailed regulation) and the nature of the document (whether it is City's policy or an agreement between NGO sector and City). LGRP and RI-Centar representatives agreed to follow up with resolving outstanding issues: RI-Centar will restructure the document, while the LGRP will provide comments to the raised issues and meet separately with the City to discuss them. Additionally, the LGRP will propose to organize a round table to develop a final draft of the NGO Charter.

- Krzysztof Chmura participated in a Council of Europe workshop on benchmarking for local government held in Crikvenica on September 20. The workshop was organized by Council of Europe consultant John Jackson and the Association of Cities and Municipalities. The workshop introduced the concept of peer assessment of local governments and was focusing on training members of evaluating teams. Members were selected by association and represented mainly mayors and other officials from local governments. The plan of the Council of Europe is to conduct pilot assessment in two local governments in Croatia in November. Participation in a workshop enabled discussion about possible cooperation between Council of Europe and the LGRP. LGRP will consider participation in pilot assessment process of local governments. Another area of cooperation is the proposed good local government practices project. The details will be discussed during the Council of Europe representatives' next visit in November.
- As part of the preparation of the monitoring table for the LGRP collaboration with the City of Varazdin, Hrvoje Bertovic reported on recent developments in the area of asset management. The City of Varazdin achieved about a 20 percent increase in planned budget revenues, primarily due to capital revenues generated by asset management. In addition, the City is relocating all of the funded NGOs to one of the former army barracks. Subsequently, the City is expected to earn about 500 thousand kunas by leasing premises currently occupied by NGOs. In total, the City received 1 million kunas from rental properties due to improved asset management practices introduced to the City by the LGRP.
- By the end of the reporting period, the LGRP progressed with its work on finalizing the technical manuals for all five management models. Four of the five model manuals (economic development, citizen participation, asset management, and information management) were finalized during the month and sent to Lori Bishop (at the Urban Institute, Washington DC) for final formatting. Work is ongoing on the financial management manual but the manual will be completed in early October. All manuals, after having been formatted, will be distributed to local governments and other interested parties during the last few months of the project.
- The LGRP finance team along with Maris Mikelsons and Krzysztof Chmura met with Ron Hackett and representatives of BearingPoint to discuss the work of the USAID-funded fiscal reform project in the area of converting the communal fee to a property tax. Additionally, Mr. Hackett introduced the new Chief of Party for the fiscal reform project Mr. Bownens to the LGPR staff. (Ron Hackett will leave Croatia in October to assume another position with a BearingPoint project in India). The work on property taxes has yielded some results within the Ministry of Finance. However, implementation remains far away due to the political context of the parliamentary elections and a need for a massive educational campaign for local governments and citizenry.
- Tomislav Zic conducted a two-day capital improvement planning (CIP) workshop for economic development consultants. The workshop took place on September 24-25 in



Zagreb. The consultants expressed interest in the CIP model due to the links between CIP and local economic development. Overall, the consultants were satisfied with the workshop and the distributed materials.

II. PROGRESS OF MAJOR ACTIVITIES

As LGRP enters its final months, the project is increasing its focus on small local government units. Croatia has 568 local governments, most of which have population under 10,000 and 420 of which have an average population of less than 4,000. In order to replicate the implementation of the models, a strategy is needed that does not rely on direct technical assistance from LGRP task managers. The Cost-share Program is attempting to fulfill this need in part. It will be important to monitor the results of the local consultant/cost-sharing program over the next six months to determine its potential and make adjustments for the future.

In addition, the project would like to initiate direct training of local government officials in municipalities under 12,000. While the time remaining in LGRP is not sufficient to design and implement a comprehensive training program covering all five models, it does provide enough time to begin the process and assess the results. The intent is for the project task managers to provide this training directly to local governments, a task greatly facilitated by the training skills and materials developed for the Cost-share program.

A starting point for developing any training strategy for local government units is a definition of the people to be trained. In Croatia, the vast majority of local governments fall into three categories as shown in the matrix below. The categories are not intended to be consistent with official designations.

Types of Local Governments	Characteristics
Cities	<p>Cities with population from 15,000-30,000</p> <p>Divided into departments, each headed by a qualified person and staffed with several professionals.</p> <p>Departments typically include finance, economic affairs, and physical planning, among others.</p>
Municipalities	<p>Population 4,000 – 12,000</p> <p>Usually one administrative department headed by a secretary that includes finance and communal activities</p> <p>10-15 full-time staff</p>
Very small municipalities	<p>Population under 4,000</p> <p>Volunteer mayor</p>

	3-4 full time staff
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Developing a training strategy for cities based on the five models is a much clearer task than developing one for municipalities. Most cities have specific individuals responsible for finance, economic development, and asset management. Information management is generally the responsibility of the administrative head and services are outsourced. Citizen participation is usually a crosscutting function. By contrast, in municipalities that range from 4,000 to 12,000 in population, the finance director is often the only obvious person to be trained in one of the five model areas. While municipalities are carrying out activities in economic development, for example, there is usually not a staff person with that as his or her primary job responsibility. The staff is simply too small to be specialized. In the very small municipalities, this problem is even more challenging. It is very difficult for staff to get away for training and in many of the model areas there is really no one to train.

One of the key questions is whether a training-based approach that does not include follow-up technical assistance will provide the level of skills required to implement the model. The higher level of staff capacity makes this strategy a promising one in cities, but more problematic in municipalities. This pilot effort to provide direct training to local government officials will provide valuable lessons in the feasibility of a training-based approach in municipalities. It may turn out that a combination of training and TA is needed in the municipalities, in order to sustain the implementation of the models.

In addition to the different types of local governments, another key factor that was considered in developing the training strategy is the continued impact of the war on municipalities. USAID has focused much of its assistance on war-affected cities and municipalities. Eleven municipalities – called ECRA (Economic and Community Revitalization Activity) municipalities – have been targeted for assistance. USAID would like LGRP to begin thinking about how to link its work to these types of local government units. A quick scan of these eleven local governments indicates populations ranging from 1,967 to 8,994 with eight of them under 6,000. Numbers of local government staff range from seven to nineteen with eight municipalities having fewer than twelve staff members. Clearly, the ECRA municipalities fall in the categories of municipalities as defined in the matrix, most of them very small.

TRG consultants were involved in developing and implementing the local consultant training in 2002. This served to familiarize them with LGRP in general and more specifically with the training for the local consultants program. Building on that experience, the TRG consultants carried out steps to develop a strategy for training local government officials, including consultations with LGRP staff and site visits to select smaller local governments to assess their training needs. The following is a summary of the results from this assessment:

- The number of staff and the types of departments of local governments varies greatly. For example, Samobor has a population of 36,000 and staff of 34, while Zapresic has a population of 23,000 and 36 staff members. Another comparison from the subset of smaller local governments visited is Popovaca, with a population of 12,800 and 8 staff while Glina



has a similar population of 12,500 yet a staff of 27. The staff numbers include professional staff as well as maintenance staff, janitors and cleaning ladies.

- The types of departments in the larger local governments are not consistent, although all cities and municipalities, regardless of size, have someone in charge of developing the budget.
- Larger local governments are less reliant on the counties for direction and resources than are the smaller local governments.
- Local government staff periodically participates in update sessions, conferences, and training courses related to the management of local governments. These sessions are sponsored by the Ministry of Finance, associations such as the Association of Cities and Municipalities, foundations such as the Conrad Adenauer Foundation and CSU Party from Germany, the Local Government Reform Project (LGRP), and other groups.
 - The Ministry of Finance sponsors periodic updates on new government requirements and regulations. These sessions usually last from ½ to 1 day and include speeches and printed material on the new procedures or regulations. The Ministry-sponsored sessions are held for large groups of LGU staff members and include presentations, but no skill-building sessions.
 - Association-sponsored conferences for LGU staff may last for several days and include lecturers from other countries as well as local experts from Croatian universities and institutes. These sessions may be funded by other donors or tuition may be charged.
 - The opportunities funded by foundations have included study tours to Germany and seminars on topics like local self-financing and information on rules of the EU, but the sessions are often offered to local governments whose leadership is affiliated with similar political parties, rather than to all cities and municipalities.
 - LGRP has sponsored several conferences for various local governments to provide overviews on the five models and solicit expressions of interest. More in-depth training has also been offered by LGRP, especially on the Transparent Budget and Program Budgeting components of the Financial Management model and the use of the Financial Analysis Model (FAM). Over the past two years, approximately 70 one-day courses on the FAM tool have been co-sponsored by the Ministry of Finance and LGRP. Over 2,000 staff members from 400 local governments have participated. Approximately 300 cities currently use the FAM tool to develop their budgets.
 - Some LGU staff, especially newer staff, also access management information on the Internet and discuss issues with their counterparts, while staff with longer tenures are less likely to look for better ways to do their jobs.

- In identifying local governments to participate in a training program, there is a need to distinguish between small and very small municipalities. Very small municipalities (less than 4,000 population with 2-4 staff) usually do not have staff to participate in training on most of the LGRP models. The staff of a small municipality with 2-4 staff members might include a mayor (who may serve on a volunteer basis rather than as a salaried employee) and a secretary who is responsible for developing the budget for the LGU. Other staff members may include cleaning ladies, janitors and maintenance workers, none of who would be appropriate to participate in training on the LGRP models. The only individuals who might be available would be the mayor and the secretary, but they are usually not available for more than 1 day at a time.
- In order to encourage maximum interaction and participation during the training sessions, it will help to select and group similar local government units together for the training. For example, courses could be offered for small, war-affected local governments in a particular county or region. This would allow the LGRP trainers to tailor the course to the needs of the local governments that will be participating in the training.
- Most of the interviewees said that the ideal length of a training session would be no longer than 2-3 days.
 - Several mayors mentioned that they would be willing to participate in 2-3 day training programs if the course included other mayors and if the content led to some specific outcomes that would help their city or municipality in some way.
 - Some, especially those from the very small municipalities, said that more than 1 day of training would be a hardship.
- It will be important to invite staff from the appropriate LGU departments to participate in the training, not just the mayors. Since mayors are appointed by the councils and there is turnover every four years, it will be critical to include permanent staff in the training sessions, to ensure sustainability and institutional memory.
- There is willingness to cost share (except for the smallest municipalities which do not have adequate resources), especially if the content is relevant to the needs of the LGU. Cost sharing might include transportation to the training venue and room and board if the course were offered on a residential basis. Several local governments offered training space that would be available at no cost to the project.
- The best time to do training would be September or October, because budgets are due at the end of October or mid-November. The best overall time for training is during the first 5 months of the year (January – May).



III. DELIVERABLES AND REPORTS

Draft LGRP Model Manuals (to be finalized at the beginning of the next reporting period). All other project documents are being edited and formatted for distribution at the end of the next reporting period.

IV. PROBLEMS OR DELAYS AFFECTING THE TASK ORDER PERFORMANCE

None at this time.

V. WORK PLANNED FOR NEXT REPORTING PERIOD

- The LGRP staff and consultants will continue to support the consultants in their effort to implement one of the LGRP management models in local governments participating in the Cost-share Program. This support will include remedial training, information exchange meetings, site visits to local governments, and review of materials produced by the consultants in their work with local governments. Deliverables and outputs of their work are due by the end of December. The Cost-share Program and the work of the consultants will be assessed over the course of the Program.
- LGRP management will continue to meet with mayors of demonstration sites to review progress of all five management models and set an agenda for upcoming work to deepen each model. The areas, on which the LGRP plans to focus, are economic development (through the creation of economic development agencies in two demonstration sites), asset management through reorganization of the city departments to include an asset management department, construction of a monitoring system for the information management systems, continued follow-up activities to lessons learned on study tours and continued assistance with implementing new financial management practices such as program budgeting, and capital improvements plans in demonstration sites.
- LGRP will shift its focus to a policy initiative to promote inter-local government cooperation in Croatia. However, given that Parliamentary elections are scheduled for November, this work will be assessed against the context of national elections and impact on policy.
- LGRP will finalize all five management model manuals and work with local organizations to print, publish and distribute the Manuals to local government officials and other interested parties. The finalization of manuals will also include a financial analysis model (FAM) users manual.
- Given that Parliamentary elections will take place in November, LGRP does not expect any new initiatives in the area of local government reform or decentralization.

- LGRP will work to identify local institutions/organizations that would be willing to institutionalize the output of the LGPR (models, manuals, materials, etc).
- LGRP will continue to explore linkages with the European Commission office (Zagreb) programs for regional development and public administration reform. Also, the LGRP will collaborate with the Council of Europe on the two projects they have initiated in Croatia – Good Local Government Practices and Benchmarking.
- The LGRP collaboration with the Institute of Public Finance will yield a study on the European Union requirements for local government administration for accession to the Union. Additionally, the study will identify and analyze the provisions of the Council of Europe’s Charter for Local Self-Government that Croatia does not comply with.

VI. SPECIFIC ACTION REQUESTED

None at this time