

COMPLETION REPORT

LOCAL GOVERNMENT AND DECENTRALIZATION IN ALBANIA PROGRAM

July 2004 to July 2007

Prepared for



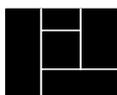
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FROM THE AMERICAN PEOPLE

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TABLES OF CONTENTS

INTRODUCTION

CONTEXT – STATUS OF DECENTRALIZATION IN ALBANIA AS OF 2004

COMPONENT I: FISCAL AND ADMINISTRATIVE AUTHORITIES EFFECTIVELY DECENTRALIZED (SUB-IR 3.1)

**IMPLEMENTATION OF THE LEGAL FRAMEWORK AND STRATEGY FOR DECENTRALIZATION
SUPPORT FOR NATIONAL LEVEL LOCAL GOVERNMENT ORGANIZATIONS**

COMPONENT II : STRENGTHENED CAPACITY AND ACCOUNTABILITY OF LOCAL GOVERNMENTS (SUB-IR 3.2)

**METHODOLOGY FOR COMPONENT II
MANAGEMENT OF LOCAL SERVICES
ACCOUNTABILITY OF LOCAL GOVERNMENTS
FINANCIAL SYSTEMS AND MANAGEMENT**

RECOMMENDATIONS FOR FUTURE WORK

**NATIONAL LEVEL
LOCAL GOVERNMENT LEVEL**

LIST OF ANNEXES

ANNEX A:	Index of Reports And Other Products Prepared under LGDA
ANNEX B:	SIAPs Carried out by Target and Non-Target Cities, 2006 – 2007
ANNEX C:	Vlore Municipality Cleaning SIAP Presentation
ANNEX D:	Pogradec Budget Presentation, 2005



INTRODUCTION

The Urban Institute completed the implementation of USAID's Local Government Decentralization in Albania program in July 2007. The program was designed to strengthen decentralization through on the one hand supporting fiscal and administrative decentralization, and on the other helping local governments improve accountability and consolidate their capacity to carry out their responsibilities at a high level of competence. Working with the national government, with the association of municipalities, with local governments, and civil society, LGDA achieved major results in each of these areas. Some of the most striking improvements include:

- More than half of local government expenditures are now under full local discretion
- Own source revenues increased by 22% between 2005 and 2006
- Measurable improvements in local services were achieved in all targeted local governments
 - A national Citizen satisfaction with basic urban services increased consistently between 2005 and 2007. (For example, the percent of citizens rating downtown streets as "clean" or "very clean" rose from 46.8% to 52.4%.)
 - All target cities, and 24 non-targeted cities carried out service improvement action plans in one or more service areas
- A national survey found consistent improvements in accountability reflected both by the increases in citizens satisfaction and other explicit measures including:
 - Citizens expressing trust and confidence in local government ability to manage funds well rose from 42% in 2005 to 54.3 in 2007
 - The percent of those who agree with the statement "the local government listens to what people like me think" rose from 35% to 45%
 - The percent who agree that "I receive good value for municipal taxes and fees" rose from 32% to 39%

In this report we provide first a brief description of the Albanian context, and then a summary of the methodology used, and key accomplishments achieved by each of the project's two components. We conclude with a section recommending possible further activities focusing on remaining challenges.

Annex A provides a bibliography of products and reports prepared under LGDA. Other annexes provide a listing of all SIAPs carried out, as well as examples of city presentations. A separate report on LGDA Project Performance Monitoring provides detailed information on project indicators and results.



CONTEXT – STATUS OF DECENTRALIZATION IN ALBANIA AS OF 2004

By 2004, decentralization had become one of the major reforms in Albania with important implications for other reforms, such as those in public finance, public administration, public services, education, health, and social assistance. Decentralization first became a focus of Government policy in Albania in 1998 with the adoption of a new Constitution with clear provisions regarding local government. The reforms progressed steadily during 1999 and 2000 with the adoption of the European Charter for Local Self-Government and the National Decentralization Strategy¹.

The implementation of the strategy was launched in 2000 with the adoption of the Law on Organization and Functioning of Local Government ("Law 8652"). Key fiscal decentralization reforms adopted in the period from 2001 to 2003 established the basis for a sound local finance system to support implementation of Law 8652.

The State Budget Law of 2001 included for the first time an unconditional transfer that gave local governments full discretion to determine the use of the funds for own and shared functions. The State Budget Law of 2002 took this one step further by allocating the unconditional grant based on a formula. Since that year, each local government knows in advance what its unconditional grant allocation will be. Reliance on transparent and predictable transfers strengthened the autonomy of the local budget.

A fiscal reform package adopted by Parliament in December 2002 increased the authority of municipalities and communes to determine own local revenues and their rates. Locally generated revenues were further reinforced through authorization of a local small business tax and sharing of the revenues of the simplified profit tax, the vehicle registration tax and the immovable property transaction tax. The fiscal reform package changed dramatically the composition of the local budget in favor of own revenues.

The State Budget Law on 2003 and 2004 sanctioned the formal delegation on the pre-university education and primary health care that provide municipalities with full authority and responsibility for the maintenance and operation of pre-university education facilities located in the jurisdiction. Otherwise, the transition chapter of law 8652 provided a two-year period to prepare and adopt other, more specific laws and regulations to implement the transfer of power and financial resources to local governments. This timeline proved to be ambitious. Key elements of the agenda have been implemented, with some delay, while others were still pending in 2004.

The following table summarizes the early evolution of decentralization in Albania and shows its status as of the end of 2004, when LGDA began.

¹ The national decentralization strategy was prepared during 1999 based on a comprehensive participatory approach, with substantial support from USAID. The National Decentralization Committee - composed of members of the Government and representatives of local governments (LGs) - was the political body that assumed the leadership in the preparation of the strategy. The Group of Experts for Decentralization was the technical body also composed of specialists from central institutions and local governments, as well as independent experts. A long process of consultation was organized around the country with stakeholders to discuss the draft strategy, as well as to build consensus. The international community was fully supportive and engaged. The GoA (Council of Ministers) adopted the Strategy officially on December 29, 1999.

(Current lek, thousands)	2000	2001	2002	2003	2004
Total Revenues	20,048,358	25,464,738	26,680,899	30,716,760	36,491,428
Locally Generated Revenues Total	1,390,983	1,995,837	2,597,048	6,265,801	6,687,454
of which:					
Local Taxes and Fees	1,251,257	1,884,411	2,392,345	6,075,118	6,489,106
Other Local Sources of Financing	139,726	111,427	204,703	190,684	198,348
Revenues from National Sources Total	18,657,375	23,468,901	24,083,851	24,450,958	29,803,975
of which:					
General transfers	-	5,658,853	9,276,082	6,554,081	6,611,177
Earmarked transfers	18,437,453	17,464,775	14,425,514	15,748,069	19,823,604
Shared Taxes	219,922	345,272	382,255	2,148,808	3,369,194
Ratios (percent)					
Locally Generated Revenues / Total Revenues	6.9%	7.8%	9.7%	20.4%	18.3%
Local taxes and fees / Total Revenues	6.2%	7.4%	9.0%	19.8%	17.8%
Revenues from National Sources / Total Revenues	93.1%	92.2%	90.3%	79.6%	81.7%
General Transfers / Total Revenues	0.0%	22.2%	34.8%	21.3%	18.1%
Earmarked Transfers / Total Revenues	92.0%	68.6%	54.1%	51.3%	54.3%

Source:

Table prepared by the LGDA project, based on data from the annual accounts of local revenues and expenditures in the database of the Treasury Department of the MoF

Note:

1 / Earmarked transfers exclude transfers for education and health wages, and for social assistance benefits.

COMPONENT I: FISCAL AND ADMINISTRATIVE AUTHORITIES EFFECTIVELY DECENTRALIZED (SUB-IR 3.1)

To support fiscal and administrative decentralization, LGDA focused on reforms to intergovernmental fiscal transfers; local tax and fee authority; the local budget process and local functional and regulatory authority.

The Urban Institute approached Component 1 on the basis of two activities:

- Policy analysis and facilitation of a participatory dialogue in support of efforts by national and local stakeholders to continue the decentralization reform process.
- Targeted assistance to national-level organizations that represent the interests of local governments or that provide common services to them.

The results achieved through these activities are impressive.

- Line ministry control over State investment grants to LG's was replaced with a formal competitive allocation process that covers investments in pre-university education, primary health care and water – Appraisal of investment projects competing for the grants now responsibility of the Albanian Development Foundation
- Draft laws that increase the transparency and accountability of the local budget process, authorize local borrowing and implement local planning authority – all long-pending, critical decentralization reforms – await final action by Parliament in 2007
- Local tax authority increased by approximately 20 percent with the transfer of the Small Business Tax to LG's as of January 2007 – The AAM was the leading advocate for this reform and played a crucial role in its implementation



- o Successful Pilot Project to Test Health and Safety Standards for Secondary School Maintenance provides clear evidence of the positive impact and potential of performance standards to improve the physical condition of schools and improve relations between MoES and LG's

The positive, lasting impact of these reforms is evident in the evolution of the indicators LGDA used to measure progress in achieving IR 3 "Increased Independence of Local Administration from the Central Government," as shown in the table below.

	Dec 31, 2004 Baseline	Dec 31, 2005 Actual	Dec 31, 2006 Actual
Indicator 1: <i>Percent of Total Local Government Expenditures under Full Local Discretion (Supplemented by Total Dollar Amount under Local Discretion)</i>			
Share of Total (%)	46%	50%	53%
Value (\$ Millions) ²	\$146	\$164	\$199
Indicator 2: <i>Percent Increase in Revenues from Local Taxes and Fees: Year on Year</i>			
Year-to-Year (% change)	7%	13%	22%

The first indicator shows the extent to which local governments have discretionary authority over local budget expenditures. It is a practical, objective measure of local autonomy. Note that for the first time ever in Albania local autonomy in 2006 extended to over half the local budget. (It extended to less than five percent in 2000, when the current local government law was adopted.)

The second indicator shows the rate of growth year-to-year in revenues from local taxes and fees. It is a measure of the ability and willingness of local governments to recover directly from the local community the cost of the services they provide. Note that the rate of increase more than tripled between 2004 and 2006. The rate in 2006 is especially significant. It suggests that local elected officials did not shy away from raising local taxes and fees immediately prior to the local elections held in January 2007.

The Decentralization Progress Report 2007 prepared by LGDA for USAID provides a detailed description of the achievements of LGDA and its predecessor USAID local government programs in the area of fiscal decentralization in Albania.

Implementation of the Legal Framework and Strategy for Decentralization

Context

² Conversion ALLek to US Dollars based on official average exchange rate: Bank of Albania www.bankofalbania.org

The Law on Organization and Functioning of Local Governments (Law 8652) provides that local governments are financed with revenues from locally derived taxes and fees, funds transferred from the central government, in part to achieve vertical and horizontal equalization, and funds derived from shared national taxes. The law also provides that local governments shall be “be authorized to borrow funds for public purposes in a manner that is consistent with the conditions established by law.” LGDA addressed all aspects of the system of local finances.

Competitive Allocation of State Investment Grants to Local Governments

Initial LGDA activities under Component 1 in 2004 and 2005 focused on measures to improve intergovernmental transfers that accounted for the largest share of local revenues.

In the summer of 2005 LGDA joined with key ministries and the AAM in convening a working group composed of local and central government career specialists that looked into the grants provided from the State budget to finance investments in areas of own functions.³ LGDA assisted the group with the collection and analysis of the data. The analysis found that in 2003 and 2004, these conditional grants financed over two-thirds of capital investments (66 and 69 percent respectively) in areas that are exclusively a local function by law. The analysis identified a number of problems with this arrangement. The most important was that there was no apparent pattern or rationale for the allocation by individual local government or by regions. In any given year, only one-third of communes and municipalities might receive an investment grant.

The analysis made it patently clear that the practice of allowing line ministries to allocate State investment grants to local governments was causing serious distortions in the pattern of local investments. This finally prompted the Government to take action. In the State budget for 2006 the Government implemented two important changes in the management of state investment subsidies in areas of own functions. For the first time in 2006 each commune and municipality received a transfer that they must apply only to investments but at their own discretion as to sector or purpose. This transfer replaces Lek 1.5 billion in investments in roads that were funded by conditional grants in 2005. The balance of the funding provided in 2006 from the State budget to local governments was managed through a conditional investment grant pool. Local governments competed for grants from this pool based on criteria published as an annex to the 2006 State budget.

In the last quarter of 2006, LGDA and AAM convened local stakeholders to review the actual experience with the competitive allocation of state investment subsidies adopted in the 2006 State budget. LGDA assisted the MoI and MoF to adjust the application process to include more notice and a more transparent review process. The Albanian Development Fund (ADF) will assume responsibility for appraising projects competing for the grants. ADF has extensive experience appraising local investment projects funded through its own programs. It also has a reputation for being apolitical. Thus, its participation in the competitive allocation mechanism should help make the process more transparent and fair. In response to

³ The Working Group was convened in the context to the 2006-2008 Medium-Term Budget Program (MTBP) to look at state investment subsidies in areas of own functions. Members included representatives of the MoLGD, MoF and MoPWTT; the Albanian Development Fund, associations representing municipalities and communes, as well as elected officials and finance staff from four municipalities and one commune. The group conducted its analysis during June and July 2005.



suggestions made by LGDA, the State budget for 2007 expanded the scope of the competitive grant mechanism to include conditional investment funds for education and health.

Impact of the Reform This reform to the process of allocating State investment grants adds considerably to local authority over capital investments. Capital expenditures as a share of total “own” expenditures increased from 25 percent in 2004 to 39 percent in 2006. In value, “own” capital expenditures – those subject to local discretionary authority – nearly tripled from \$35 to \$90 million⁴ in the same period.

A more transparent and accountable local budget process

The apparent weaknesses in the local budget process also were an early target of the LGDA. In the summer of 2005, LGDA joined with key ministries and the AAM in convening a working group composed of local and central government career specialists. LGDA helped collect and analyze data on the process as actually practiced by local governments. The analysis identified a series of practices that undermined and weakened accountability of local elected officials for the allocation and use of public funds through the local budget. No law specified the date (deadline) for the adoption of the local budget. The weakness of the system of financial accounting and reporting meant that it was difficult to track expenditures to ensure that local budgets are delivered as approved.

The report had an immediate impact. The Ministry of Finance addressed the major recommendations of the working group in its 2006 and 2007 budget preparation and implementation instructions. This included reforms to Treasury procedures for local fund management; enforcement of the annual budget cycle for local governments; and, the consolidation of the local budget as a uniform budget covering all revenues and expenditures. While relevant and useful, these measures left the legal framework intact.

LGDA reconvened the local budget working group in 2006 but this time with the objective of developing a consensus policy on the broad outline and details of the local budget process. In support of this effort, LGDA prepared a document that presents the policy issues and options present in each step of the budget process, with examples from other countries in the region. Based on the document, LGDA facilitated a dialogue within the working group that produced a policy paper on the local budget process.

The policy paper served as the basis for the revision of those sections of the Law on the Budget Preparation, Execution and Monitoring in the Republic of Albania (Organic Budget Law) that refer to the local budget process. The Ministry of Finance disseminated a draft revision of the Organic Budget Law to donors and stakeholders in July 2007. The changes included in the draft will bring about major improvements in local public financial management, assignment of tasks and transparency of local public finances. The MoF expects that Parliament will adopt the law before October 2007.

Impact of the Reform The reforms to the local budget process may be the most important achievement of LGDA in terms of the long-term evolution of the decentralization process in Albania. Local government expenditures represent an increasing share of consolidated public expenditures – from 2.5 percent in 2001

⁴ Calculated at average annual exchange AILek to US Dollar as reported by the Bank of Albania

to 10 percent in 2006. The local budget process as practiced up to 2005 posed a growing risk of a major lapse in fiscally prudent management of public funds in one or more local governments. The new local budget process will reduce that risk substantially and provide a sound basis for continued expansion in the scope and volume of local government activity.

Local borrowing authority

The evolution of local finances in Albania has reached the point where it is reasonable and necessary to consider authorizing local borrowing as provided in Law 8652. In 2006, the Ministry of Interior (Mol), AAM and LGDA convened a working group of central and local public officials as well as representatives of private banks and other stakeholders to develop a policy for the implementation of market-based local borrowing in the context of overall public debt management. LGDA prepared a document that presents the policy issues and options present in each step of the local borrowing process, drawing lessons learned from UI's extensive experience introducing local borrowing in the CEE and NIS regions. Based on the document, LGDA facilitated a dialogue within the working group that produced a policy paper on the local borrowing process. LGDA local finance experts accompanied the dialogue to answer questions from the working group and provide additional technical inputs.

The Mol developed a draft Law on Local Borrowing based on that policy. Mol as the lead Ministry did not move forward with the draft until May 2007, in part because of local elections. Also, they were in discussions with the MoF whether to present it as a separate law or include it in the general state Law on Public Debt. The MoF and Mol reached an agreement early in 2007 to go forward with a separate local borrowing law. The law is being circulated for comments to line ministries. This is the first step in the process of submitting the law to the Council of Ministries and then Parliament.

Impact of the Reform This reform will have an immediate impact in 2008. The two largest private banks in Albania in terms of Lek deposits, Raiffeisen Bank and Intesa Sao Paulo (that recently acquired the Albanian American Bank), indicated to LGDA that they are prepared to finance specific local government projects, as soon as Parliament adopts the local borrowing law. The initial terms of loans would be for five to seven years at variable rates tied to GoA T-bills in Lek or EURO.

Local Planning Authority

The Director of Urban Planning at the Ministry of Public Works (MOPWTT) attended one of the meetings of the dialogue on local borrowing authority. He was so impressed with the process that he invited LGDA to organize a similar process to develop a new policy framework and law for territorial planning in Albania. Starting in the summer of 2006 the MoPWTT with LGDA support convened a dialogue of stakeholders in the central and local governments and in civil society to propose a new policy and eventually a new law on planning to address the shortcomings in the current legislation and to implement the provisions of Law 8652 in this area.

To support the dialog LGDA explored planning legislation and practices in CEE, especially Hungary and Poland, as well as in key western European countries, such the France, Germany, Netherlands and the



UK. Based on this analysis of comparative experience, LGDA prepared a detailed agenda of key planning policy and procedural issues, supported by relevant examples from other countries.

The actual stakeholder meetings started at the end of July 2006 and intensified in the following months, when the group gathered twice a week with impressive stakeholder participation by representatives from the Central Government (MoPWTT, MoI, Ministries of Tourism, Agriculture, Interior and Environment), AAM, AAC, LG's, the Albanian Geological Service, Co-Plan, URI, the Builders Association, Association of Architects, Institute of Engineering Studies and Planning, and various donors such as the World Bank and GTZ. Based on the outcome of 32 WG meetings, conducted between the end of July and December 2006, LGDA drafted the initial policy paper.

The Government issued a policy statement in December 2006 and then prepared a completely new territorial planning law that is now in discussion among key ministries. The expectation is that Parliament will adopt the law in 2007.

Impact of the reform Residential, commercial and industrial uses of land have recently intensified throughout Albania due to increased private ownership of land, migration from rural to urban areas, greater individual and collective vehicular travel and a growing economy with a vibrant construction sector. The new planning law will facilitate vertical and horizontal coordination of planning within the public sector and the local and central levels. It will implement a market-friendly approach to regulating private development.

Most important from the point of decentralization, the new planning law will provide clear, independent authority to local governments to plan and manage growth within all the territory under their jurisdiction.

Expanded Local Tax Authority

In July 2004, when LGDA began, local governments were in the second year of applying the new tax and fee authority they had received through reforms to existing legislation adopted by Parliament in 2002 (known as the "fiscal package"). After jumping by nearly 50 percent year-to-year in 2003, the rate of increase of local revenues slowed in 2004 to 7 percent. An important focus of the new project was to find new ways to achieve more rapid growth in local revenues.

Continuing the efforts that began under LGAD, the predecessor USAID local government project, LGDA met with the MoF early in the project to explore options for increasing local tax authority. The focus in this case was on converting the small business tax from a shared tax controlled by the central government to a local tax that local governments could adjust at their own discretion. A study prepared by the Urban Institute for the MoI in late 2006 demonstrated that there was little value added in having shared taxes in Albania. Instead, local control over taxes on small businesses would give a big boost to local fiscal authority. Once, the MoF accepted the merits of the argument, LGDA joined with the MoF and the AAM in organizing 12 regional meetings to present the proposed reform to local stakeholders in all parts of Albania.

In response to the broad consensus emanating from this consultation Parliament passed a law in October 2006 that unified all small business taxes (local small business tax and simplified profit tax) into a single tax. The law transforms the unified small business tax from a shared to a local tax. As of January 1, 2007 local governments have the authority to set small business tax rates within the margins indicated by law. They also have full authority to administer the tax.

Impact of the Reform The small business tax came into effect in 2007. To illustrate its likely effect, had the conversion of the small business tax from a shared to a local tax been in effect in 2006, revenues from local taxes and fees would have represented roughly 30 percent of total local revenues. In that case, local tax authority in Albania would be superior to that in the Netherlands and approach that of Poland.

Rules-based delegated functions

LGDA also carried over an activity initiated under the predecessor USAID local government program to implement a rules-based delegation of authority in the area of school maintenance and renovation. As one of its first activities, LGDA joined with the Ministry of Education and Science in 2004, in organizing a dialogue with representatives of municipalities and communes to develop recommended basic health and safety standards for school facilities. LGDA drew on experience with similar standards in other countries, such as the U.S., Australia and the UK, to identify the range of issues affecting health and safety in schools and to provide practical examples for the working group to consider. LGDA also recommended a process for applying those standards in the context of a delegated function of local governments.

LGDA then provided technical assistance and training during 2005 and 2006 for a pilot program to test the draft standards and procedures in two municipalities and one commune. This involved the use of a low-cost, low-tech methodology called “trained observer ratings” to determine the extent of compliance with the standards in each school in the three jurisdictions. Finally, LGDA helped local government staff develop estimates of the cost of bringing the schools up to standard and present this to the Mayor and Local Council as part of the local budget process. The following table summarizes the conditions of schools in Berat, Bushat and Pogradec – the three pilot local governments. These conditions are as of September 2005.



	Standard							
	1 Hazards	2 Fire	3 Electrical	4 Heating	5 Water	6 WC	7 Cleaning	8 Comm
No Schools below standard								
Berat	10	24	21	8	0	19	24	10
Bushat	4	11	11	11	10	11	11	11
Pogradec	12	13	13	6	1	13	1	8
Cost of Meeting Standard								
Berat	974,420	513,300	6,297,414	21,280,760	0	4,244,315	92,050	325,000
Bushat	2,780,000	540,000	52,510	1,701,200	258,410	283,920	221,500	351,000
Pogradec	11,175,452	447,550	88,160	5,938,580	2,380,000	458,023	50,000	136,000
Cost per Student								
Berat	102	54	656	2,218	0	442	10	34
Bushat	772	150	15	472	72	79	62	97
Pogradec	1,863	75	15	990	397	76	8	23

Source: Summary Data Prepared for the USAID Local Government and Decentralization Project (LGDA) by Urban Research Institute.

Tirana, Albania, January 2006

This table is significant for two reasons. First, it relies on simple, practical standards to determine if school facilities provide a safe and healthy environment for students and teachers. Everyone involved in the three pilot communities – local and central government officials, teachers, parents and even the youngest children – understood and accepted that these standards represent a minimum necessary condition that all school facilities must meet. This made it possible for the local governments to target scarce budget resources on needs widely perceived as important by the local community.⁵ There was no such consensus prior to the issuance of the eight standards.

The data on school conditions also is significant because it provides an objective basis for the local government and the MoES to agree on a baseline and on priorities for addressing existing deficiencies. The same indicators also provide an objective basis to measure progress. This allows the MoES to hold local governments accountable for their performance of the delegated function. This sets a good precedent for how central government / local government can work together not just to improve school facilities but also in other areas of delegated local functions, such as maintenance of health facilities.

Impact of the reform Through an open process of discussions with local stakeholders the participating local governments allocated more funding from their own resources for school maintenance and made efficient and effective use of the funds by targeting tangible improvements to meet the basic health and safety standards in local schools. The Ministry of Education wants to extend the pilot program to test this

⁵ Alone among the three pilot local governments, the commune of Bushat opted to include sufficient funds in the 2006 budget to achieve full compliance by the end of that year. Their allocation of funds per student is significantly higher than in the other two cases. Berat and Pogradec, both municipalities, will take several years to achieve compliance, although the funds available in Berat are sufficient to address all hazardous conditions.

approach to additional local governments. Based on the results of the expanded effort it will consider applying the standards and process nationally to all local governments and all pre-university education facilities in 2009. The approach is easily adaptable to other types of public facilities, such as those in the health sector.

Support for National Level Local Government Organizations

Context

Up to 2004 when LGDA began, the efforts by the Albanian Association of Municipalities (AAM) to represent the interests of municipalities had varied over time. In the discussions of the Prefect Law in 2001 and of the local tax and fee legislation in 2002, the AAM took an active stance. In subsequent discussions on delegated functions in health and education, or the functions of regions or transfer of public property to the local governments, the AAM was much more passive. The fact that some of AAM Board members have their own channels of communication with the Government may be a factor, as may be the top-down party discipline that characterizes parliamentary democracies.

Activities

LGDA explored a number of options to encourage the AAM to become more active and consistently involved in the decentralization reform dialogue. Since the AAM had shown that it is much more interested in some issues than others, the starting assumption for LGDA activities was that agreeing on an agenda that reflects their priorities would increase the level of their interest in the decentralization dialogue. LGDA worked with and through the association executive director and staff to set a shared reform agenda. LGDA also used its contacts with individual mayors and local councilors to build demand among the membership of the AAM for a more active role. In Year 3 LGDA also seconded its senior Albanian policy advisor to work with AAM in their offices as an extension of their staff. This last effort proved quite effective.

The AAM took a strong interest in the reform of the small business tax especially in helping prepare local governments to assume responsibility for administration of the tax. This included a comprehensive assessment of the steps and information needed for a successful transition. An AAM team funded by LGDA and experts from the General Tax Directorate looked closely at the experience to date with the transfer of the administration of this tax in the Tirana, Shkodra and Lushnja districts, by examining both local government and tax district operations. Following this, AAM convened a Tax Forum for tax experts from several cities, representatives of MoF, the General Tax Directorate and Mol, to discuss the progress on the transfer of SBT administration, as well as technicalities related to the process of business registration. Discussions focused especially on several aspects of the MoF instruction on SBT administration, in which city representatives presented their views on the need for more clarity and improvement in the instructions. MoF reflected these comments in the sub-legal acts for the implementation of the amended law.



AAM has lobbied with the MoF and GTD to provide technical assistance to cities. In addition, AAM officially requested technical support from the MoF for the administration and clarification of some practical procedural aspects of the process, as well as financial compensation of LG's for the increased costs of administration. As a result, Prime Minister Berisha and Deputy Minister of Finance Mima stated publicly that such support would be provided to local governments.

COMPONENT II : STRENGTHENED CAPACITY AND ACCOUNTABILITY OF LOCAL GOVERNMENTS (SUB-IR 3.2)

Component II was designed to complement the changes in the legal framework and central government roles by strengthening the capacity of local governments to exercise their new authorities and responsibilities accountably and responsively and to be ready to take on additional authorities as decentralization continued.

The Local Government and Decentralization in Albania (LGDA) project addressed this Intermediate Result through activities in three broad, interrelated areas:

- (1) Management of Local Services,
- (2) Accountability of Local Governments, and
- (3) Financial Systems and Management.

LGDA used a unified approach to capacity building in these three areas, building upon a few key tools. A prime example is the Service Improvement Action Plan (SIAP), which made substantial contributions in each of the areas by helping improve service outcomes, increasing accountability, and improving resource allocation.

The Role of the SIAP in Accountability

SIAPs increase transparency and accountability through:

- Monitoring and reporting on outcomes
- Involving citizens in setting priorities and monitoring outcomes
- Improving administrative processes (e.g., tax administration)
- Linking expenditures to outcomes

LGDA achieved substantial, sustainable results in all of these Component II areas:

- In the National Survey, the percent of respondents saying that they trusted their local governments increased 8% between 2005 and 2007.
- More than 80% of the cities in Albania have adopted the Service Improvement Action Plan methodology. Some results in these cities include:
 - The percent of citizens in Pogradec reporting that their neighborhoods were clean or very clean increased from 28% in 2004 to 65% in 2006.
 - Erseke has used the participatory and fact-based planning and built-in monitoring aspects of SIAPs to attract private sector, Government of Albanian, and donor funds to improve city services, including parks and greenery, landfills, and high-priority roads.
 - In Lezhe, SIAP implementation resulted in a 10% increase in cleaning service coverage in 2006 and the council approved a policy to achieve full cost-recovery in 2007.

- Divjaka, which was not a project target city, implemented a SIAP in the cleaning service, resulting in an increase in fee collection from 2% to 67% of households.
- CSOs conducted surveys of citizen satisfaction with services and trained observer ratings for the local governments of Puke and Kavaje.

LGDA's primary indicators for **Sub IR 3.2 Strengthened capacity and accountability of targeted local governments** reflect the gradual effectiveness of this approach throughout Albania, as illustrated in the table below.

<i>Indicator 1: Percent of Citizens that Rate Satisfaction with City Services as High or Very High</i>						
Service Area and Specific Question	2005			2007		
	Overall	Neighborhood	Center	Overall	Neighborhood	Center
Water ("usually" or "always" have sufficient amount when you need it)	65%			73.4%		
Sidewalk conditions (Good or very good)	53%			66.6%		
Cleanliness (city rated clean or very clean)	47%	45%		51.4%	51%	
Road conditions (Good or very good)		40%	74%		50.6%	77%
Parks and Green Areas (Satisfied or very satisfied)	36%			37%		
Street lighting at night (About right)		30%			46.3%	
Traffic Congestion (Not a problem)	16%			20.3%		
<i>Indicator 2: Percent of Citizens Surveyed Who Say They Have a Great Deal of Trust and Confidence in the Local Government's Ability to Solve Local Problems</i>						
Citizens Surveyed	2005			2007		
	51%			55%		

The figures on citizen satisfaction with local services, taken from the national survey, show that in each service (with the exception of parks) there has been consistent and gradual improvement. Similarly, while trust in local still has room for improvement, it is also gaining ground.

Methodology for Component II

LGDA was structured around of a combination of training and technical assistance to a core of 24 Target local governments, supplemented by less intensive assistance to "No-Target" cities through the use of mentors. Much of this approach was built on and expanded from the structure of the previous USAID local governance program. LGAD had worked with ten pilot local governments; these remained in LGDA's Target Group and were later joined by 14 "new" Target Cities. As part of the capacity building activity, LGAD had identified and trained a core group of "Mentors"—former mayors and municipal technical staff—to provide additional support to training participants, both during the training courses and as follow-up. These mentors had provided so effective that under LGDA, Mentors were asked to extend their work to

coach other cities, those not receiving direct assistance from other LGDA staff. Eventually mentors worked with 33 local governments around the country.

In order to ensure close and sustained delivery of technical assistance to a much wider group of local governments, LGDA established four regional offices in Fier, Gjirokastra, Pogradec, and Shkodra, in addition to the project's main office in Tirana. Regional staff each provided ongoing support to Target cities in their regions, as well as providing support and guidance to mentors in their areas.

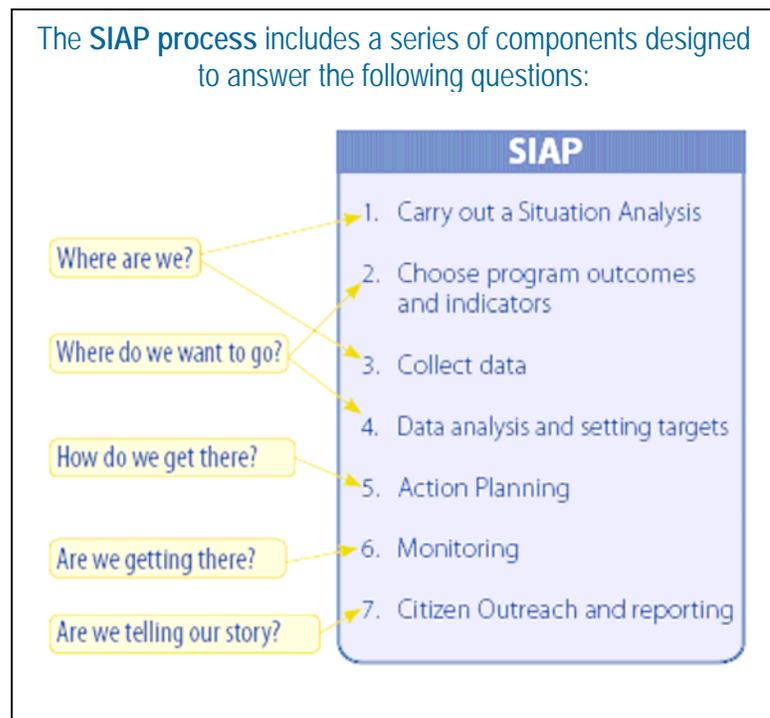
In addition to technical assistance to each of the cities, LGDA also provided a linked set of trainings for local government elected officials (councilors and mayors) and staff, citizens, CSOs, and service providers throughout Albania. While most of the training was provided to Target Cities, a number of training modules were also designed for Non-Target cities. More detailed information on training is included in the sections below.

In the rest of the section, we provide a description of specific interventions and results in each of the three subcomponents.

Management of Local Services

LGDA assisted more than 50 cities to use the Service Improvement Action Plan (SIAP) methodology to plan for, monitor, and report on municipal services. Building on LGAD, under which cities had developed SIAPs for one or two services, Albanian cities moved to using the tool for multiple services ranging from administrative procedures (e.g., business licenses, tax collection) to library services and tourism, as well as public lighting, street cleaning/solid waste collection, parks and greenery, roads and sidewalks, and water.

Service Improvement Action Plans were first developed by the Urban Institute in Albania in 2000 as a tool for applying performance management techniques to service improvement. Each SIAP focuses on one service area and leads a working group through the preparation of a situational analyses and the identification of key performance indicators, with an emphasis on outcomes, target objectives and priority actions, and deadlines and responsibilities for making it happen.



Each SIAP focuses on one service area and leads a working group through the preparation of a situational analyses and the identification of key performance indicators, with an emphasis on outcomes, target objectives and priority actions, and deadlines and responsibilities for making it happen.

The SIAP involves setting up a cross-sectoral working group to work on improving the service. A key feature is that the local governments were encouraged to include council members and community representatives as full or auxiliary members of the working group, promoting citizen participation and a sense of ownership of the SIAP and of the resulting service improvements. If the service was provided through a contractor, a representative of the company was also invited to participate.

In 2004, LGDA began by working with the 10 LGAD target cities to expand SIAP use from the one or two services covered under the previous project to additional municipal services. For new target cities, LGDA held a workshop to introduce the SIAP concept and process. Staff from regional offices followed these workshops up with individualized trips to each target city in order to assist with the development of SIAPs. Regional staff maintained a higher level of contact and more in-depth consultations with the new target cities as they required more initial assistance to successfully apply the SIAP concept.

By the second project year, the regional office staff played a less hands-on role, particularly in the target cities carried over from the previous project, turning management of the activity over to local government staff and providing guidance and advice when requested. In addition to basic municipal services (cleaning, road and sidewalk maintenance, public lighting, parks, and water), cities also started developing SIAPs for administrative procedures for the first time. Two cities used the SIAP process to develop new contracts for solid waste collection and street cleaning that include performance targets (both citizen satisfaction and trained observer ratings). LGDA Mentors worked with 33 non-target cities who had attended the basic SIAP-related trainings. Twenty-five of these included SIAPS in their approved 2006 budgets.

In the final year of the project, 31 non-target cities (out of a total of 43 not receiving direct LGDA assistance) used at least some of the performance management techniques introduced through USAID's local governance programming to improve their local services—a significant and sustainable result for LGDA. Twenty-two of the 23 original LGDA target cities continued to develop, implement, monitor, and report on SIAPs for a range of municipal services and administrative functions, including tourism, libraries, and tax collection. At the end of the project, LGDA prepared and disseminated a Handbook on the SIAP, which will be available to all Albanian Local Governments. (See Annex C for an example of a SIAP presentation.)

In support of the data collection and citizen participation aspects of the SIAP, two low cost/low tech data collection techniques were also introduced, initially under LGAD and then continued and expanded under LGDA:

- Trained observer ratings rate physical conditions of a service from the point of view of the user. The straightforward methodology involves lay people using the same ratings scale to obtain consistent and comparable ratings in different locations and across time. Ratings are used to obtain baseline data and set outcome-based targets that were recorded in the SIAP and also reported by CSOs to the public. The ratings are then used to monitor ongoing performance. Local government staff and community members established the rating scale and conducted the ratings. (The Final Report on the Performance Monitoring Plan provides more information on this technique, which was also used to support the rules-based delegated function activity described in Component I.)
- User surveys of one particular service elicit invaluable feedback on performance for local governments. These surveys are conducted by CSOs and city staff and the results are used as



well to obtain baseline data, set outcome indicators and targets that are recorded in the SIAP and reported to the public, and measure and track performance over time.

Related trainings included:

- Successful Cities I & II, which used case studies and presentations by Albanian officials in an interactive format to demonstrate the trade-offs inherent in allocating budget funds within and across municipal service sectors.
- Trained Observer Ratings, which introduced participants to the concept and principles of Trained Observer Ratings as a source of quantitative data for performance measurement of municipal services. The course included practical exercises and the collection and analysis of data from raters. It was offered to citizens, CSOs, and municipal staff.
- How to Write Winning Proposals

Accountability of Local Governments

LGDA approached the goal of building local accountability in several ways:

- Training for local governments in transparency and outreach and in working with CSOs;
- Training for councilors in oversight of municipal activities and communicating with citizens;
- Training for CSOs on monitoring and working with local governments;
- Streamlining and improving the transparency of administrative procedures (using SIAPs).

SIAPs in administrative procedures included citizen information centers, one-stop shops for small businesses, hotlines for citizen requests/complaints, and tax and fee administration in response to the transfer of responsibility for administering the Small Business Tax from the central to the local governments (see Component I).

Training and capacity building for CSOs was conducted throughout the project, with a focus on ensuring that CSOs and individual citizens could take full advantage of new opportunities to participate in local decision making and increased transparency on the part of local governments. CSOs, youth, parents, and teachers all participated in monitoring service conditions using a low cost/low tech data collection technique called Trained Observer Ratings (also used under the school facilities monitoring activity in Component I). Local governments also worked with CSOs to conduct user surveys—surveys of people using a particular service (for example, tourists in Pogradec). Finally, LGDA also focused on the role of city councils in performing oversight and outreach functions, particularly with respect to the city budget. Both councilors and CSOs were offered training on how to read a budget and participate in the budget process.

Trained Observer Ratings rate physical conditions of a service. Ratings are used to set outcome-based targets that are recorded in the SIAP, and then used for budget development and to monitor ongoing performance. The rating process involves local government staff and the community in establishing the rating scale and conducting the ratings.

In the first year of the project, LGDA worked with the target cities to develop an assessment of civil society in each community. The assessment sought to identify the various civil society actors in the community and determine:

- Degree of involvement in local government issues;
- General capacities of civil society
- Previous civil society programming.

For the assessment, local subcontractor IDRA conducted a series of semi-structured interviews with community leaders, both within and outside government. It was designed especially to establish contact with those less developed and organized efforts who might interact with local governments (e.g., school parents, downtown business owners).

In the second year of the project, the assessment results were converted into a database that included contact information, involvement in local governance, and areas of interest. This database was then presented to the mayor and the public information office in each target city and the identified organizations were invited to the two CSO-focused trainings. Local governments used the database to involve CSOs in their communities in public events and decision making.

Training and technical assistance resulted in significant improvements in transparency of local governments during the second year of the project. Examples include:

- Gjirokastra produced leaflets on citizens' rights to information and posters announcing upcoming council meetings and agenda;
- Pogradec published council meeting dates and agenda in the local paper and developed an awareness campaign on neighborhood cleanliness aimed at middle-school students;
- Kucove developed a SIAP for expanding its business-registration one-stop-shop to include other transactions between the city and citizens;
- Fier and Peshkopi developed SIAPs for improving tax and fee collections; in Peshkopi, this included a media campaign on taxes rates and fee schedules.

In the final year of the project, citizen and CSO involvement in local government decision-making had become a regular part of the way local governments conducted their affairs. Ten cities worked with CSOs to conduct trained observer ratings to measure progress toward SIAP targets in cleaning, parks, roads and sidewalks, and public lighting. In Lezhe, Rreshen, and Fier, local youth groups presented their analysis of SIAP-related ratings and surveys to SIAP working groups and city councils. And CSOs participated in public hearings on the 2007 budget in Vore, Bajram Curri, and Erseke.

Cities also increasingly used media to inform citizens about meetings and publicize local government activities: 18 cities announced and broadcast council meetings on television and 12 cities used city or local papers to provide citizens with information on council decisions, availability of services, survey results, and budget information.



Related trainings included:

- *Transparency in Local Governance (Trust Building)*, which was designed to provide local governments with a set of tools for increasing transparency and disseminating important information (e.g., holding public hearings, publicizing hearing dates, times, and locations, publishing budgets-in-brief). Government staff and officials, CSOs, businesses, and media were trained together.
- *City Council/Leadership I & II*, which were designed to strengthen the capacity of city council by building skills and offering tools to city councilors, such as monitoring and facilitation, identification of ways to engage the community and work with city staff and citizens.
- *Constructive Engagement of Civil Society in Local Governance*, which was designed for CSOs and stressed the understanding of how the budget process works, how to participate, how to read the budget, and so on, and allowed civil society to become more actively engaged in the development of the municipal budget.
- *Civil Society in Local Governance*, a second training for CSOs together with government officials. This was a highly interactive training identifying civil society's expectations of local governments and how the latter involves citizens in decision making, exploring a vision for civil society, city staff and councilors as a three-way partnership as well as recommending ways local governments can change citizen perceptions in specific areas of information, fairness and citizen participation (based on the national survey results).

Citizens Monitor Local Government. Lezha is an old city, founded in 385 BC not far from the Adriatic Sea. The population of about 30,000 lives predominantly in the urban area. Cleaning and garbage collection service is provided by a private company, which sweeps the streets and collects garbage from 200 specified collection spots where residents deposit their household garbage. The Lezha working group decided to introduce trained observer ratings in order to obtain accurate information on the cleaning situation. The raters were students, members of the Lezha Youth Parliament. Each of the students spends three days carrying out ratings, and the ratings are compiled by the project coordinator.

The observers rated cleanliness in the street, on the sidewalk, at the garbage collection site itself (either a bin or a concrete form), and of the area around the collection spot. Street cleanliness for five different neighborhoods varied between 2 and 2.5 (where 1 is "very clean" and 4 is "very dirty"), with two neighborhoods – Marleka Hill and Skenderbeg – identified as having the worst conditions. Raters also made some additional observations such as "incinerated garbage near the cemetery", "spread over 200 square meters", "debris and garbage thrown in front of a religious institution", and "very huge pile." The volunteers collecting the ratings listed the failure of citizens to throw garbage in designated places as one of the main causes. Other factors they mentioned were an insufficient number of bins and the summer influx of vacationers on their way to the beach. They also noted an irregular distribution of bins around the city.

Based on these findings, the municipality decided to allocate funds to purchase additional bins (raising the city-wide total from 52 to 200), and to organize and carry out an information and awareness campaign for citizens and businesses. To fund the improvement of the service, the city increased the fee and planned to work to increase the collections rate from 32% to at least 50% by 2006. While these efforts are still

underway, it is already clear that the city is much more informed about the level of cleanliness in the city, the nature and location of the worst problems, and has developed a specific strategy to address those problems.

Financial Systems and Management

With respect to Financial Systems and Management, LGDA pursued two tracks. First, in all participating cities, SIAPs were linked to the budget so that service targets and results as well as costs were regularly reported on, debated, and formally approved as part of the budget process. Over time, as more services were added in each city, municipal budgets incorporated more and more aspects of performance budgets, resulting in increased transparency and efficiency in the process (see box illustrating an effective “performance budget”). Throughout the project, therefore, LGDA provided assistance to target cities in budget preparation. (See Annex D for an example of a budget presentation.)

Second, LGDA worked with participating cities to improve financial management, including revenue forecasting, expenditure trend analysis, capital budgeting, and proper costing of services (and increasing fees, where appropriate). LGDA helped cities institutionalize an open budgeting process, with a regular calendar that incorporated public hearings and debate. LGDA also worked more intensively with two pilot cities on a comprehensive assessment and revision of their financial systems in order to develop an assessment methodology that was later expanded to all cities.



**Example of Performance-Based Budgeting from Fier, Albania
Excerpt from the Parks and Greenery section of the 2007 Budget**

Performance strategic objective a.1:	Citizens satisfied with the greenery in the city and neighborhood
Annual performance goal a.1.1	5% increase of citizens' satisfaction with the greenery in the city and neighborhood
Annual performance goal a.1.2	5% increase of the number of citizens who use the parks of the city and neighborhoods
Activities:	<ul style="list-style-type: none"> - Increase the numbers of parks from 86 in 2006 to 90 in 2007 - Plant trees and flowers
Performance strategic objective a.2:	Citizens satisfied with parks
Annual performance goal a.2.1	5% increase of rating the cleaning, safety, maintenance, and lighting in parks "very good" and "good"
Activities:	<ul style="list-style-type: none"> - Supply six parks with garbage containers and lighting - Supply five parks with benches - Maintain the existing parks - Add two employees to the greenery service

<i>Outcome Indicators for the Greenery Service</i>	<i>Baseline 2006</i>	<i>Target 2007</i>
% of citizens satisfied with the quality of parks and green areas in the city	19.1%	25%
% of citizens who use parks and green areas in the city and neighborhoods	27.3%	33%
% of citizens who rate the cleanliness of parks / green areas very good or good	52.5%	57%
% of citizens who rate the safety of parks / green areas very good or good	56.8%	62%
% of citizens who rate very good or good the maintenance of grass and trees in parks / green areas	43.2%	45%
% of citizens who rate very good or good the benches and tables in parks and green areas	33.9%	40%
% of citizens who rate very good or good the lighting in parks and green areas	27.9%	32%
% of citizens who rate the works of art in parks / green areas very good or good	18%	22%

Budget allocated to the Greenery Service and the service enterprise (in thousand leks)

No.	Item	2004	2005	2006	2007
1.	Service enterprise	43 906	52 152	61 374	70 400
2.	"Flores & Co." Company	7 062	5 569	3 452	4 056
3.	Investments	0	0	0	10 072
	Total	50 968	57 721	64 826	84 528

Related trainings included:

- Financial System Management, which was designed to improve financial systems and tax management by focusing on analysis and reporting of tax and other financial data for city staff and mayors.
- Successful Cities I & II (see above).
- Cost and Fees, which walked municipal service staff through the process of fully costing a service and calculating cost recovery at various fee levels.

In the first year of the project, Puke and Elbasan volunteered to serve as pilots for more intensive financial management assistance. The first step was to conduct a comprehensive assessment of their financial and administrative procedures (similar to an external audit). An LGDA team spent a week with each city to thoroughly review all aspects of their systems, including: payroll, budget, procurement, treasury, accounting, etc.

In the second year, LGDA used the intensive assessment results to develop a methodology to monitor and evaluate if, how much and how, target municipalities were using in practice the lessons learned from the Financial Management training series. The methodology looked at two categories: (1) key concepts of fiscal and management policies and (2) key concepts of financial analysis and reporting. The assessment was tested with Kucove whose officials considered the tool easy to understand and use; it was then rolled out to all target cities.

By the final year of the project, selected cities had taken the key concepts and skills a step further. For example, Fier was developing participatory performance budgets, routinely including citizens in the budgeting process, linking the city development strategy with service improvement in their four main services, and presenting the budget in an easy-understand format for councilors and the public. Elbasan had developed a financial policy for the city that included covering costs with fees and awareness raising of citizens and businesses to increase fee and tax payment, with an overall goal of increasing own revenues while decreasing taxation at the local level.

RECOMMENDATIONS FOR FUTURE WORK

In this section we provide selected ideas for future work that can build on momentum gained under LGDA or finish efforts that have not completed fulfilled their potential. This report is being completed after USAID issued the scope of work for the anticipated follow-on activity for LGDA, which outlines a number of important activities that form a natural step forward. In this report we focus somewhat more narrowly on just a few salient issues that emerge directly from LGDA activities; the suggested activities may complement or reinforce the activities already identified in the new scope.

National Level



Support the implementation of the new borrowing and planning laws.

The third and final year of LGDA included activities to support two key ongoing decentralization reforms to expand local territorial planning authority and enable borrowing by local governments. The expectation was that that Parliament will adopt the respective laws after the end of the LGDA project on July 31, 2007.

A risk that requires attention is that the implementation of the laws will not be feasible until secondary legislation has been adopted by the Council of Ministers. This will take additional time and will require expert outside assistance to the Government in specific areas. USAID is addressing the secondary legislation related to the borrowing law through a contract with an Albanian firm or NGO that would be let through World Learning. The TOR for the new USAID local government project includes as a possible task support to the Government in preparing the secondary legislation for the new territorial planning law. Down the road USAID may want to assess the timeliness of exploratory work on the value and feasibility of municipal bond issuance, depending on the status of overall capital market reform, especially with respect to the development of financial institutions such as pension funds, investment funds, and life insurance companies which require long term securities.

Clarify the assignment of functions in health and education.

The delegated functions of local governments related to maintenance and operation of primary health care and pre-university education facilities still have elements of tasks rather than functions and responsibilities. In these cases, local governments pay but do not manage expenditures that are controlled by ministry staff. As a result, accountability for the condition of these facilities falls between the two parties, with neither accepting responsibility. There also is evidence from case studies that the cost of performing these functions exceeds the level of funds available to local governments. In looking at the figures it is important to remember that the budget allocation has to cover operating costs (water, electricity) as well as repairs and rehabilitation of existing facilities.

LGDA piloted a successful project to apply basic standards for health and safety in schools as the basis for programming the maintenance and repair of school facilities by local governments. The pilot project should be expanded to include a larger number of communes and municipalities. This is something that USAID agreed to consider, as it would involve only limited technical support from URI, the Albanian NGO that managed the technical assistance to pilot under LGDA. In addition, opportunities might be explored to extend the exercise to primary health facilities in conjunction with the Ministry of Health.

Expand and strengthen the process of competitive allocation of investment grants.

The creation of this competitive process for allocating investment grants to local governments is a positive and long-needed measure. The Government must follow through with its implementation in 2007. The same or a parallel mechanism with similar design is being applied to the allocation of conditional investment grants in health and education. There also is a need to strengthen and improve the process. In 2006 line ministries still determined the level of funding available for the sector under their responsibility. In future years, the size of the pool of funding for competitive investment grants and the allocation by sector should be determined as a separate issue in the context of the MTBP and the annual State budget process. The Government also should consider incorporating in the process the funding provided by the Albanian

Development Fund for local government investments, currently off budget. The process also should be moved forward in time. It should begin in the year prior to the fiscal year in question so that local governments know what grants will be allocated to them, for what projects and in what amount when they prepare their budget.

Formalize by law the consultation between the national and local governments.

The harmonization of the local budget with the state budget is a process that should assist both parties in getting timely and reliable feedback and information they need. Regarding information provided by local governments to the national government, the focus should be on information/input needed to formulate fiscal policy. Thus, instead of sending a full draft budget, local governments should provide a set of data, such as on projected revenues from local taxes that are key inputs to fiscal policy. It is reasonable to expect that the national government may require such inputs from the local governments earlier than the August 15 deadline used in current practice.

On the other hand, local governments need to receive guidance from the national government on key parameters, such as the projected rate of inflation, and on anticipated policy changes with a local impact, such as the expected size of the unconditional transfer pool as well as the size and strategic orientation of the conditional transfers, such as those for investments in certain education and health facilities. The national government should provide this information to local governments early in the year so they can prepare and adopt their budget before the new budget year actually begins, not in mid March of the budget year, as in current practice. The MTBP also should include indicative levels for all these variables to provide the basis for local multi-year budgeting and to improve the predictability of these key sources of local government financing.

Apply fiscal rules to the local budget process.

At the local level there are three simple fiscal rules with which the budget process must comply for purposes of transparency and accountability.

- The first is that no one may execute revenue or expenditure transactions that are not authorized in the local budget as adopted formally by the local council. This will require significant changes in how the Treasury operates, especially regarding expenditures funded by conditional transfers from the State budget.
- The second rule is that the local government must adopt a budget before the budget year actually begins. The inverse of this rule is that local governments should not have to wait until the State budget has been adopted as at present.
- The third rule is that any changes in revenue or expenditure plans or projections during the budget year must be reflected in an amended local budget before the mayor and his staff can implement the changes.

The current budget process does not comply with any of these three rules. When implemented fully these three fiscal rules will lead to substantial changes at the local level. First, they will enhance the role of the local council vis-à-vis the mayor, consistent with Law 8652 that provides extensive powers to the local legislative body. Second, they will affect the timing of the various steps in preparing and adopting the local budget. Those that feed into the MTBP may have to begin earlier. The actual adoption of the budget should move from August as at present to early December. Finally, the new fiscal rules also will open new



avenues for citizen participation. The proposed revisions to the Organic Budget Law include these reforms. Adoption of the law will increase the transparency and accountability of the local budget.

The proposed reform to the Organic State Budget Law addresses these issues in its new provisions regarding the local budget process. The Ministry of Finance anticipates that the law will be adopted in 2007.

Strengthen Disclosure of Local Finances.

To improve disclosure and public access to information on local finances it would be sufficient to implement two key reforms that are feasible within the existing system. One is to recognize that management – the mayor and his staff – is not the primary user of the published financial statements of local governments. Citizens, oversight bodies including the local council and, eventually creditors and investors are the primary users.⁶ The second measure would be to issue simple rules for preparing general-purpose local financial statements to serve the needs of these primary users. This should include both income and expenditure statements and the balance sheet.

Strengthen the Board of Directors of the AAM

Despite some major improvements in the effectiveness of AAM over the past several years, there is no doubt that the association could still benefit from considerable support, and that it is important to do so as they are still positioned as the only group that can meaningfully represent Albanian local governments. As mentioned elsewhere, the Executive Director has been the counterpart for USAID assistance to AAM; it may be more effective to focus now on the AAM Board, as has been done successfully in a number of other countries. The aim would be to strengthen the Board of Directors to become more active, especially in setting the policy agenda for AAM. Useful activities could include providing leadership, facilitation, and oversight training to the Board, as well as providing technical assistance to them in broadening their alliances.

Local Government Level

USAID's local governance projects to date have been highly successful in assisting Albanian cities to improve their financial management and service delivery. An important aspect of this improvement has been the recognition by both local government and the community of the role of citizens and CSOs in setting municipal priorities, allocating funds, monitoring implementation, and in defining what constitutes "improvement" in the first place.

In order to capitalize on this momentum towards democratic local decision making and efficient service provision, UI recommends that

(1) the service improvement activities be continued under any follow-on project, focusing on the cities that have not yet received direct assistance.

⁶ Concepts Statement No.1, *Objectives of Financial Reporting* issued by the Governmental Accounting Standards Board – the body that establishes financial accounting and reporting standards for state and local government in the United States – indicates that the primary users of general purpose financial statements are citizens, legislative and oversight bodies and investors and creditors (paragraph 30).

(2) support for new local governance strengthening activities be designed to benefit from the increasing ability of local governments and citizens to work together.

Local economic development planning is perhaps the most obvious and urgent area for USAID intervention. Many Albanian cities have experience now, through the SIAP process, of bringing local government, citizens/CSOs, and the business community together in working groups to resolve specific problems. Given the SIAP approach's effectiveness and the level of familiarity it has in Albania, it could be used as an entry point to tackle the more complex issues of local economic development planning.

Other such issues that could be addressed through SIAPs or other participatory local governance methods include revenue enhancement, strengthening women's and youth's roles in local governance, public asset management.

The SOW for USAID's follow-on project looks to initiate a number of logical follow-ons at the local level to move forward from LGDA, stressing for example CIPs and municipal borrowing.

A new effort to help cities develop solid capital improvement plans will have a solid foundation to build upon with the practice Albanian localities have gained in identifying priorities, linking expenditures to service outcomes, and monitoring performance over time.

With a better legislative structure in place, and increased own source revenues, Albanian cities can now realistically move forward debt finance. A natural extension of the work done under LGDA and earlier projects to establish clear and transparent budget reporting, the substantial improvements in cost recovery, and the gains made in planning and monitoring service improvements, would be to provide support to local governments in true project finance.

Revenue Enhancement

While local governments have made great strides in increasing own source revenues in the last few years, this is clearly an area where additional efforts are needed. Skills recently acquired under LGDA can be leveraged very effectively to maximize revenue generation. Some possibilities in this regard are:

- The SIAP has been effective in increasing cost recovery through linkage of fees to service improvements. This approach could be supported more widely.
- Expand the access of the service cost and fee methodology introduced under LGDA to focus on recovery of capital costs.
- Building on local governments' new authority to set tax levels and administer the small business tax, local governments could clearly benefit from assistance in quickly improving their ability to levy and collect the tax. Local governments could receive assistance to create a complete and accurate registry of local small businesses, to increase the risks to small businesses that attempt to game the government, and deter tax evasion.

ANNEX A

INDEX OF REPORTS AND OTHER PRODUCTS DEVELOPED UNDER LGDA

Reports on Decentralization, Fiscal Policy, and Local Governance Reform

Aspects of Civil Servant Status Implementation in Local Governments. LGDA and AAM. June 2007.

Decentralization in Albania: Local Government Services, Accountability and Citizen Relations. June 2007.

2007 Albania Decentralization Status Report. Francis Conway and Sabina Ymeri. July 2007.

Information Dissemination Report. July 2007.

Local Fiscal Policy and Improved Financial Management; July 2007

Manuals

The Local Government Sourcebook;=. June 2007

Service Improvement Action Plan Handbook. June 2007.

Successful City Model Budget Guidebook and Training Guide. July 2007.

Service Improvement Action Plan

Individual SIAP Documents prepared by Albanian Municipalities

Survey Reports

Individual City Survey Reports

2005: Elbasan, Erseke, Kavaja, Kucova, Patos, Pogradec, Rreshen, Saranda, Shkodra

2006: Bajram Curri, Elbasan, Erseke, Kavaja, Kucova, Patos, Pogradec, Rreshen, Saranda, Peshkopi, Shkodra, Vlora, Vore

Comparative Benchmarking Survey Report 2007

National Citizen Survey on Local Government: Fact Sheet and Key Findings; March 2006

National Local Government Survey 2005

National Local Government Survey 2005-2007

Training Materials

Successful Cities I & II (Advanced Performance Management and Budget Course); 2005

Building Trust in Communities (Anti-Corruption); March 2005

Advanced Financial Management; August 2005

City Council Leadership; November 2005

Strengthening City Council I & II; 2005

Civil Society Course on Local Governance; August 2005

Local Governance for Media; December 2005

How to Write Winning Project Proposals; November 2006

Citizens Surveys and Data Collection Training; April – May 2007

New Councilor Training; May 2007

Training in TOR (Trained Observer Rating) Methods; July and September 2006

Constructive Engagement between Civil Society and Local Government; October 2005

Performance Monitoring

Indicators Report for FY 2005

Indicators Report for FY 2006

Final Report on Performance Monitoring Plan for LGDA. 2007.

ANNEX B

SERVICE IMPROVEMENT ACTION PLANS PREPARED BY
TARGET AND NON TARGET CITIES

1. SIAPs Carried Out by Target Cities, By Service.
2. SIAPs, Target Cities - 2006 and 2007
3. SIAPs, Non-Target Cities – 2006 and 2007

1. SIAPs Carried Out by Target Cities, by Service

City	Roads and Sidewalks	Solid Waste / Street Cleaning	Water	Public Lighting	Greenery	Other	Administrative Procedures
FIER REGIONAL OFFICE							
Fier	✓	✓		✓	✓		✓ (Tax collection)
Berat		✓		✓	✓		
Vora		✓	✓				✓ (Information & Communication)
Kavaja	✓	✓		✓		✓ (Facade Maintenance) ✓ (City Decor & Traffic Signage)	
Kucova	✓	✓	✓	✓	✓		✓ (One stop shop)
Vlora		✓					
Patos	✓	✓					
GJIROKASTER REGIONAL OFFICE							
Gjirokastra		✓		✓			
Saranda		✓			✓		✓ (Public Information Office)
Permet		✓		✓			
SHKODER REGIONAL OFFICE							
Shkodra				✓	✓		✓ (Civic Registration Office)
Puka		✓					✓ (Tax Administration Office)
Kukes	✓				✓		
Bajram Curri	✓	✓					
Lezhe		✓					✓ (Information Office)
Rreshen	✓	✓					
Bushat			✓				
POGRADEC REGIONAL OFFICE							
Pogradec	✓	✓		✓	✓	✓ (Tourism)	
Elbasan		✓		✓	✓		
Erseke	✓		✓	✓	✓		
Peshkopi		✓		✓	✓	✓ (Library)	✓ (Revenue Increase)
Prrenjas		✓			✓		
Bulqize		✓			✓		
TOTAL	9	18	4	11	11	4	7

2. 2006 and 2007 SIAPs, Target Cities - Status as of July 2007

No.	City	SIAP(s) Description 2005-2006	SIAP(s) Description 2006-2007	Current Status based on SIAP Steps	Budget Approval and Additional Comments
1	Fier	Cleaning Service Municipal Tax Collection	Cleaning Service Monitoring and Update Greenery Road and Sidewalk Maintenance Public Lighting Draft completed	All SIAPs completed; presented to council commissions, city council and public	Budget Approved with all SIAPs in an open Council Meeting. Implementation of Action Plans started Implementation depends on the re-organization of the districts into the same building, aiming at upgrading tax/fee collection into a one-stop shop
2	Berat	Public lighting	Public Lighting Monitoring and Update Cleaning Service Greenery	All SIAPs completed; presented to council commissions, city council and public	Budget Approved with all SIAPs in an open Council Meeting Implementation of Action Plans started
3	Vlore	Cleaning Service	Cleaning Service Monitoring and Update	SIAP completed	Budget Approved with SIAP
4	Patos	Cleaning Service	Cleaning Service Monitoring and Update Road & Sidewalk Maintenance	SIAPs completed	Budget Approved with SIAPs
5	Vore	Water Supply Service	Water Supply Service Monitoring and Update Information & Communication Cleaning Service	All SIAPs completed; presented to council commissions, city council and public	Budget Approved with all SIAPs
6	Kavaja	Road & Sidewalk Maintenance Public Lighting Facade Rehabilitation	Road and Sidewalk Maintenance Monitoring and Update Public Lighting Monitoring and Update Façade Rehabilitation Monitoring and Update Cleaning Service City decor and Road signage	All SIAPs completed; presented to council commissions, city council and public	Budget Approved with all SIAPs
7	Kucove	Water Service (didn't influence 2006 budget) Cleaning Service Public Lighting One Stop Shop	Cleaning Service Monitoring and Update Public Lighting Monitoring and Update One Stop Shop Monitoring and Update Greenery	All SIAPs completed; presented to council commissions, city council and public	Budget Approved with all SIAPs
8	Gjirokastra	Cleaning Service	Cleaning Service Monitoring and	SIAPs completed	Budget Approved with all

No.	City	SIAP(s) Description 2005-2006	SIAP(s) Description 2006-2007	Current Status based on SIAP Steps	Budget Approval and Additional Comments
			Update Public lighting		SIAPs
9	Saranda	Cleaning Service Improvement of business climate – process suspended with the application of the new law on Small Business Tax	Cleaning Service Monitoring and Update Greenery Public Information Office	SIAPs completed Data collection from departments	Budget Approved with all SIAPs
10	Permet	Public Lighting	Public Lighting Monitoring and Update Cleaning Service	SIAPs completed	Budget Approved with SIAPs
11	Shkodra	Public Lighting One stop shop and improvement of business climate	Public Lighting Monitoring and Update Civil Registry Office Greenery Process Stopped. No commitment to collaborate	All SIAPs completed	Budget Approved with SIAPs
12	Puke	Cleaning Service	Cleaning Service Monitoring Tax administration collection	Monitoring Completed SIAP completed and presented to the finance commission	Budget Approved with SIAP
13	Kukes	Road & Sidewalk Maintenance	Road and Sidewalk Maintenance Monitoring and Update Greenery	n/a SIAP completed	Unwillingness to collaborate Budget Approved with SIAP
14	Bajram Curri	Cleaning Service	Cleaning Service Monitoring Road and Sidewalk Maintenance	Monitoring completed SIAP completed; presented to the city council	Budget Approved with SIAP
15	Lezhe	Cleaning Service	Cleaning Service Monitoring and Update Information Office	Both SIAPs completed; presented to council commissions and city council	Budget Approved with SIAPs
16	Rreshen	Road & Sidewalk Maintenance	Road and Sidewalk Maintenance Monitoring Cleaning Service	Monitoring completed SIAP completed; presented to the public services commission	Budget Approved with SIAP
17	Bushat	Water Supply Service (didn't influence 2006 budget)	Water Supply Service Update	SIAP completed; presented to council commissions and city council	Budget Approved with SIAP
18	Pogradec	Greenery	Greenery Monitoring and Update	SIAPs completed	Budget Approved with

No.	City	SIAP(s) Description 2005-2006	SIAP(s) Description 2006-2007	Current Status based on SIAP Steps	Budget Approval and Additional Comments
		Public Lighting Cleaning service Road maintenance Citizen Awareness on Paying Cleaning Fees	Public Lighting Monitoring and Update Cleaning service Monitoring and Update Road and Sidewalk Maintenance Monitoring and Update Tourism Completed	to take place during April	SIAPs
19	Elbasan	Public Lighting Cleaning Service	Public Lighting Monitoring and Update Cleaning service Monitoring and Update Greenery	SIAPs completed	Budget Approved with SIAPs
20	Erseke	Road maintenance Public lighting Water Supply Service	Road and Sidewalk Maintenance Monitoring and Update Public Lighting Monitoring and Update Water Supply Service Monitoring and Update Greenery	SIAPs completed; presented to council commissions, city council and public	Budget Approved with SIAPs
21	Peshkopi	Public Lighting Greenery Tax Collection	Public Lighting Monitoring and Update Greenery Monitoring and Update Cleaning Service SIAP Completed Library Service	SIAPs completed SIAP Completed	Budget Approved with SIAPs Purpose of SIAP was improvement of facilities and quick service – to be used for donor application
22	Prrenjas	Greenery Cleaning Service	Greenery Monitoring and Update Cleaning Service Monitoring and Update	SIAP completed SIAP completed	Budget Approved with SIAPs
23	Bulqize	Cleaning Service Greenery	No evidence after SIAP intro. Staff unwilling to cooperate	No evidence after SIAP intro. Staff unwilling to cooperate	No evidence after SIAP intro. Staff unwilling to cooperate

Note:

1. Categorization of SIAPs based on service type
 - 9 on Road and Sidewalk Maintenance
 - 18 on Cleaning and Solid Waste Collection
 - 4 on Water Service Improvement
 - 11 on Public Lighting Service
 - 11 on Greenery
 - 4 on other services
 - 7 on Administrative Procedures Improvement

3. 2006 AND 2007 SIAPS, NON-TARGET CITIES - STATUS AS OF JULY 2007

No.	City	SIAP(s) Description 2005 - 2006	SIAP(s) Description 2006 - 2007	Current based on steps	Status on SIAP	Additional Information
1	Ballsh	Cleaning Service (SIAP influenced the fiscal package and consequently the budget)	n/a No collaboration	n/a		No commitment to collaborate
2	Belsh	Cleaning Service (didn't influence 2006 budget)	Cleaning Service Monitoring and Update	SIAP Completed		SIAP ready for Council Presentation. Budget not yet approved.
3	Orikum	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update	Survey completed but not incorporated in the SIAP.		Change of Mayor and City staff
4	Selenice	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update Public Lighting Service	n/a SIAP Completed		n/a SIAP Integrated into the budget; budget approval pending
5	Ure Vajgurore	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Updating Public Lighting Service	SIAP Completed SIAP Completed		Two-phase monitoring and reporting to Council and Public: a. July – partial results (City Department data), and b. final results (citizen survey)
6	Corovode	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Updating Public Lighting Service	SIAP Completed SIAP Completed		Two-phase monitoring and reporting to Council and Public: a. July – partial results (City Department data), and b. final results (citizen survey)
7	Polican	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update Public Lighting Service	SIAP Completed SIAP Completed		Budget Approved with SIAPs Two-phase monitoring and reporting to Council and Public: a. July – partial results (City Department data), and b. final results (citizen survey)
8	Divjake	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update	SIAP Completed		No council presentation; No budget approval with SIAP

No.	City	SIAP(s) Description 2005 - 2006	SIAP(s) Description 2006 - 2007	Current Status based on SIAP steps	Additional Information
9	Lushnje	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update	SIAP Completed	No council presentation; No budget approval with SIAP
10	Roskovec	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update	SIAP Completed	No council presentation; No budget approval with SIAP
11	Peqin	Public lighting Cleaning Service Greenery Budget Approved with all SIAPs	Public Lighting Monitoring and Update Cleaning Service Monitoring and Update n/a	SIAP Completed SIAP Completed	Council presentation, along with budget approval
12	Rrogozhine	Cleaning Service Greenery Budget Approved with all SIAPs	Cleaning Service Monitoring and Update Greenery Monitoring and Update	SIAP Completed SIAP Completed	Council presentation, along with budget approval
13	Cerrik	Greenery Cleaning Service Cemetery maintenance Budget Approved with all SIAPs	Greenery Monitoring and Update Cleaning Service Monitoring and Update n/a	SIAP Completed SIAP Completed	Council presentation, along with budget approval
14	Delvina	Public lighting Budget Approved with SIAP	Public Lighting Monitoring and Update Cleaning Service	n/a SIAP Completed	No SIAP presentation to Council; No incorporation into the budget
15	Himara	Cleaning Service (process stopped at data collection)	Cleaning Service (continued)	SIAP Completed	No SIAP presentation to Council; No incorporation into the budget
16	Libohova	Cleaning Service (process stopped at data collection)	Cleaning Service (continued)	Setting targets for improvement	No SIAP presentation to Council; No incorporation into the budget

No.	City	SIAP(s) Description 2005 - 2006	SIAP(s) Description 2006 - 2007	Current Status based on SIAP steps	Additional Information
17	Konispol	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update	n/a	Unwilling to collaborate
18	Tepelene	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update Public Lighting	n/a Setting targets for improvement	Unwilling to collaborate Change of key WG member
19	Memaliaj	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update Public Lighting	SIAP Completed SIAP Completed	No SIAP presentation to Council; Not incorporated into the budget
20	Kelcyre	Water Supply Service Budget Approved with SIAP	Water Supply Service Monitoring and Update Public Lighting	SIAP Completed SIAP Completed	No SIAP presentation to Council; Not incorporated into the budget
21	Maliq	n/a	Cleaning Service	SIAP Completed	No SIAP presentation to Council; Not incorporated into the budget
22	Bilisht	n/a	Cleaning Service	SIAP Completed	No SIAP presentation to Council; Not incorporated into the budget
23	Gramsh	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update	Data collection	No commitment to collaborate
24	Korce	n/a	Greenery	SIAP Completed	No SIAP presentation to Council; Not incorporated into the budget
25	Vau i Dejes	Road & Sidewalk Maintenance Budget Approved with SIAP	Road and Sidewalk Maintenance Monitoring and Update Cleaning Service	SIAP Completed SIAP Completed	SIAPs presented to council; Fiscal Package with SIAP data approved by Council
26	Koplik	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update	SIAP Completed	SIAP presented to council; Fiscal Package with SIAP data approved by Council
27	Rubik	n/a	Cleaning Service	SIAP Completed	Budget Approved with SIAP. In addition, publication of a leaflet

No.	City	SIAP(s) Description 2005 - 2006	SIAP(s) Description 2006 - 2007	Current Status based on SIAP steps	Additional Information
			Greenery Capital Investment Plan	SIAP Completed Proposal Writing for Priority Setting in Investment	on the cleaning service
28	Lac	Road and Sidewalk maintenance Budget Approved with SIAP	Road and Sidewalk Maintenance Monitoring and Update Cleaning Service	n/a SIAP Completed	Change of Mentor; no additional follow up SIAP approved in the Economy Commission
29	Burrel	n/a	Cleaning Service	SIAP Completed	SIAP approved in the Council commission
30	Klos	n/a	Cleaning Service	SIAP Completed	SIAP approved in the Council commission
31	Fushe-Arrez	n/a	Cleaning Service	SIAP Completed	SIAP approved in council commission
32	Kruje	n/a	Cleaning Service	n/a	No commitment by the City
33	Fushe-Kruje	n/a	Cleaning Service	n/a	No commitment by the City
34	Mamurras	n/a	Cleaning Service	Data Collection	No commitment to collaborate soon after the Mayor realized he was not a candidate in the local elections
35	Shijak	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update	SIAP Completed	SIAP approved in services and finance commission; Budget approval pending. Mayor and other city experts requested further assistance.
36	Kamez	Cleaning Service Budget Approved with SIAP	Cleaning Service Monitoring and Update	SIAP Completed	SIAP approved in services and commissions; Budget approval pending.
37	Sukth	Road and Sidewalk Maintenance Budget Approved with SIAP	Road & Sidewalk Maintenance Monitoring and Update	n/a	No commitment to collaborate

ANNEX C:

VLORA MUNICIPALITY CLEANING SIAP



CLEANING SERVICE IMPROVEMENT ACTION PLAN

VLORA Municipality
Public Works Department

Local Government and Decentralization in Albania

USAID / LGDA

Vlora, 8 December 2005



Why a Cleaning SIAP?

- Aim: SIAP aims at orienting the service to the requirements of citizens, making possible the effective use of the budget by the municipality.
- It includes a detailed analysis of the present situation of offering the service; problems, costs, revenues and offers improvements making use of public opinion as a source.

Why cleaning service was chosen as a priority by Vlora Municipality.

- Vlora has been transformed lately into an attractive place for having vacations mainly in summer.
- Considering the increasing needs and considerable revenues generated through tourism, municipality is working to improve the respective infrastructure, such as: streets, recreation places, etc.
- All these changes require intensification of attempts for better cleanliness in the town which is a very sensitive element not only for the citizens but also tourists.

Offering the cleaning service

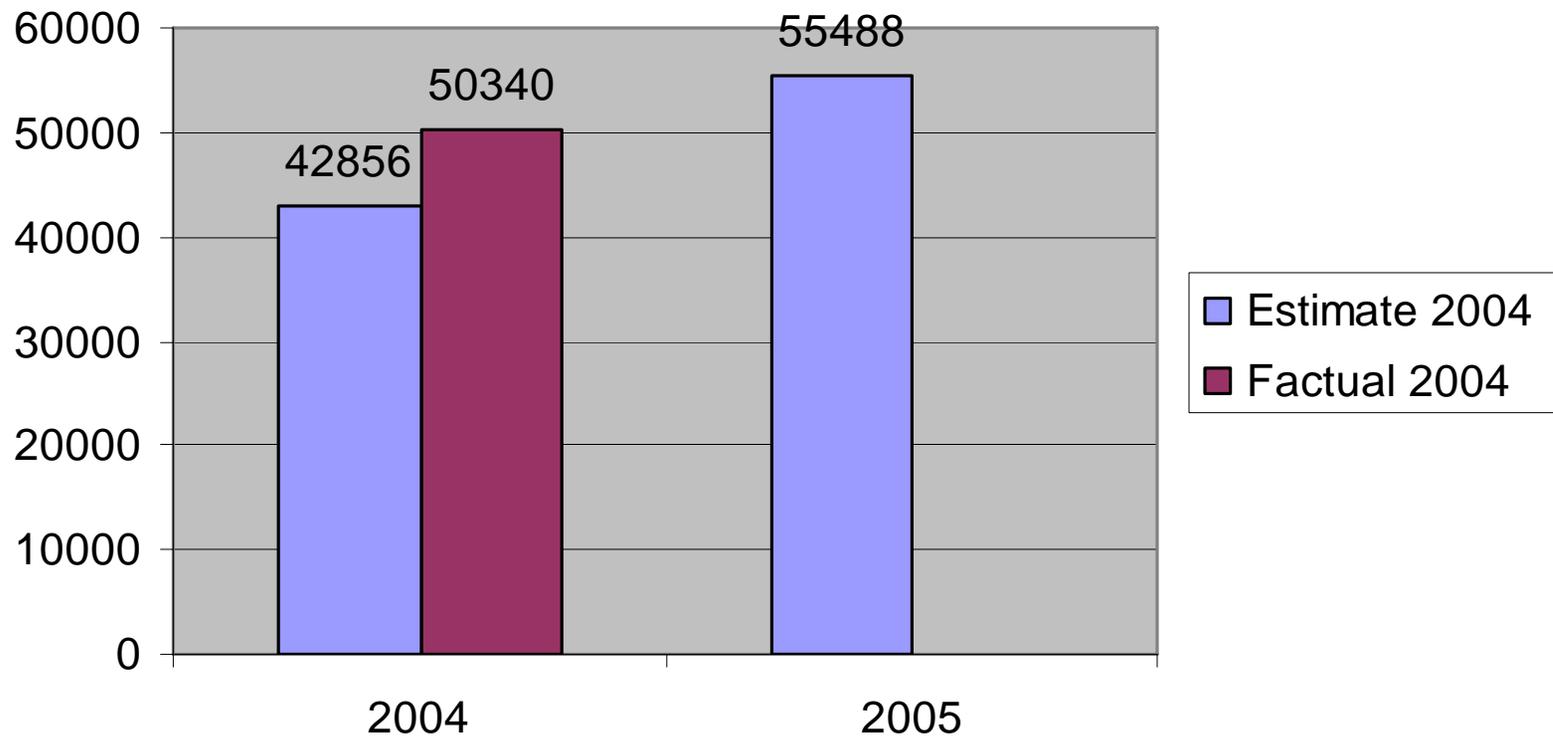
- Cleaning of town shall be performed by the company “DUKA” shpk, which has won the tender from 1997 onwards. The tender is valid for a period of 5 years (2003 – 2008).
- Sweeping of street in a surface of 597.383 m². beneficiaries - 60% of citizens.
- Removal of garbage is performed in the entire town including all the neighborhoods, in 600 centers and everyday there are removed 110 t of waste
- Sprinkling of streets shall be done for a surface of 286.927 m². This process makes up 50% of streets which are swept. Sprinkling is done twice a day.
- Disposal of garbage in the waste dump every day 110 t waste

Cleaning service Expenses

Nr	Description of service	NMeasure unit	Quantity		Price per unit in lek	Annual lek
			Daye	Year		
1	Loading of waste and transport	Ton	110	40.150	910	36.536.500
2	Fshirje te rrugeve	M2	597383	1.826.383.449	0,116	21.620.480
3	Disposal of waste	Ton	110	40.150	80	3.212.000
4	Washing of streets	M2	286.927	120.509.340	0,026	3.133.242
amount 1:					64.502.222	
Strukture 4%:					2.580.088	
Amount 2:					67.082.310	
Fitim 6%:					4.024.938	
Amount 3:					71.107.249	
VAT 20%:					14.221.449	
Amount 4:					85.328.699	
Suoervisor's wage					608.000	
Total:					85.936.699	

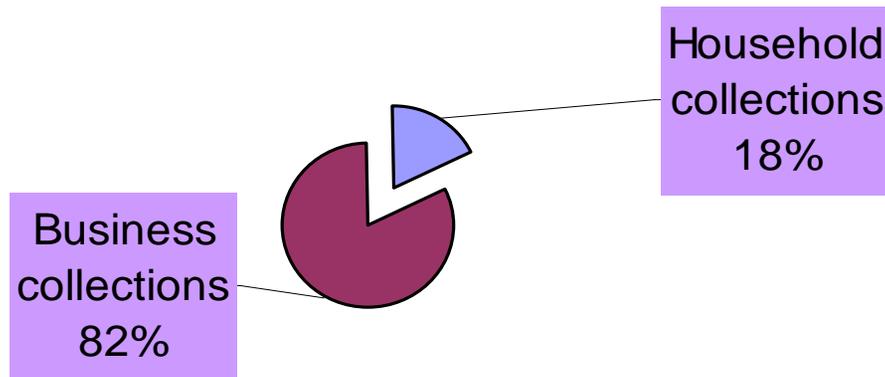
Revenues

Revenue Estimation and Collection



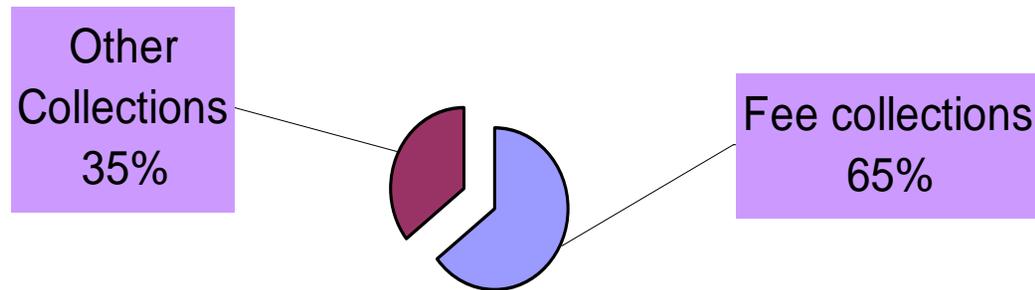
Revenues

According to categories



Covering of expenses with fees

% of revenues from fees

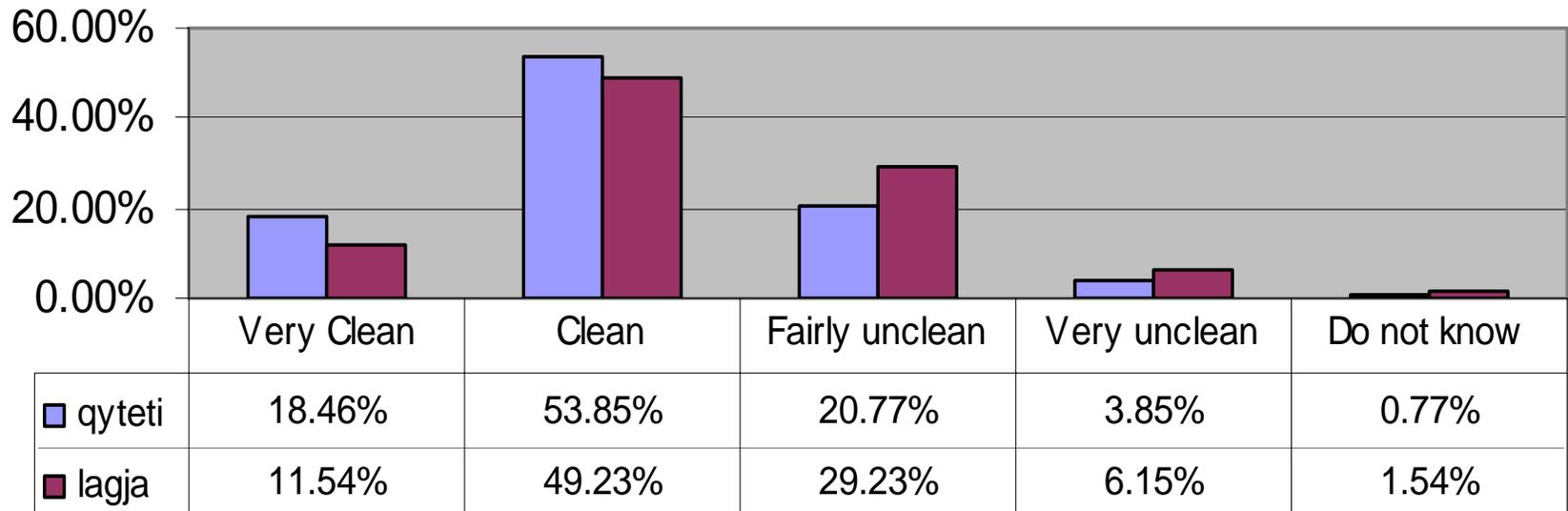


Public opinion

- In August 2005, the service office of Vlora municipality organized a survey for the cleaning service
- Aim of survey was to measure the satisfaction of citizens and share their opinion for the improvement of this service.
- With regard to number of families in the town of Vlora there were selected 130 families to be interviewed.
- Interviews were conducted by the trained group of qualified observers. The data were processed by the staff of municipality.

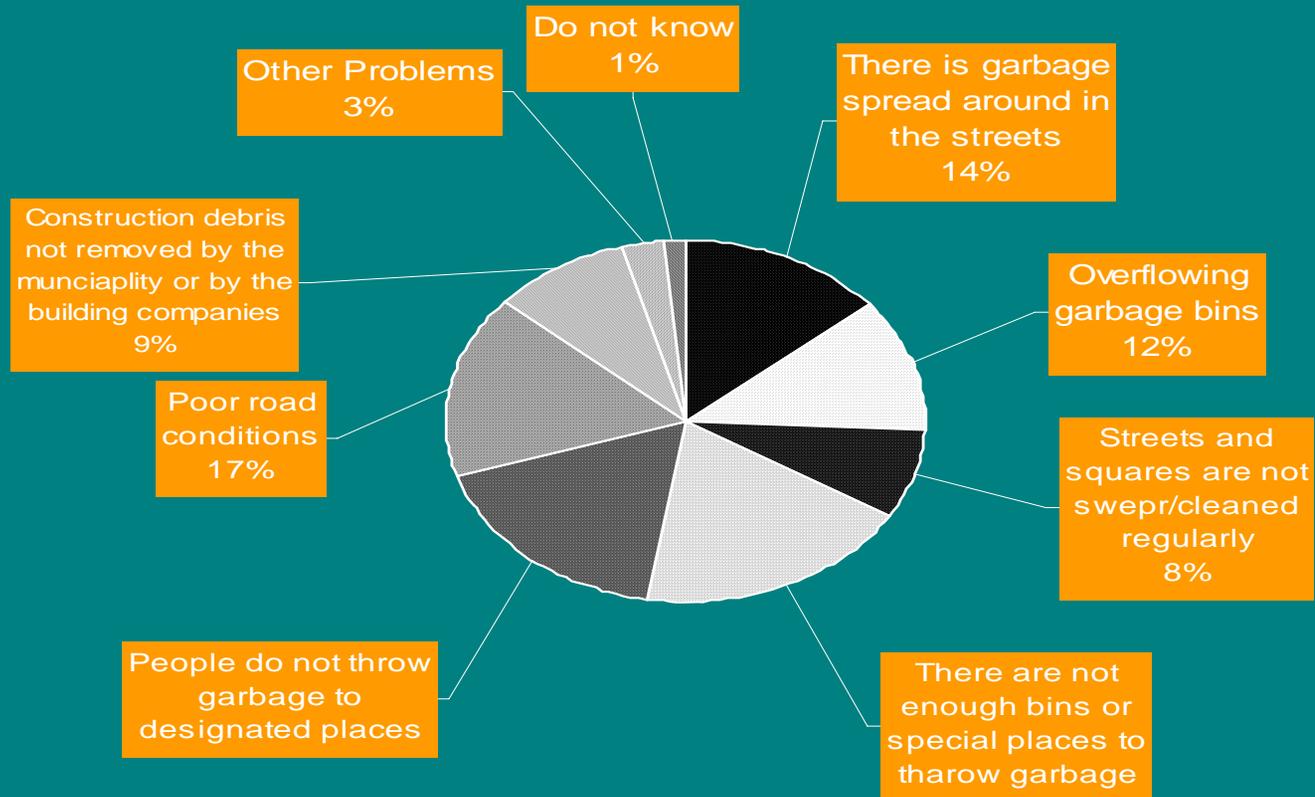
Public opinion

Public opinion for cleanliness of town and neighbourhoods and comparison



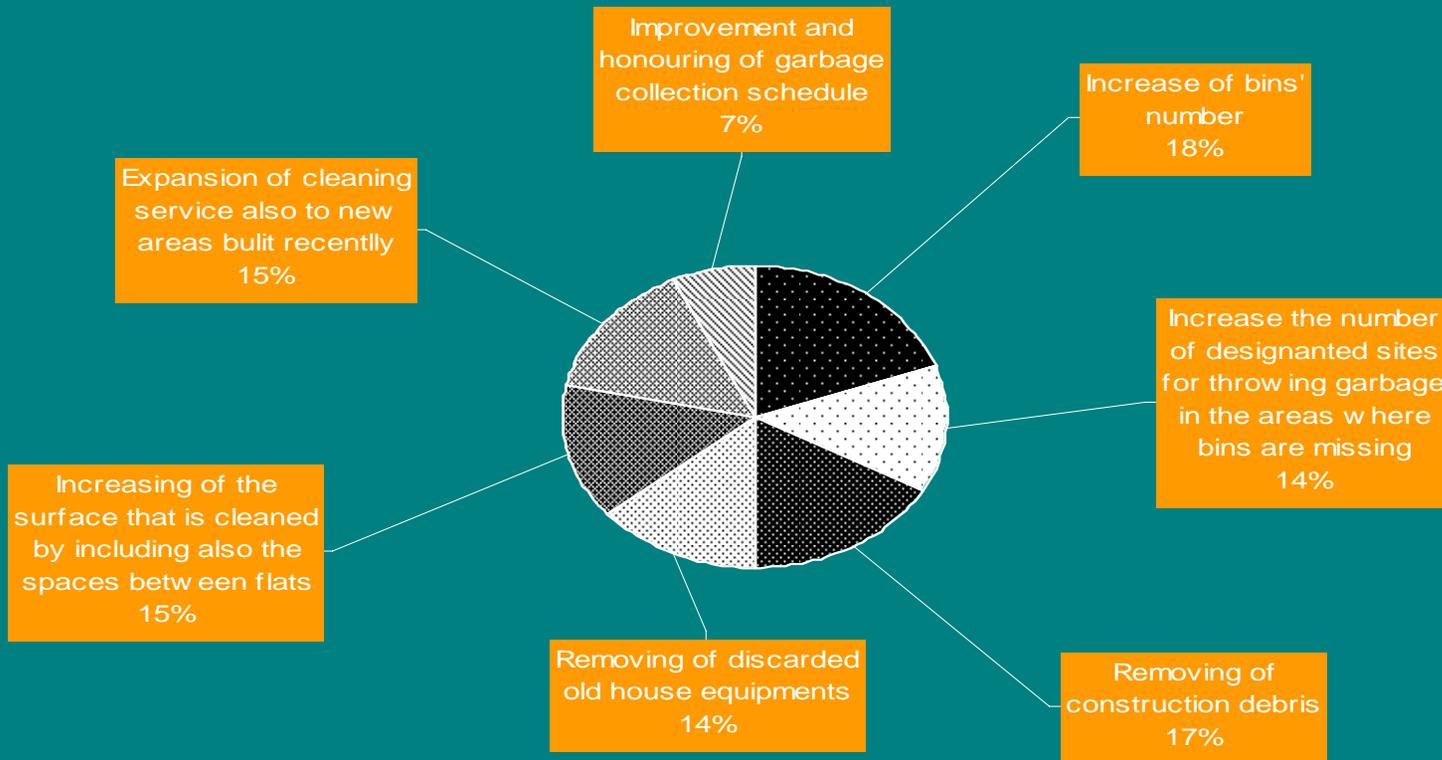
Public opinion

Biggest problems from the public perspective



Public opinion

How do you think that garbage collection in your city can be improved?



Problems

- A problem in the town is the disposal of solid waste by the citizens in the bins of urban waste. Some citizens throw outside the containers. This situation continues to be a problem even today. Considering the amount of urban waste, there comes the need for 100 additional containers.
- Vlora municipality has determined the place for the collection of urban waste with a surface of 6.5 ha. This area is not in line with the contemporary parameters since it is very close to the populated zones due to the free movement of people. In this place there occurs the disposal of the waste, compression and disinfection with lime. It should be highlighted that the citizens in this place burn the waste which emits carbon dioxide harming the health of citizens.
- Citizens also throw close to the collection places old house equipment, which is not removed by the cleaning company.
- Another problem is the cleaning of squares and internal streets which are not included in the cleaning contract with the cleaning company.
- At the same time the citizens do not abide by the rules established by the municipality for throwing garbage within the certain time in the appropriate way.
- A problem in the town are the construction companies which construct apartment buildings. They have to provide for the places where the containers have to be put, depending from families which are going to take these apartments.

Mission Statement

- Vlova municipality aims at ensuring a clean and healthy town, make the citizens aware and happy about a clean town in order to make Vlova an important tourist centre for local and foreign tourists. Mission of municipality: “For a clean Vlova.”

Objectives for the cleaning service provided by Vlora municipality

- Extension of cleaning service and improving efficiency
- Raising awareness of citizens and businesses and strengthening of communication and improvement of relations and accountability
- Development and implementation of standards for measuring the performance of the cleaning service
- Improvement of hygiene and ensuring a clean environment for the development of business and tourism

Table of results and indicators

Results	Indicators	Baseline year 2005	2006 targets	2007 targets	Source of information
1. Clean and healthy town	- % of citizens evaluating the town as clean or very clean	74%	80%	85%	Survey 2005
	- % of citizens reporting that neighbourhood is clean or very clean	62%	65%	70%	Survey 2005
2. Town covered by cleaning service	- % of town covered by cleaning service t	85%	90%	95%	Department of public services
	- % of families benefiting from the service of removal of waste	100%	100%	100%	
	- % of streets swept	60%	65%	70%	
	- % of streets washed	30%	40%	50%	
3. Responsible citizens	- % of citizens reporting not putting waste in the proper place is a problem	17%	15%	10%	Survey
	- Number of fines imposed on citizens and private businesses				Documents municipality
	- % of citizens paying the cleaning fee	63%	65%	70%	Tax office
4. Costs covered through service fees	- % of coverage of cost through the service fee	65%	68%	70%	Tax office
	- % of coverage of costs from the fee collected from families	12%	13%	14%	
	- % of coverage of costs from businesses	53%	55%	56%	

Actions to achieve the results (1)

- Continue with the work of the office of services in order to provide cleaning service to a wider service within the same cleaning contract with the company
- Purchase of containers shall also provide for the conditions of extending coverage to the new zones
- With reference to the financing data, the biggest revenues are ensured through the fees which are collected from businesses (82%) and families (18%). For 2006 the work group can calculate only the service cost and the establishment of the fee making use of the LGDA method. This is going to make possible a proper calculation of the fee allocating the costs according to the causers of pollution

Actions to achieve results (2)

- Office of services shall intensify its work with the citizens to the effect of recognizing and implementing the rules established by the municipality for the cleaning service. This is going to be made possible continuously through the leaflets, notifications and local media
- Results of public survey have pointed out as most problematic the regions IV and V. The problems in these regions are connected to the cleaning of internal streets and solid waste which are not within the scope of contract. Working group shall forward separate studies and projects for these regions.

Communication with citizens

- Sharing of public opinion about the service of cleaning, collection and removal of waste through the use and processing of the data of public survey.
- Raising awareness of citizens' responsibilities for a cleaner town.
- Results of the survey of August 2005 have indicated that the citizens of Vlora need to take more responsibility for themselves for a cleaner town. With regard to this, the municipality has planned to intensify the campaign for public awareness, specifically of those who are in the informal zones and in the beach zone.
- Specifically the municipality shall undertake awareness campaigns through the commitment of the schools and introducing educative elements into the school curricula and in the preparation and distribution of leaflets and posters, which shall remind the citizens of their rights, responsibilities and their duties for a clean town and other services. To this effect there shall be made use of the local radio.

Questions & Comments

Thank you for your attention!

POGRADEEC MUNICIPALITY

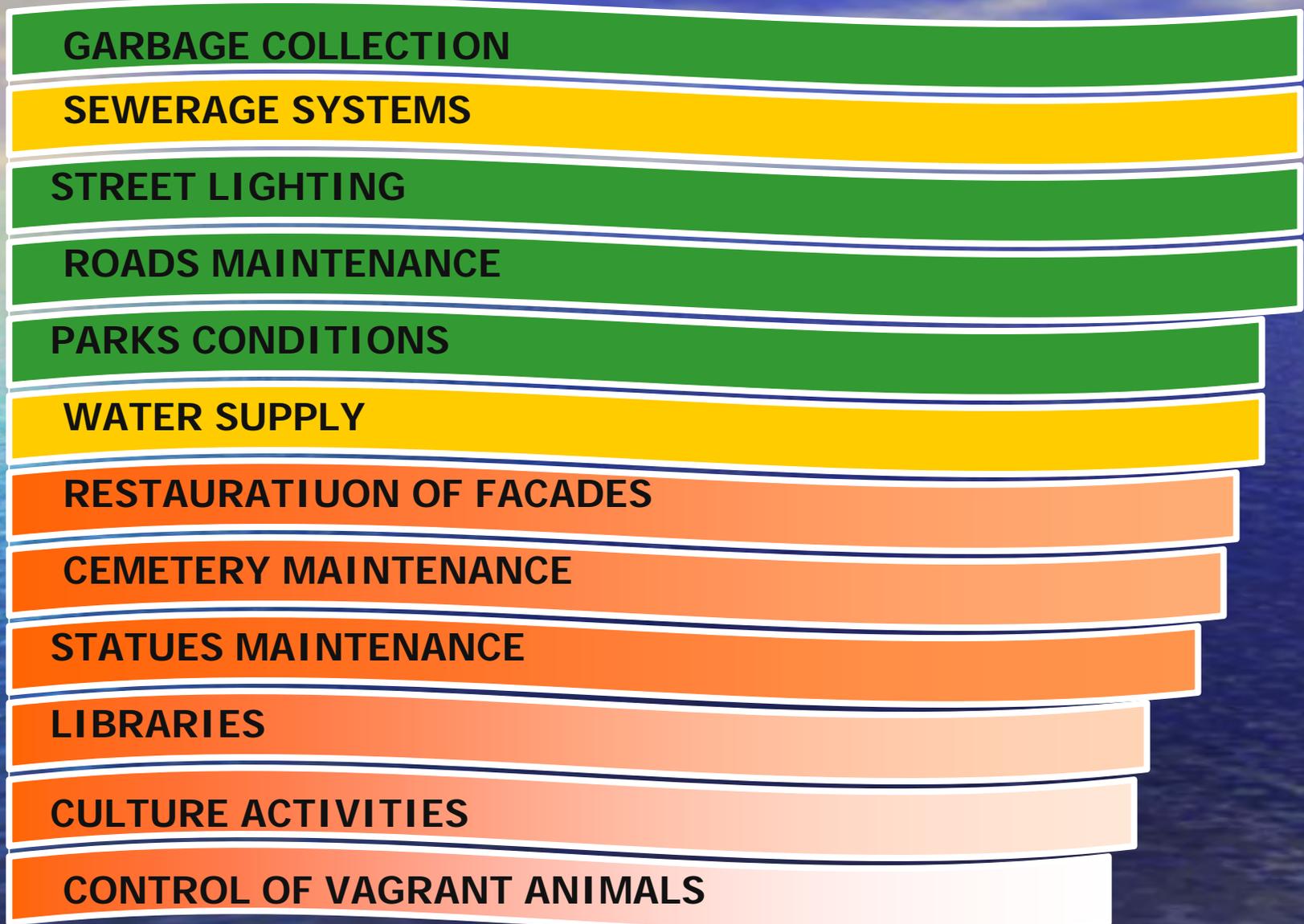
" New Ways of Providing Services "

ANNEX D – Budget
Presentation



LISTING OF SERVICES AS PER THEIR IMPORTANCE (SURVEY 2004)

100 %



IMPROVEMENT PLAN

1. Situation analysis

- ➔ Data from Directorate of Public Works
- ➔ Citizen Feedback
- ➔ Trained Observer Rating

2. Setting the Objectives

- ➔ Outputs
- ➔ Outcomes

1. Budget

2. Execution

3. Monitoring

- **ASSESSMENT OF EXISTING RESOURCES (Cost)**

The cleaning service is provided by the Municipality through a private subcontractor and this is ` REJ ` S.A. Company

(5-Year contract with the municipality until 2008)



The Contract price is 27 588 683 Lek /Year

MAIN ACTIVITIES OF THE COMPANY:



■ COLLECTION AND COLLECTION OF GARBAGE

of households and of the beach area. The average garbage quantity is 35 ton/day

CONTRACT PRICE9 760 000 Leks = 35 %

84 Lek / Year/ Person

5500 Lek / Year / Business



■ ROADS SPRINKLING, covers 28 800 m², 6 times / year

CONTRACT PRICE.....358 000 Lek = 1,3 %



3 Lek / Year / Person

200 Leks / Year / Business



■ **DIISINFECTION OF BINS, 245 time/year**

CONTRACT PRICE....520 000 Leks = 1,9 %

5 Lek / Year / Person

300 Lek / Year / Business

■ MAINTENANCE OF THE TWO CITY RIVERS

CONTRACT PRICE....467 000 Leks = 1,7 %

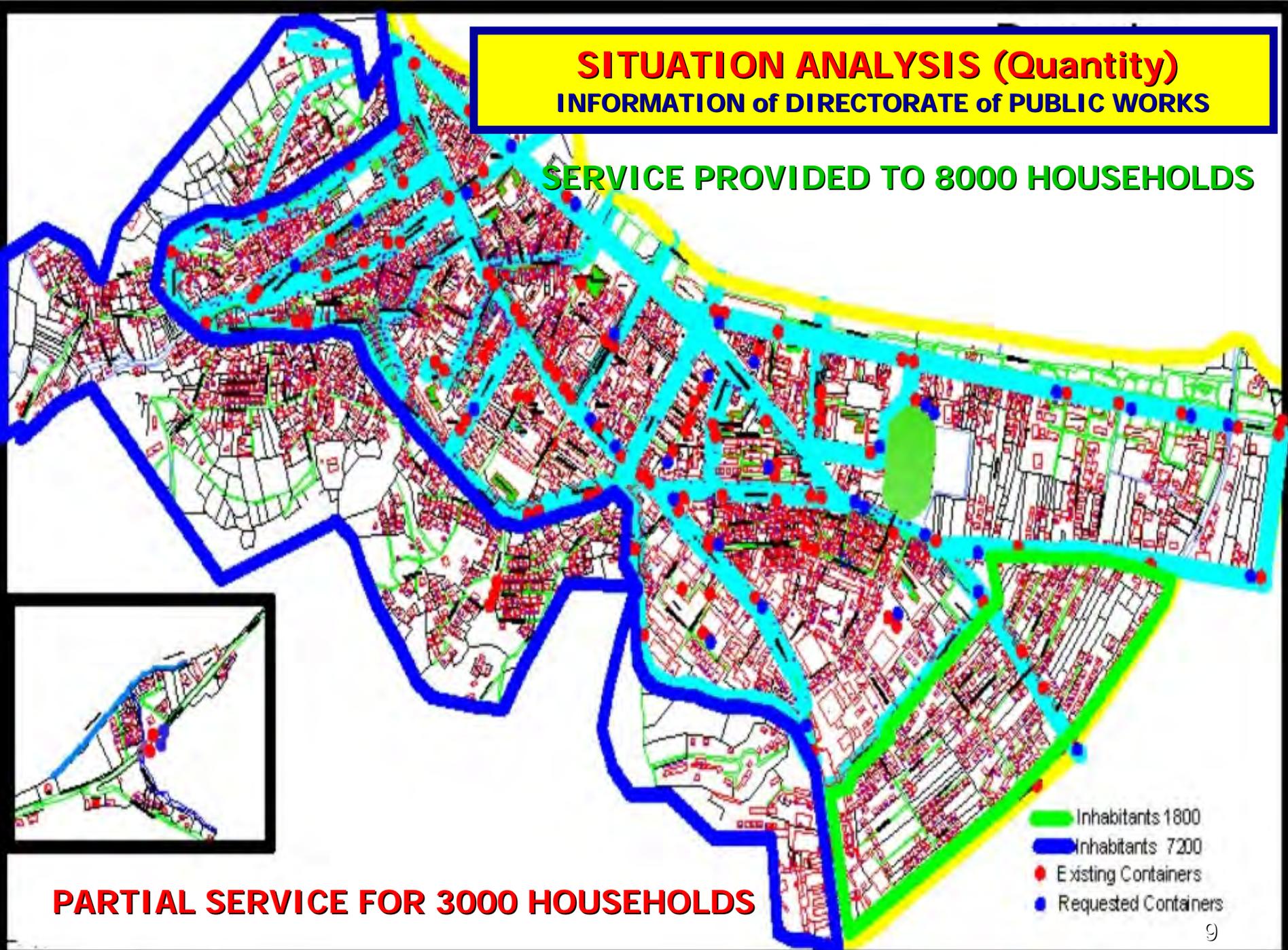


4 Lek / Year / Person

270 Lek / Year / Business

SITUATION ANALYSIS (Quantity)
INFORMATION of DIRECTORATE of PUBLIC WORKS

SERVICE PROVIDED TO 8000 HOUSEHOLDS



PARTIAL SERVICE FOR 3000 HOUSEHOLDS

- CITIZEN FEEDBACK (Survey)**

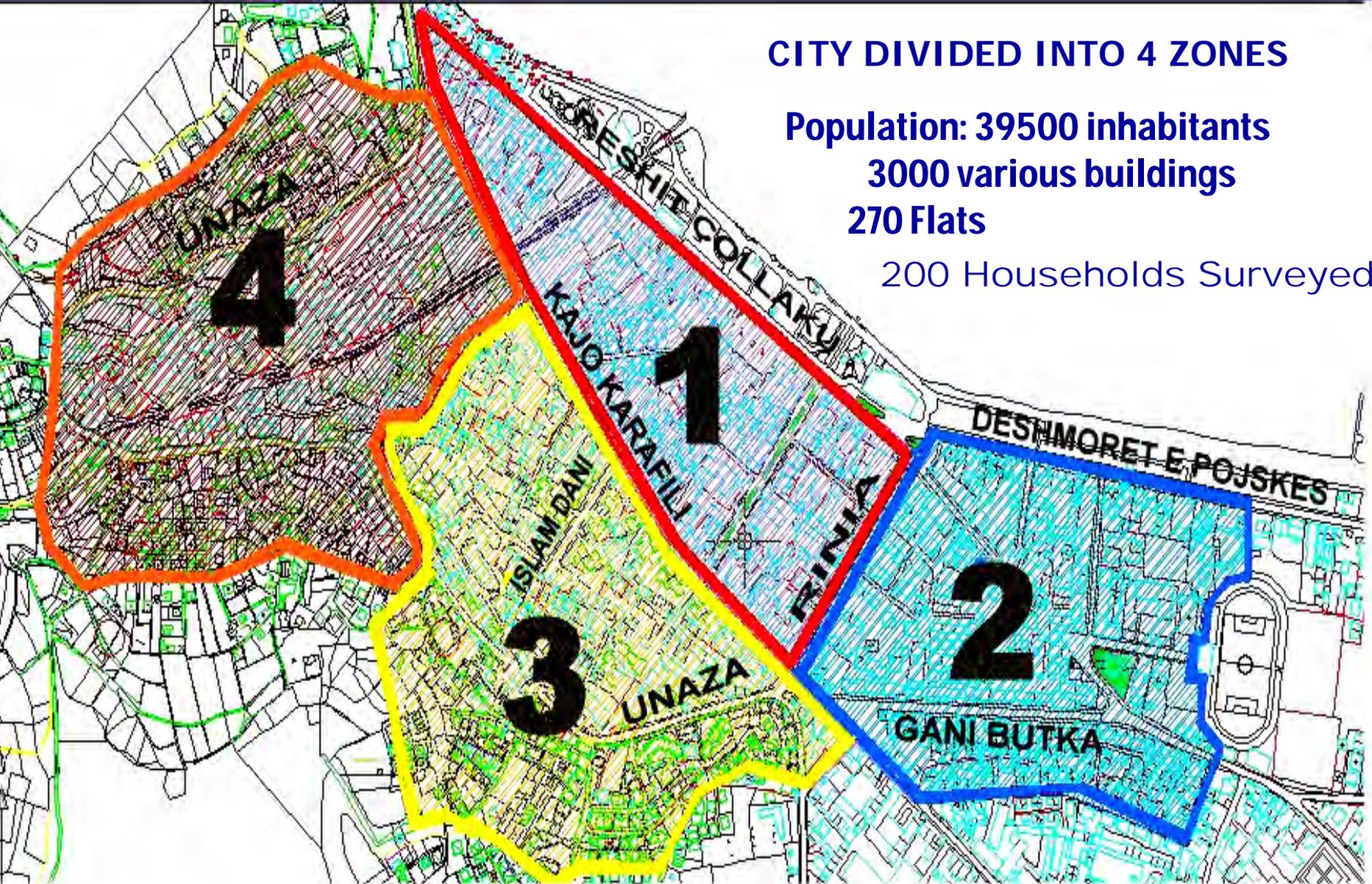
CITY DIVIDED INTO 4 ZONES

Population: 39500 inhabitants

3000 various buildings

270 Flats

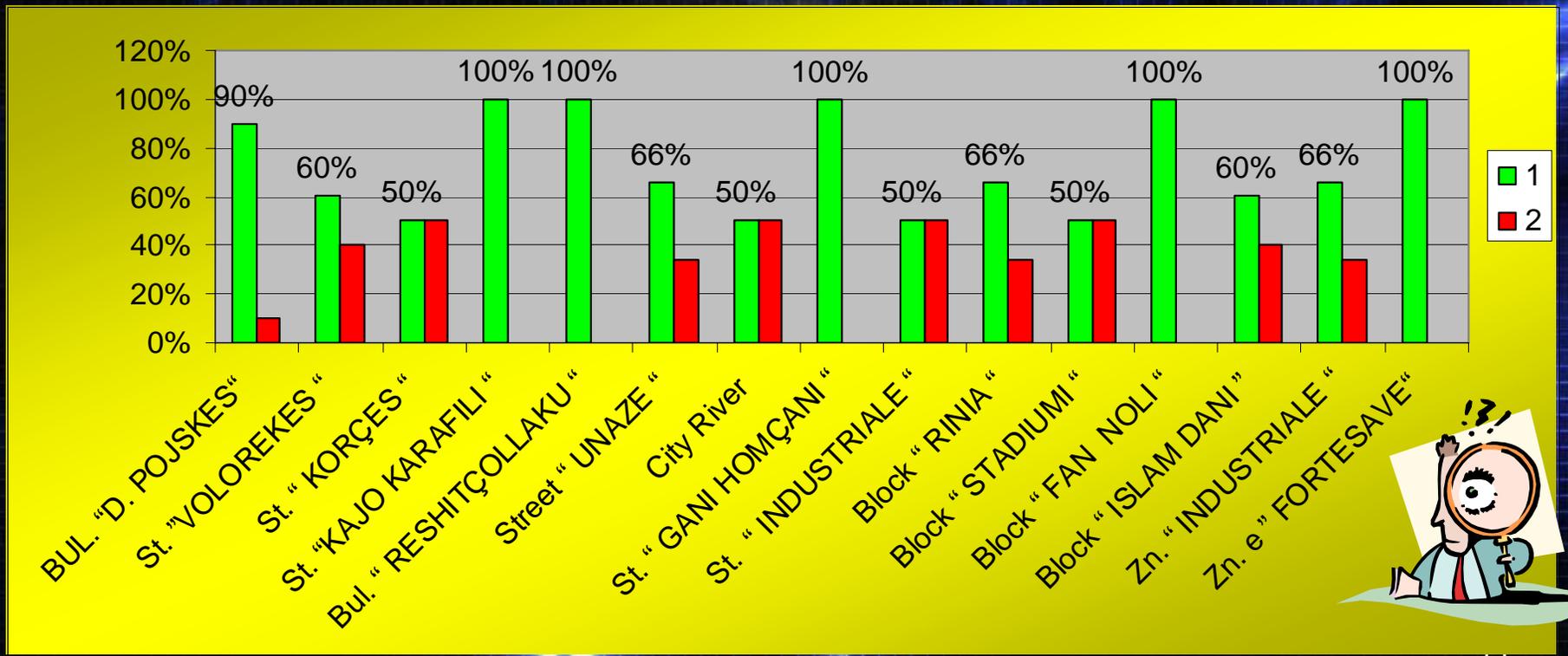
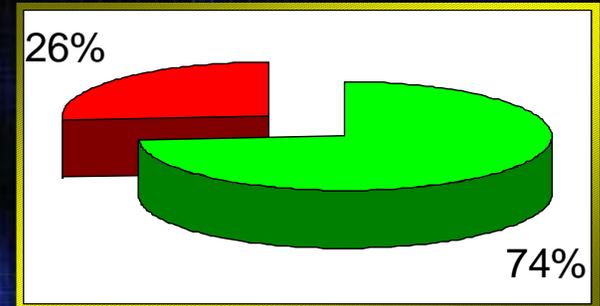
200 Households Surveyed



• TRAINED OBSERVERS (Quality)

Filling rate of Garbage Bins

- Scale 1. Bin is empty or half-empty
- Scale 2. Bin is filled or overflowing



• TRAINED OBSERVERS (Quality)

Cleanliness Around the Garbage Bin Area

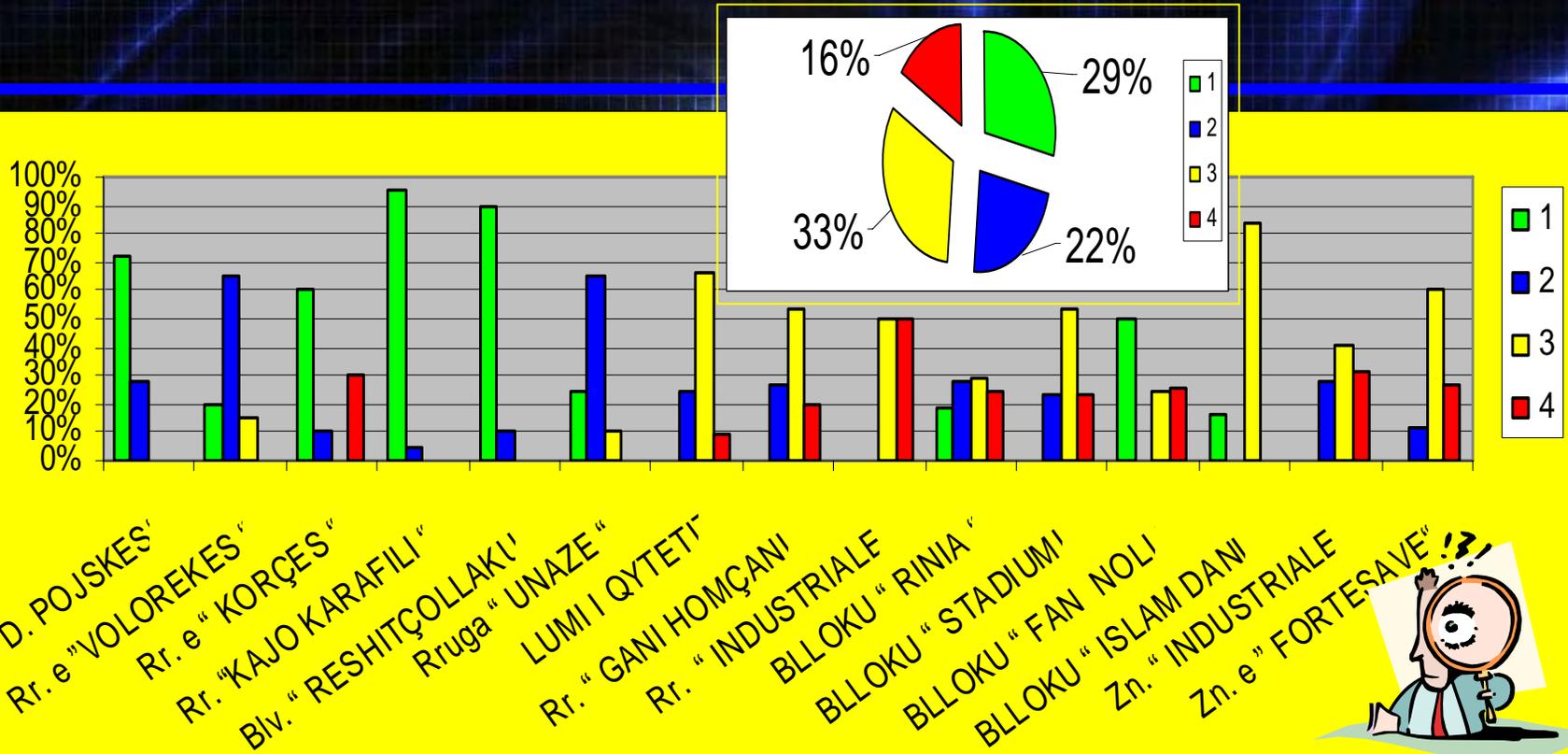
- Scale 1.
- Scale 2.
- Scale 3.
- Scale 4.

The Area is Clean .

The Area is fairly Clean.

Unclean and with Garbage

Very Unclean and with Garbage



• TRAINED OBSERVERS (Quality)

Cleanliness of the Area /close to the garbage bins area

- Scale 1.

The Area is Clean .

- Scale 2.

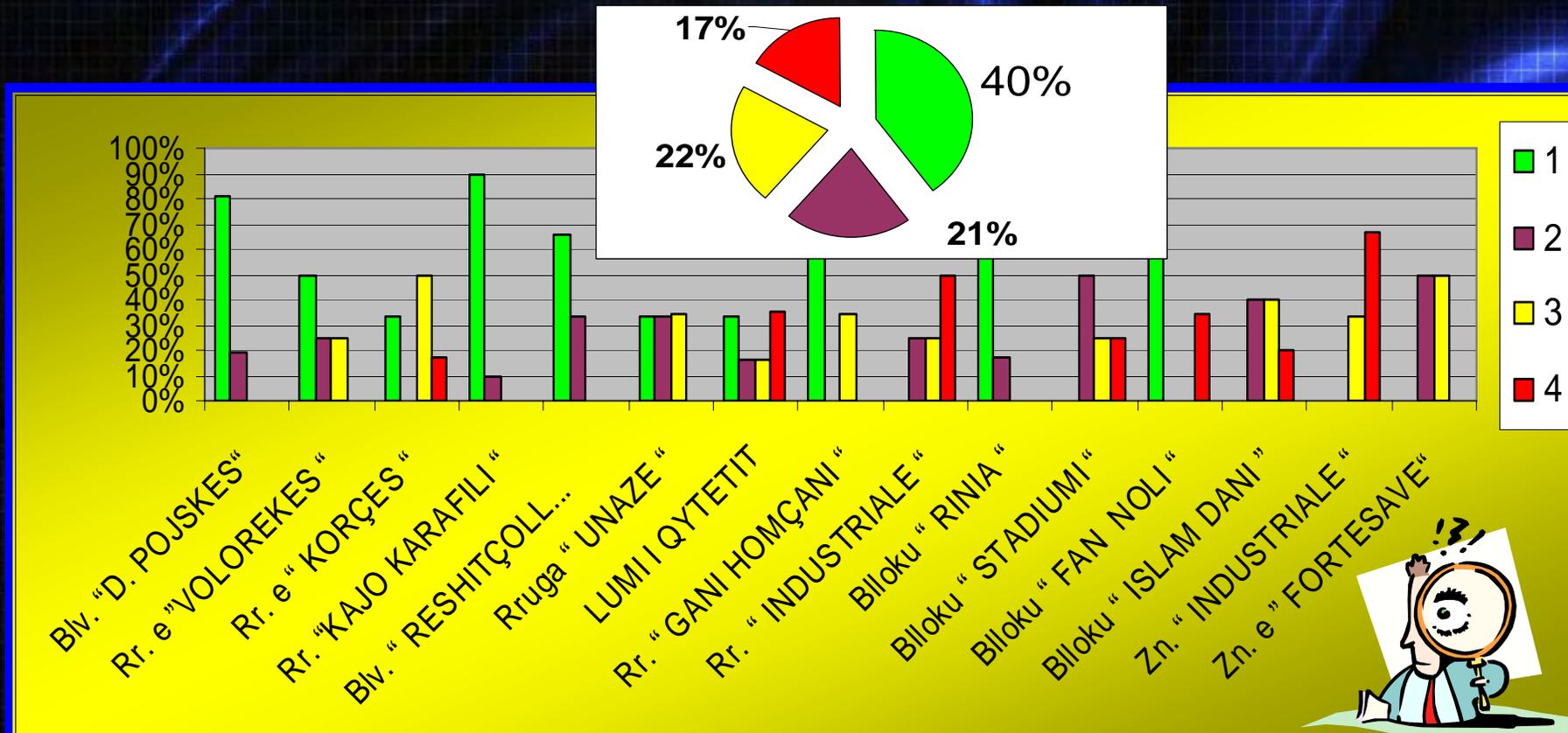
The Area is fairly Clean.

- Scale 3.

Unclean and with Garbage

- Scale 4.

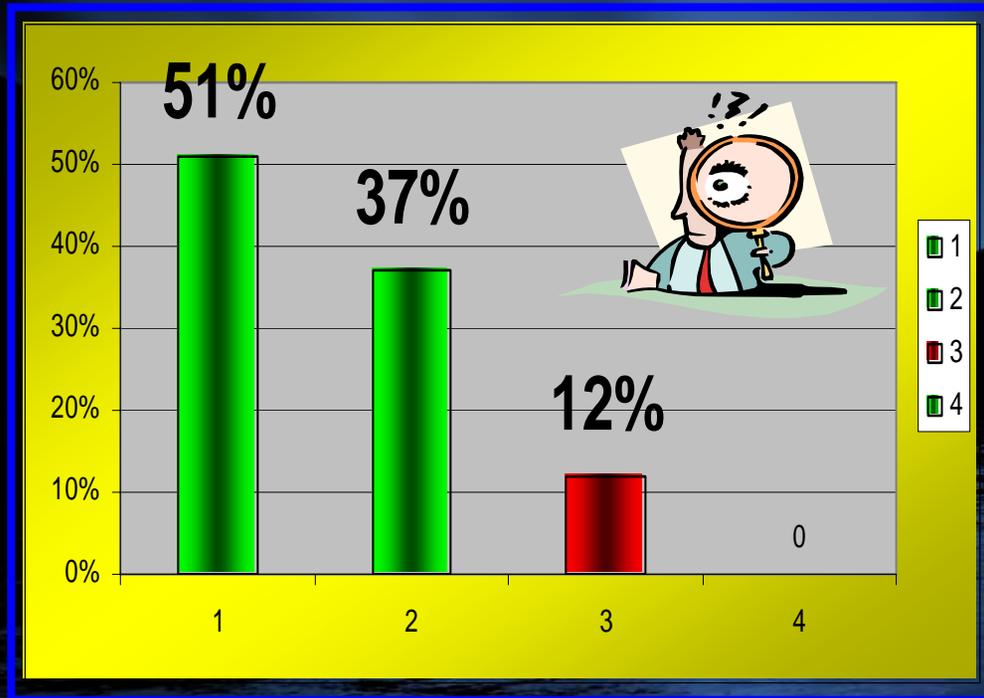
Very Unclean and with Garbage



• TRAINED OBSERVERS (Quality)

Rate of Roads Cleanliness

- Scale 1. Roads Very Clean or, Fairly Clean
- Scale 2. Roads Fairly Clean
- Scale 3. Presence of Garbage over the major part of the road
- Scale 4. Very Unclean over the Major Part of the Road.



Roads Rated 3

- “ KORÇA ” Street
- “ INDUSTRIALE ” Street
- “ TREGU I RI ” Entrance Street
- “ VOLOREKA ” Street

■ What did we do in 2005?

OUTPUTS	2004	2005
Contract Price	27 588 683	27 588 683
Surfaces to be swept	170 650 m2	176 370 m2
Surfaces to be maintained	118 280 m2	124 000 m2
Another technological vehicle	1	2
Rearranged the garbage bins	---	+ 3
Increased cleaning fee for businesses	300 Lek/household	240 Lek/person
Households receiving garbage collection service	8000	8500

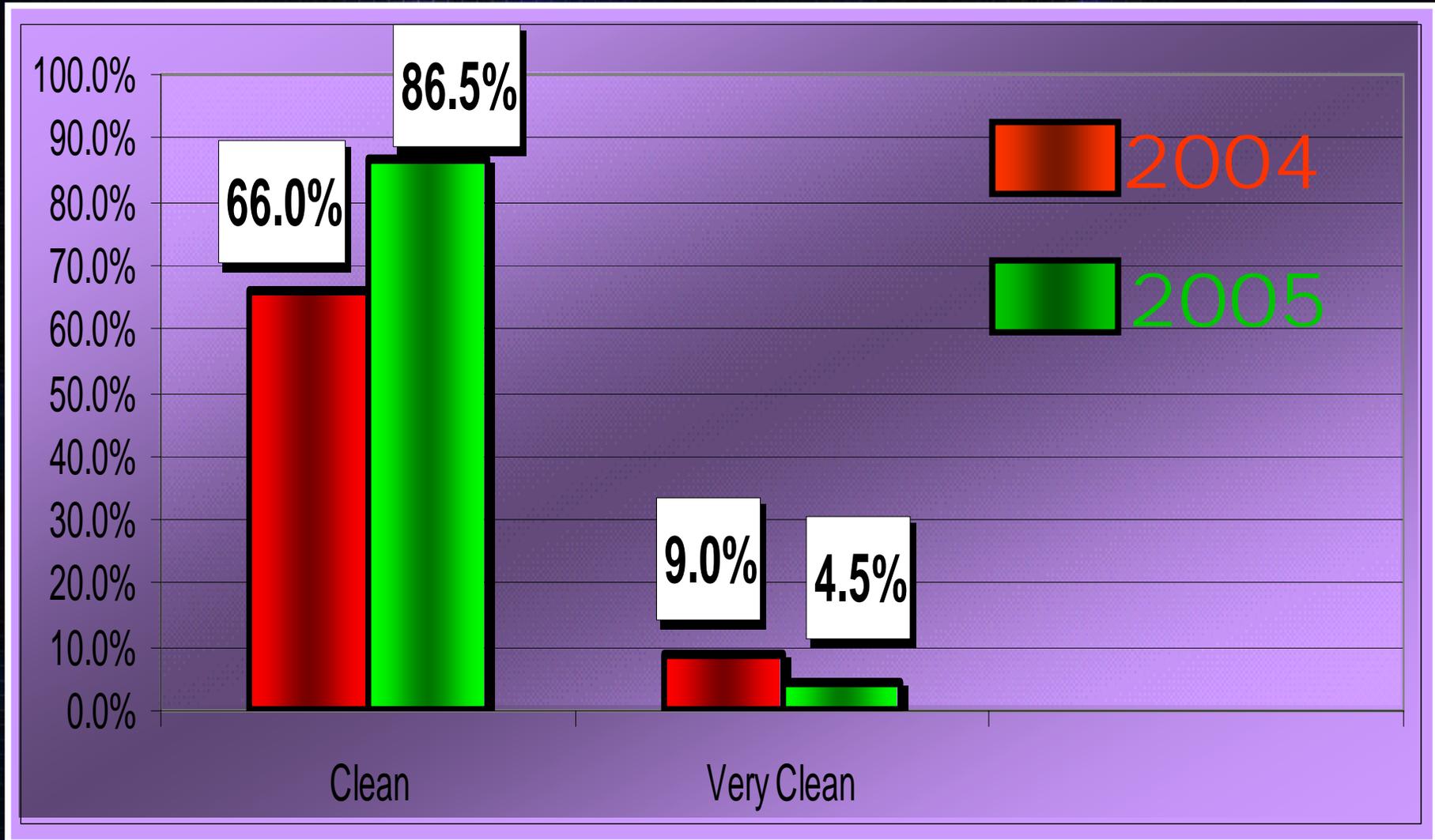
GENERAL OBJEKTIVES – TARGETS



#	OUTCOMES	SURVEY 2004	TARGET 2005	SURVEY 2005	±	TARGET 2006
1	% of citizens satisfied with cleanliness in the city	75 %	82 %	91 %	+24 %	93 %
2	% e of citizens satisfied with cleanliness in the neighborhoods	48 %	60 %	72 %	+14 %	75 %
3	% of households receiving regular garbage collection service	70 %	78 %	75 %	+5 %	78 %
5	% of cleaning service cost recovery	54 %	75 %	76 %	22%	85 %

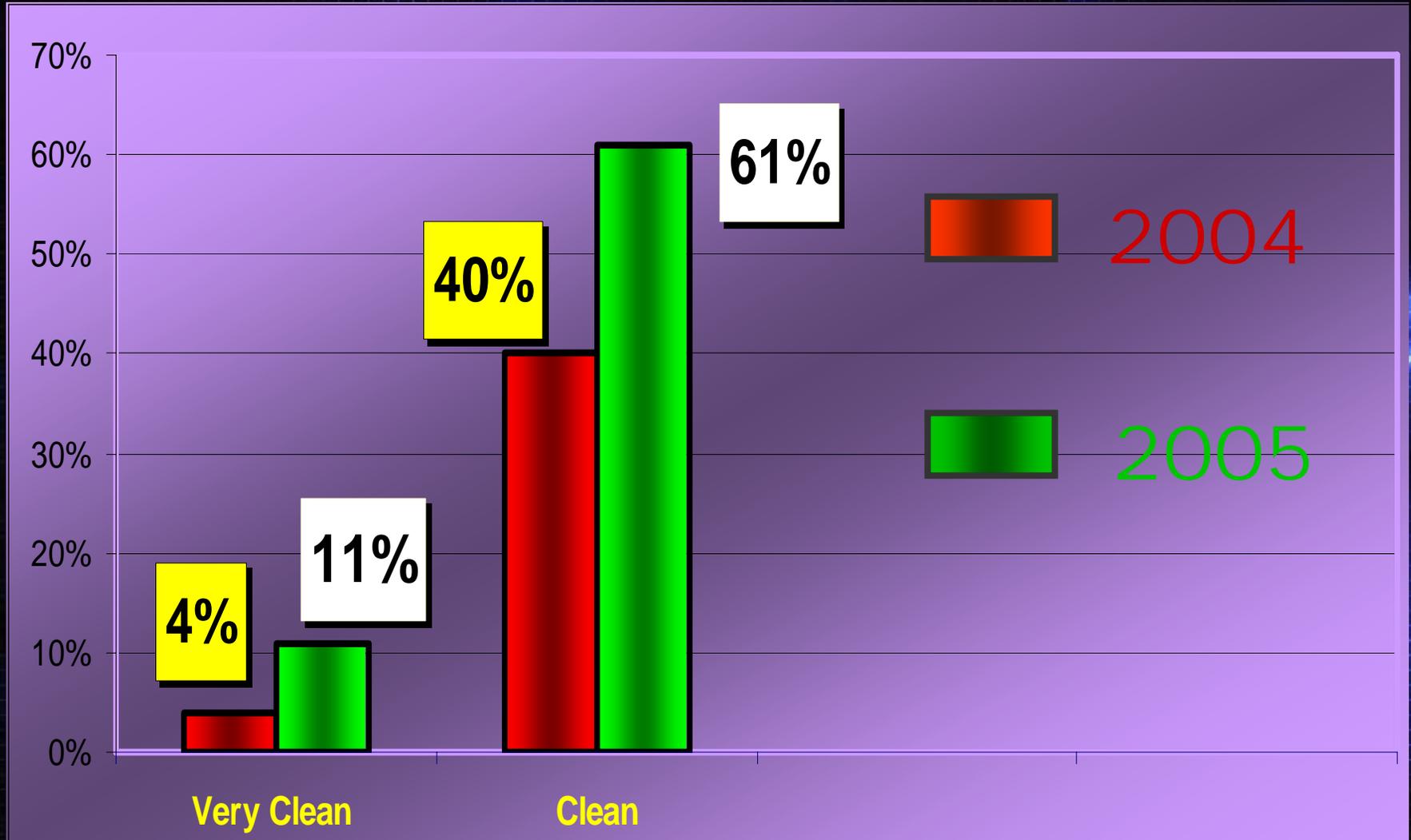
• CITIZEN FEEDBACK

CITIZEN RATING ON OVERALL CLEANLINESS



• CITIZEN FEEDBACK

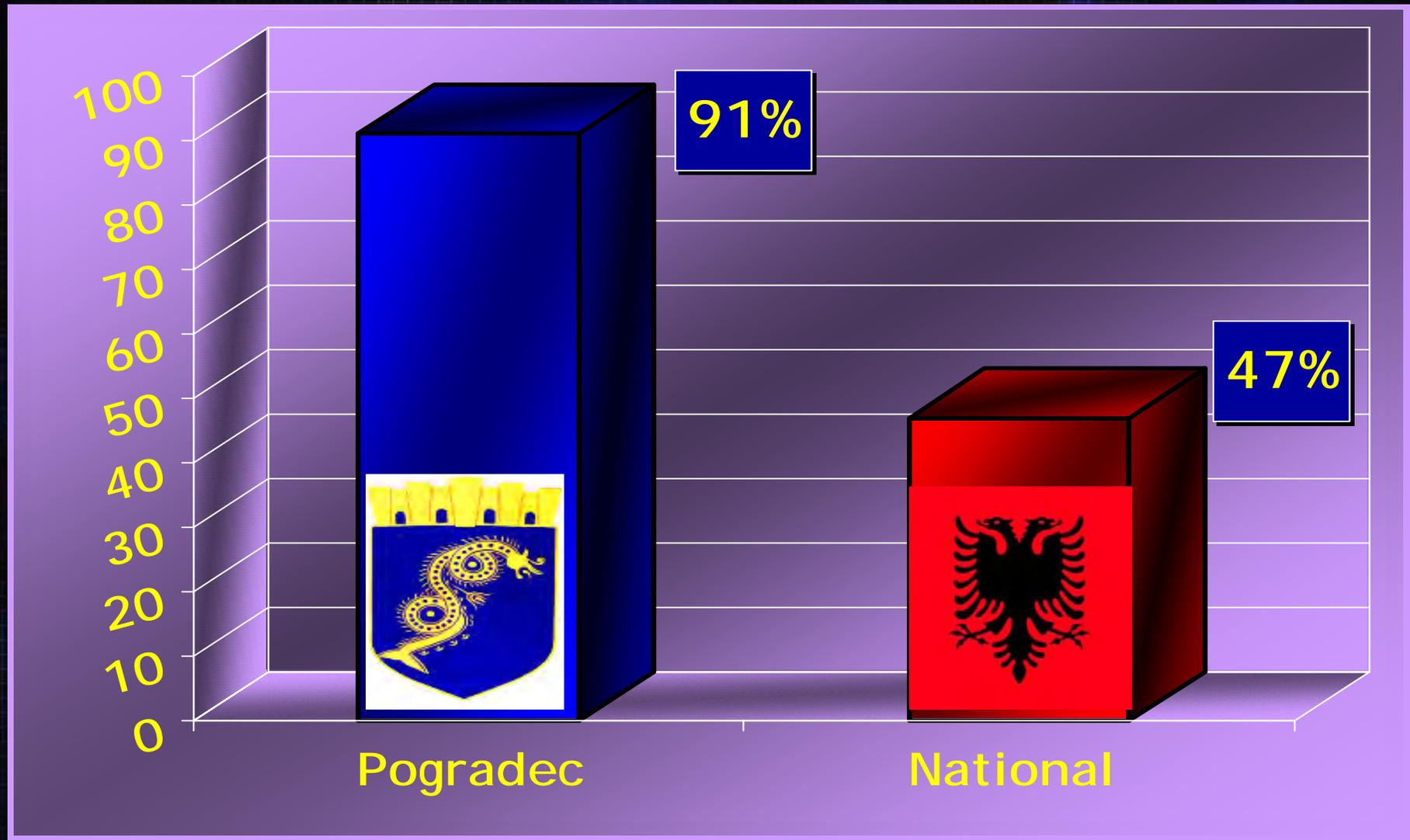
CITIZEN RATING ON NEIGHBORHOOD CLEANLINESS



COMPARISON AGAINST NATIONAL SURVEY

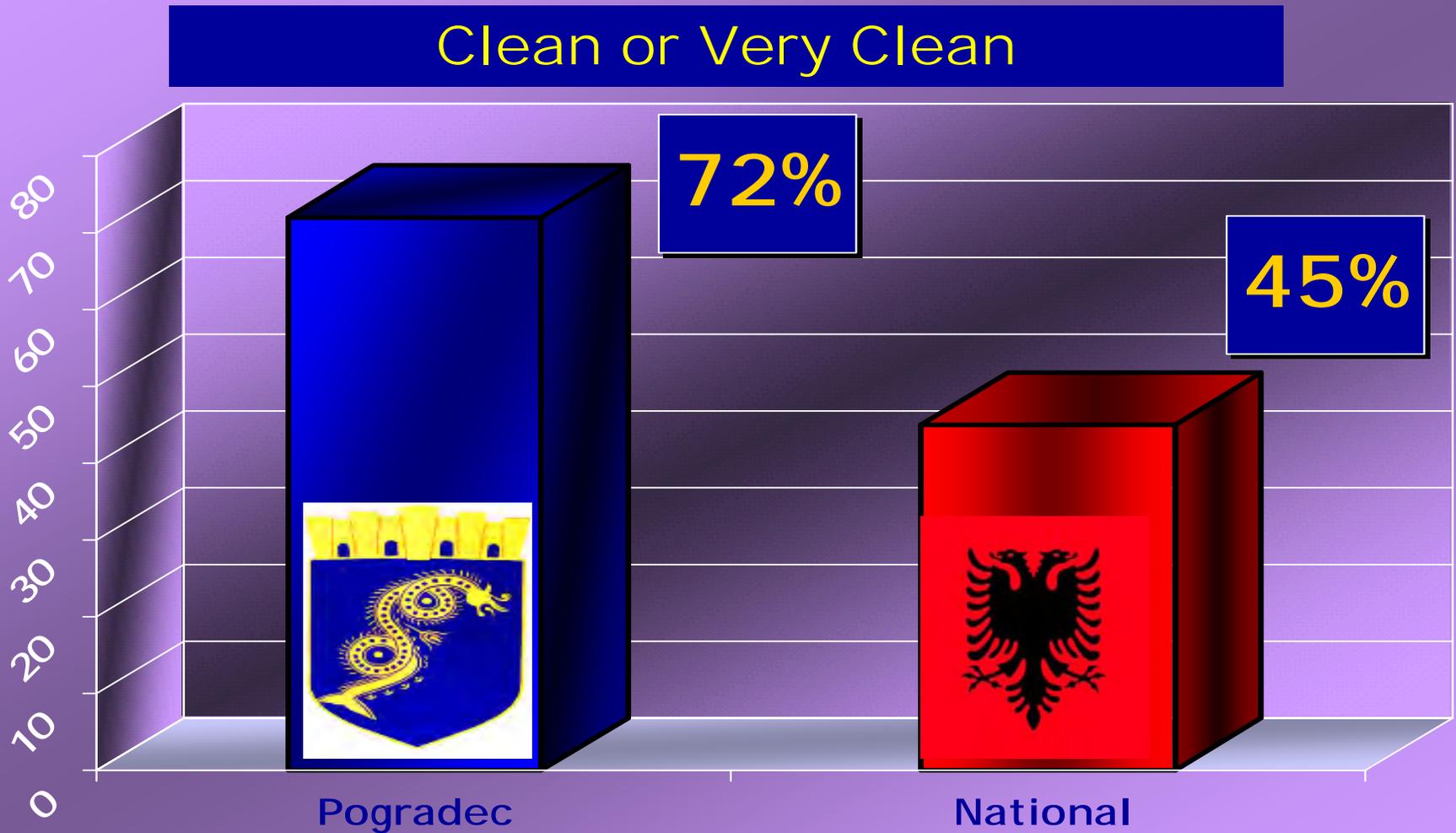
CITY CLEANLINESS

City is Clean or Very Clean



COMPARISON AGAINST NATIONAL SURVEY

NEIGHBORHOOD CLEANLINESS



THANK YOU!

