



Governance Accountability Project
Projekat upravne odgovornosti

TWELFTH QUARTERLY PROGRESS REPORT

FOR THE PERIOD 16 APRIL 2007 TO 15 JULY 2007

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SWEDISH INTERNATIONAL
DEVELOPMENT COOPERATION AGENCY

BOSNIA and HERZEGOVINA (BiH) GOVERNANCE ACCOUNTABILITY PROJECT (GAP)

QUARTERLY REPORT (APRIL 16, 2007 – JULY 15, 2007)

**USAID CONTRACT NO. EEU-I-00-99-00012-00, TASK ORDER 805
(LAST AMENDED BY MODIFICATION NO. 3)**

Sida CONTRIBUTION NOS. 76003104 and 76003623

TWELFTH QUARTERLY REPORT

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development, the Swedish International Development Cooperation Agency, or the United States or Swedish Governments.

ACKNOWLEDGEMENTS

The following pages summarize the activities, performance and progress of the Governance Accountability Project (GAP or the “Project”) during the period April 16, 2007 to July 15, 2007. A number of institutions and individuals furnished crucial assistance to GAP during this period.

The United States and Swedish Embassies have provided essential policy support from inception of the Project. This was most recently manifested through the appearance of both Ambassadors to address municipal officials gathered at the landmark first-ever Municipal Fair in Bosnia and Herzegovina (BiH) held from June 20 to June 22, 2007 in Gradačac.

The USAID and Sida Missions contribute the full funding for GAP activities in the amount of \$20.45 million. This joint sponsorship affords GAP a significantly better status and standing, as well as more flexibility and a greater array of intervention tools, than would have been the case with a single donor acting alone.¹

Special acknowledgement and appreciation is extended to the following officials, without whose strong and continuous support and input, the accomplishments described in this report would not have been possible:

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Anders Hedlund	Sida Mission Director
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Elisabet Tomašinec	Sida National Program Officer
Marinko Šakić	USAID Program Manager
Nedim Bukvić	Sida National Program Officer

Home-office backstopping for the Project is provided through the extensive organizational resources of Development Alternatives, Inc. (DAI) in Bethesda, Md., prime contractor for the Governance Accountability Project. Russ Webster, Practice Manager for Democracy and Governance, Alan H. Edmond, DAI Principal Development Specialist and Erin Upton-Cosulich, DAI Associate are the front-line personnel responsible for supporting the Project on a day-to-day basis.

On May 4, 2007, USAID and DAI concluded modification No. 3 to the GAP task order increasing the duration of the contract by one-month to September 15, 2007. The modification included no increase to the ceiling price of the Project.

GAP is implemented by the following consortium of international partners that have cooperated with DAI on this effort, and whose contributions continue to be vital to the completion of the Project:

Academy for Educational Development
Enterprise Development Agency

¹ GAP will also utilize small, targeted donations earlier made by the United Kingdom and the Norwegian Governments for financial management software to assist the unification of the City of Mostar.

ACKNOWLEDGEMENTS (continued)

Consortium of internal partners (continued)...

IGE Consulting, Ltd.
Independent Bureau for Humanitarian Issues
Social Impact
Swedish Association of Local Authorities International Development Agency

On May 9, 2007 in a most striking validation of the success of this DAI managed effort and the quality name-recognition earned by GAP, project donors joined by the Embassy of the Kingdom of the Netherlands in Sarajevo (EKN) issued a five-year, thirty million dollar tender for continuation of the work under “GAP2”.

Consortium partner Enterprise Development Agency, apart from its work on GAP, developed the *Local Self-Governance Development Strategy in BiH*, which is cited in the GAP2 request for proposals as the primary strategic policy guidance for the new project.

The GAP staff is led by the exceptional group of senior managers listed below, all of whom contributed to this report.

Elizabeth H. Holt	Director of Operations
Meliha Arslanagić	Grants Manager
Håkan Gustafsson	Director of Municipal Interventions
Saša Leskovac	Director of Field Operations
Denisa SarajlićMaglić	Director of Policy Interventions
Sanin Džidić	Monitoring and Evaluation Officer
Slaviša Šučur	Policy and Municipal Association Advisor
Jasenska Kratović	Information Officer

In a singular and symbolic tribute to the work of the donors and GAP staff, the Municipal Council of Živinice named the Chief of Party as an Honorary Citizen of the Municipality on June 19, 2007.

This is the final quarterly report for GAP, which was inaugurated on July 15, 2004. In accordance with USAID task order No. 805, a completion report will be issued no later than September 1, 2007.

During ten-plus years of international consulting experience, GAP represents the most challenging and successful development project ever observed by this writer. The overwhelming *raison d'être* for this success was the superb design of the Project by the donors, merging policy reform and practice, blended with targeted grants and customized solutions into a multifaceted approach to the problems of local governance.

It is not overreaching to express on behalf of all GAP staff and STTA, past and present...the sincere reflection that “we were honored to be a part of it”.

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ABBREVIATIONS

Acronyms are used sparingly in this report where the shorthand may help streamline the text or facilitate brevity. For the convenience of the reader, abbreviation references used in this and earlier reports are included in the following list and selectively within the body or footnotes of the report itself.

ADA	Austrian Development Agency
ADS	Automated Directives System
AED	Academy for Educational Development
BiH	Bosnia and Herzegovina
BR&P	Business Registration and Permitting
CCI	Center for Civic Initiatives
CDPC	Community Development Planning Committee
CHF	Community Habitat and Finance International
CIP	Capital Improvement Plan
CLRAE	Congress of Local and Regional Authorities
CoP	Chief of Party
CSC	Citizen Service Center
CT	[Capital Improvement Plan] Coordination Team
DAI	Development Alternatives, Inc.
DCA	Development Credit Authority
DFID	[United Kingdom] Department for International Development
EDA	Enterprise Development Agency
EKN	Embassy of the Kingdom of the Netherlands in Sarajevo
EUPPP	European Union Public Procurement Project
FBiH	Federation of Bosnia and Herzegovina
FSVC	Financial Services Volunteer Corps
GAP	Governance Accountability Project (USAID and Sida)
GIS	Geographic Information System
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (a technical assistance agency of the Federal Republic of Germany)
HRIS	Human Resources Information System
IABS	Integrated Accounting and Budgeting System
IBHI	Independent Bureau for Humanitarian Issues
IGE	IGE Consulting, Ltd.
IMF	International Monetary Fund
IRM	[USAID Bureau of Management] Office of Information Resource Management
ISO	International Organization for Standardization
IT	Information Technology
ITA	Indirect Tax Authority
JMC	Joint Management Committee
KfW	Kreditanstalt für Wiederaufbau (Development Bank)
LAMP	Linking Agricultural Markets to Producers (USAID)
LED	Local Economic Development
LGI	Local Government Initiative
LSE	London School of Economics
LSG	Local Self-Government
MA	Municipal Assembly

ABBREVIATIONS (continued)

MASCIP	Municipal Associations Capacity Improvement Program
MAU	Macroeconomic Analysis Unit [of the Indirect Tax Authority]
MC	Municipal Council
MCI	Municipal Capacity Index
MDPC	Municipal Development Planning Committee (OSCE)
MFF	Multiyear Financial Forecast
MoU	Memorandum of Understanding
MZ	Sub-municipal unit of government (mjesne zajednice)
NALAS	Network of Associations of Local Authorities of South Eastern Europe
NDI	National Democratic Institute
NGO	Non-Governmental Organization
OdRaz	Foundation for Sustainable Development in BiH
OSCE	Organization for Security and Cooperation in Europe
OHR	Office of the High Representative
PAB	Policy Advisory Board
PAR	Public Administration Reform
PKF	Pannell Kerr Forster International
PMP	Performance Monitoring Plan
POI	Public Outreach Initiative
RAL	Revenue Allocation Law
REDAH	Regional Economic Development Agency of Herzegovina
RfP	Request for Proposals
RIC	Regional Info Center (Herzegovina)
RMAP	Rights-Based Municipal Assessment and Planning Project (UNDP)
RS	Republic of Srpska
SALA-IDA	Swedish Association of Local Authorities International Development Agency
SERDA	Sarajevo Economic Region Development Agency
Sida	Swedish International Development Cooperation Agency
SLGRP	Serbia Local Government Reform Program
SNSD	Alliance of Independent Social Democrats
SNV	Netherlands Development Organization (Stichting Nederlandse Vrijwilligers)
SOW	Scope of Work (or Statement of Work)
SPIRA	Streamlining Permits and Inspection Regimes Activity (USAID)
STTA	Short-Term Technical Assistance (or Short-Term Technical Advisor)
SWOT	Strengths, Weaknesses, Opportunities and Threats (Analysis)
TAMIS	Technical and Administrative Management Information System
TAMP	Tax Administration Modernization Project (USAID)
TARA	Tax Reform Activity (USAID)
TCT	Third Country Training (USAID World Learning)
UCODEP	Association for Solidarity and International Cooperation
ULMIS	Urban Land Management Information System
UNDP	United Nations Development Program
UPP	Urban Planning and Permitting
USAID	United States Agency for International Development
UST	United States Department of the Treasury
UWG	Urbanism Working Group

ABBREVIATIONS (continued)

VNG	International Cooperation Agency of the Association of Netherlands Municipalities
WG	Working Group

FOREWORD

This document is the twelfth and final quarterly progress report submitted by the Governance Accountability Project (GAP) in Bosnia and Herzegovina. The report covers the period from April 16, 2007 to July 15, 2007.

GAP is being implemented by Development Alternatives, Incorporated, Bethesda, Maryland pursuant to contracts the firm has executed with the United States Agency for International Development (USAID)² and the Swedish International Development Cooperation Agency (Sida).³ The quarterly report is a GAP contract requirement to "...provide detailed information on progress against the work plan...".

The body of the report addresses this requirement, as does *Annex A: Progress Under the Work Plan*, which provides relevant information regarding more than three-hundred separate tasks that comprise the approved work plan for the Project.

For further information concerning GAP, DAI, USAID or Sida, the reader is referred to:

www.bihgap.ba⁴
www.dai.com
www.usaid.ba/demo_and_gov.htm
www.sida.se

While the report reflects contributions from the entire professional team at GAP, answerability for any errors or omissions is the sole responsibility of the Chief of Party who has the high honor and privilege of presiding over preparation of the document.

Respectfully submitted,



Rudy F. Runko
Chief of Party
Sarajevo
July 2007

² USAID Contract No. EEU-I-00-99-00012-00; Task Order 805 (as last amended by Modification Number 3).

³ Sida Contribution Nos. 76003104 and 76003623.

⁴ If access is denied, try www.bihgap.ba/english.

EXECUTIVE SUMMARY (INTRODUCTION)

Summary of Accomplishments

As of the end of the twelfth quarter, more than eighty-seven percent of the 301-odd work plan tasks have been completed and the Project has expended approximately ninety-one percent of its operational funds. Funds for approved grants are nearly ninety-nine percent committed and also about ninety percent expended through the end of this period.

GAP participated in the first-ever Municipal Fair in Bosnia and Herzegovina, which was held in Gradačac from June 20-22, 2007. The event, co-organized between GAP, the two municipal associations and the Dutch Refugee Council, served among other things as a vehicle for presenting GAP accomplishments to the wider public.

GAP partner municipalities delivered presentations on various technical assistance packages during a series of thematic workshops held at the Fair. Numerous visitors to the Fair, including representatives from many BiH municipalities, and other tiers of government, as well as economic and social stakeholders, attended these workshops and visited the very popular GAP booth.

In an extraordinary expression of interest and noteworthy recognition of the importance of the municipal sector, four major Ambassadors to BiH addressed the opening plenary session at the Fair, including U.S. Ambassador Douglas McElhaney and Swedish Ambassador Lars-Erik Wingren.

During this reporting period, GAP recorded further progress toward achievement of Project objectives. In brief:

- The municipal intervention team continued technical support and training in the forty-one partner municipalities.

Four urban-permit centers were opened in Banja Luka, Travnik, Tuzla and Velika Kladuša enabling faster and more transparent urban permitting within the pilot area of each of these municipalities.

A new financial management system was delivered to the municipality of Bihać, together with training and on-site startup support, bringing to thirty-five the number of municipalities with new or upgraded systems and improved financial management.

Forty citizen services centers, which had been opened under auspices of GAP, are recording sustained and continuously improving success as evidenced by efficient and user-friendly service delivery.

Eighty-eight workshops, round-tables and on-site coaching courses were conducted for eight hundred seventy four participants, from the *first* and second cohort municipalities. Topics included best practices exchange, citizen service center and financial management software applications, use of information technologies in public administration management, capital improvement planning.

Summary of Accomplishments (continued)

better urban permitting processes through the use of zoning methodology and geographic information system technology, and strategic approaches to local economic development.

In addition, with the full support of World Learning Participant Training Program, twenty-two municipal officials attended a study tour to the Czech Republic on urban planning.

- The grants team monitored the final phases of nearly sixty community development grant projects during this reporting period. The final two projects remaining from the first cohort have been completed and administratively closed. Moreover, forty-seven grants from the second cohort were completed and administratively closed in this period.
- The policy intervention staff concentrated on sustainability and consolidation of the gains of the previous quarters, as well as on other emerging local government issues.

In the twelfth quarter, the policy team produced a template of cantonal laws on local self-governance in order to facilitate harmonization of these laws with the Federation (FBiH) Law on Principles of Local Self-Government. The template has been used by most cantons in discussions of further legislative harmonization, and specifically in drafting a proposal of the Law on Local Self-Governance of Zenica-Doboj Canton, which should go to parliamentary procedure later this year.

Also completed was a “Commentary on the FBiH Law on Principles of Local Self-Government” and an analysis of sectoral legislation, which were presented at the Conference on Implementation of the Law on Principles of LSG on July 5, 2007.

Amendments to the FBiH debt law were discussed with the Federation Ministry of Finance and the Committee for Economy and Finance of the FBiH Association of Municipalities and Cities. Based on those discussions, the policy team produced a new set of amendments to the debt law introducing new elements in the regulatory environment.

A study tour on sub-sovereign debt for FBiH Government, Parliament, and municipal representatives was conducted during the last week of June, facilitated by the World Learning Participant Training Program. The objective of the study tour was to raise the issues of establishment of a municipal credit market, its regulation and functioning.

An initial draft of a revenue reporting format was produced for the Federation. The FBiH Ministry of Finance distributed the format to all reporting units in the Federation (i.e. cantons, municipalities, funds and others) for comment. Comments on the format were gathered and integrated into a final draft, which has been sent to the Legislative Office of the FBiH Government.

Summary of Accomplishments (continued)

The Republic of Srpska (RS) Ministry of Finance has requested assistance from GAP in writing by-laws for the Law on Indebtedness, Debt and Guarantees.

Work on building technical capacity in the fiscal departments continued in both entity Ministries of Finance.

At three joint sessions of the Committees for Economic Growth and Constitutional and Legal Matters of the FBiH municipal association, the policy team addressed the issue of concessions and opened discussion based on an initial legal analysis produced by GAP.

GAP organized five trainings for municipal staff on public procurement procedures in the RS. Approximately 110 participants from fifty municipalities attended the training.

Efforts continued on strengthening the capacity of municipal associations and planning future joint activities in FBiH and RS.

- Further progress was made this quarter in strengthening the common voice of municipal governments.

Following decisions of the General Assembly, the FBiH Association of Municipalities and Cities constituted five standing Committees: Economic Development, International Cooperation, Urbanism, Constitutional and Legislative Matters, Development and Promotion of LSG.

Summary of Results and Performance Monitoring

More information on performance monitoring activities in the twelfth quarter, beyond the highlights presented below, may be found in Chapter Five and Annex B of this report.

- During this reporting period, monitoring and evaluation activities focused on the performance monitoring plan (PMP) surveys. All trend lines related to performance indicators tracked in the PMP continue to show favorable trends.

The survey related to municipal budget performance indicators showed that municipal revenues in 2006 among GAP first-cohort partners (twenty-three in number) grew to 350 million KM, representing an increase of thirty-five (35) percent compared to the prior year.

Fiscal revenues in these municipalities were significantly increased by almost thirty-nine (39) percent compared to year 2005, as a result of value-added-tax introduction and the successful GAP effort during 2005-06 to adopt revenue allocation formulae, which sharply increased indirect tax revenue for the local level.

Summary of Results and Performance Monitoring (continued)

At the same time, non-fiscal (own-source) revenues, which are the only revenues that municipalities can directly control, were increased in 2006 by twenty-seven (27) percent compared to 2005. This is nearly double the previous year-on-year increase and conclusively demonstrates that the tools provided to partner municipalities helped them successfully improve own-source income generation.

For partner municipalities of the second cohort (eighteen in number) the results were even better. Among this group, fiscal revenues increased by forty-six (46) percent in 2006 compared to 2005, while municipal efforts to increase own-source revenue generation resulted in an increase of thirty-five (35) percent in non-fiscal revenues over the same period.

The ratio of capital outlays to operating expenses, among all GAP partner municipalities (forty-one in number), increased from **1.47** in 2004 to **2.05** in 2006 (+39.5 percent). However, analyzing only the thirteen GAP municipalities where the second and third cycle of multi-year CIP was initiated⁵, this ratio was increased from **1.2** in 2004 to **2.25** in 2006 (+87.5 percent).

In the same period, non-CIP municipalities increased the ratio from **1.36** to **1.71** (+25.7 percent). This analysis definitely confirms the effectiveness of the capital improvement planning introduced by GAP as a tool for better municipal management.

Analysis of the capital expenditure portion of total budget expenditures for GAP partner municipalities likewise shows impressive progress, with the greatest improvement indicated in the thirteen municipalities where CIP has been introduced. Average capital expenditures as a proportion of total budget for all partner municipalities increased from twenty-two (22) percent in 2004 to twenty-eight (28) percent in 2006.

Moreover, among the thirteen CIP municipalities, an increase from eighteen (18) percent in 2004 to twenty-seven (27) percent in 2006 was recorded.

On the strength of the above-described data, it is clear that GAP has achieved another of the task order “desired performance results” specifically No. 8, which reads:

“Target municipalities will demonstrate significant progress in own revenue generation and in raising the ratio of capital outlays to operating expenses.”

Between the successful revenue allocation effort led by the policy team and the revenue maximization tools and capital improvement planning concepts introduced by the municipal interventions team, this desired result has been accomplished, emphatically.

Through the end of the current reporting period, GAP has achieved eleven of the fifteen-desired performance results specified in the Project task order (see page 9).

⁵ Rogatica, Goražde, Novo Sarajevo, Mrkonjić Grad, Velika Kladuša, Vogošća, Travnik, Kakanj, Dobož-Istok, Tuzla, Vlasenica, Gradačac and Čelić.

Summary of Grant Program Accomplishments

With the grants program rapidly nearing completion, it is appropriate to summarize the extraordinary record of accomplishments in this component of GAP.

- The grants program funded the material assistance provided by GAP for the highly successful implementations of citizen service centers, municipal financial management systems and urbanism initiatives. In addition, a \$3.9 million program of community development grants was administered.
- Practical knowledge of the public procurement law at the local level was virtually non-existent until the grants team procurement specialist and the GAP policy team mounted a major program of informal and formal education initiatives to build municipal capacity.
- Public participation opportunities expanded greatly under the influence of the grants program. Of twenty-three capital investment coordination teams and sixteen community development planning committees mobilized during GAP, no fewer than twenty-two and ten respectively, remain active today.

Furthermore, GAP has shown its versatility to work as well with existing institutions, having successfully implemented community development grants in Srebrenica and Kalesija using bodies created by the United Nations Development Program and the Organization for Security and Cooperation in Europe.⁶

- The following table displays the functional allocation of community development project grants totaling \$3.9 million. The public participation process ensured that all of these projects reflect compelling local priorities.

Table No. 1 - Functional Summary of GAP Community Development Grants

Functional Category	Number of Projects	GAP Contribution (US\$)	Grantee Cost Share (US\$)
Citizens life quality improvement	48	1,367,445	517,724
Sport	28	708,856	243,052
Roads	18	463,215	414,945
Environment	13	322,624	40,265
Health	10	253,960	77,557
Water supply	10	236,210	249,759
Education	9	196,503	56,437
Sewage	6	155,176	115,929
Street Lighting	6	150,801	169,748
TOTAL	148	3,854,790	1,885,415

⁶ Rights-Based Municipal Assessment and Planning Project (RMAP) and Municipal Development Planning Committee (MDPC) respectively.

Summary of Grant Program Accomplishments (continued)

- During the implementation of more than two hundred executed grants, GAP experienced virtually no serious anomalies.

In one case, where a grantee illegally diverted Project funds for personal use, alert GAP staff quickly identified the problem preventing deeper losses. The perpetrator was prosecuted with GAP cooperation and sentenced to a prison term, setting a strong anti-corruption example within the municipality.

A failed project? On the contrary; GAP subsequently executed a memorandum of understanding with the Mayor that resulted in the continued implementation, as far as practical, of the original objectives of the grant. In a classic case of “lemon into lemonade” an independent evaluation of the project later opined “...the value of the project is considered high despite the problems encountered” [emphasis added].

Summary of Extracurricular Accomplishments and Results

With support of the donors in every case, the activities of GAP during the last three years have yielded accomplishments and results described in this and earlier reports, which go well beyond the requirements of the Project task order. The following is by no means all-inclusive but only suggests the extent to which GAP was able to exceed contract requirements without the need for any additional funding.

- Neither zoning nor geographic information systems (GIS) were envisioned or mentioned in the GAP task order. Beginning with a detailed action plan approved by the clients in May 2006, GAP embarked on pilot zoning projects in the four hub municipalities, six advanced urbanism pilots and provided GIS technology in a total of twenty-one partner municipalities.

Through the end of this reporting period, four urban permitting centers have been opened and Tuzla and Novo Sarajevo are so satisfied with the implementation of their pilot zoning projects that they have each committed over \$140,000 from their own budget funds to extend the pilot to the entire municipality.

- With minimal or no charge, the financial management system software provider has furnished the new version of the software to ten non-partner municipalities who were pre-existing users of the system: Pale Federation, Bosanski Petrovac, Banovići, Vitez, Sokolac, Cazin, Istočno Novo Sarajevo, Usora, Zvornik and Bileća.

The software has been enhanced to ten fully integrated modules under GAP and the extension of the new version to non-partner municipalities was agreed between the Chief of Party and the software vendor. This effectively extended the reach of municipal interventions to additional municipalities.

Summary of Extracurricular Accomplishments and Results (continued)

- GAP policy staff has been seconded to the Federation and Republic of Srpska Ministries of Finance, as needed to provide support in the implementation of revenue allocation legislation, among other things.
- Approximately three months following the designation of the second cohort, bringing the total number of GAP partner municipalities to forty as required in the task order, an additional, forty-first municipality was successfully introduced into the program.
- GAP has provided extraordinary assistance to municipalities to help them understand and implement the public procurement law in BiH, both through training organized by the policy team and practical application in the tendering of grant projects supported by GAP.

This capacity building went far beyond anything that could have been envisioned or required in the Project task order, although it is now an acknowledged, explicit intention in the GAP2 RfP.

- With donor approval, websites will be developed for eight partner municipalities that previously had been unable to effectively employ this technology on their own. Because of this effort, also beyond the task order requirements, an additional 206,000 citizens will benefit from living in municipalities with new or improved websites.

EXECUTIVE SUMMARY (CONTRACT DELIVERABLES)

Contract requirements for GAP are set forth in the USAID Task Order and the Sida Financing Agreement, which require achievement of sixteen “desired GAP performance results” reflecting concrete outcomes expected to be accomplished by the end of the Project.

Task order modification No. 3, which extended the Project duration by one month also deleted one of the sixteen desired performance results. Eliminated was the requirement to develop fifteen municipal loan packages and consummate eight approved municipal loans. From about the midpoint of the Project, the clients requested that GAP cease work on this component and instead focus efforts on policy interventions to enable municipalities to access commercial debt markets.

Nevertheless, the progress that GAP had achieved to that point did result in four completed loan packages and one approved loan (a ten-year debt in the amount of 613,550 Euro for the Municipality of Lopare for high priority road and street improvements).

Following is an interim summary of the status of the remaining fifteen desired GAP performance results, eleven of which have been fulfilled as of this writing:

- 1) By the end of the activity, at least forty local governments will function substantially better and provide superior service, with both citizens and businesses registering significantly increased satisfaction with municipal institutions.**

GAP inputs:

- Citizen service centers.
- Business registration and, urban permitting and planning procedures.
- Formal complaint process.

Accomplishments:

- New or improved citizen service centers functioning in forty partner municipalities.
- Approximately 3.3 million digitalized registrar data entries, expanding at the rate of 100,000 per month.
- Document tracking covers 250,000 administrative cases, expanding at 25,000 per month.
- Forty municipalities introduced complaint procedures, significantly enhancing local responsiveness to citizens.
- Approximately 26,000 citizens and 2,800 municipally registered businesses were polled regarding satisfaction with services during the yearly attitudinal surveys conducted by GAP.

Accomplishments (continued):

- Through mid-July 2007, five permitting centers opened providing more efficient and transparent services in Banja Luka, Novo Sarajevo, Tuzla, Travnik and Velika Kladuša to individuals and businesses concerning urban planning and permits.
- Geographic information system (GIS) technology has been introduced in twenty municipalities to provide better information on urban plans and permits.

Results:

- Attitudinal surveys, municipality surveys and citizen entries in book of impressions will demonstrate significantly increased citizen and business satisfaction with municipal services.
- Performance monitoring plan will demonstrate substantially better service provision.
- The specified performance result will be exceeded by the completion of the task order as the GAP municipal invention program has successfully worked in forty-one partner municipalities (with no additional resources).

2) Target municipalities will demonstrate superior service delivery in a series of objective measures, including reduced waiting times and efficiency improvements.

GAP inputs:

- Performance monitoring plan
- Municipal capacity index

Accomplishments:

- Quarterly, semiannual or annual measurements were conducted for nearly two-dozen performance indicators over a three-year period in partner municipalities.
- Municipal capacity index scores were compiled on a semiannual basis over a three-year period in partner and control group municipalities.
- Three GAP partner municipalities have achieved ISO certificates since inception of the Project and ten others have commenced the certification process.

Results:

- Overall, the performance indicators are demonstrating improvements in service delivery in partner municipalities, although the data is less definitive for the second cohort, which has not yet had as much time to fully adapt to all reforms.

Results (continued):

- The municipal capacity index has demonstrated superior service capacity in partner municipalities as compared to control group measurements.
- The specified performance result will be achieved by the completion of the task order.

3) Target municipalities will demonstrate ownership of reforms by their ability to instigate and sustain functional improvements of their own accord.

GAP inputs:

- Intensive mentoring and field support by GAP coordinators and specialists.
- Training, workshops and conferences.

Accomplishments:

- GAP has conducted performance audits on every citizen service center following the initial opening and periodically as needed thereafter.
- Coordinators and specialists regularly follow up with partner municipalities from both cohorts.

Results:

- A number of self-initiated improvements by target municipalities are cited to validate achievement of this result as, for example:
 - ✓ Rogatica is making its own investment in additional IT equipment.
 - ✓ Goražde extended the working hours of its citizen service center by two hours without employing any additional personnel.
 - ✓ Jablanica renovated their municipal building and expanded the local area network.
 - ✓ Trebinje introduced touch-screen technology.
 - ✓ Mrkonjič Grad has developed a free “info line” project.
- The specified performance result has been achieved and will continue to evolve through the completion of the task order.

4) Target municipalities will have undertaken at least three major steps to improve the business environment.

GAP inputs:

- Improved business permitting and pilot projects on urban permitting and planning.
- Assistance on development of local economic development strategies.
- Business leadership roundtables.
- Capital improvement planning and financial management.

Accomplishments:

- Four urban pilot projects initiated in hub municipalities and six co-pilot projects introduced in Velika Kladuša, Bihać, Travnik, Gradačac, Konjic and Trebinje. In addition to the aforementioned, eleven other partner municipalities were provided with geographic information system software.
- Formulation and implementation of local economic development strategies supported in Čelić, Mrkonjić Grad, Sanski Most, Bužim, Vogošća, Lopare, Posušje, Bugojno, Fojnica, Vukosavlje, Trebinje and Ljubuški.
- Leadership roundtables conducted in four hub municipalities and Fojnica.
- Multi-year capital planning adopted by fifteen municipalities (Novo Sarajevo, Rogatica, Goražde, Tuzla, Vlasenica, Mrkonjić Grad, Velika Kladuša, Kakanj, Travnik, Vogošća, Čelić, Gradačac, Doboj-Istok, Bužim and Tomislavgrad).
- Financial management systems have been introduced or upgraded in thirty-five partner municipalities.
- Business registration guides available in all forty-one partner municipalities.
- Business Friendly Environment Guide provided to all municipalities in Bosnia and Herzegovina.
- Citizen service centers provide full-service support for business procedures at the local level including guides, application forms, information desk, protocol, payment counters and call center and urban permit centers are contributing to faster permitting for development.

Results:

- Increased business satisfaction with municipal services in partner municipalities.
- Permanent business leadership roundtable established in Tuzla by Mayoral Decision.
- The Regional Economic Development Agency of Herzegovina (REDAH) cited the work GAP has done in the Herzegovina region which is regarded as *"really valuable and results in Herzegovina region are significant."*⁷

⁷ These quotations are from an electronic-mail message dated April 18, 2007 sent to GAP by Nevzet Sefo, Project Manager for the Regional Info Center (RIC), a European Union funded activity of REDAH.

Results (continued):

REDAH deals with twenty-three municipalities on various issues, mainly in economic development and it was stated that...

"when it comes to all aspects of strategic management and municipal human resource capacities, [nine] GAP municipalities (Jablanica, Trebinje, Tomislavgrad, Ljubuški, Konjic, Posušje, Prozor-Rama, Nevesinje, Mostar) show significant advantage comparing with other municipalities in the region. Working with GAP municipalities is much easier due to established organizational structures, procedures and better human resource capacities."

5) Target municipalities will have made at least three major improvements to raise levels of transparency and information flow within municipal structures and to citizens.

GAP inputs:

- Implementation of community development grants.
- Introduction of capital improvement planning.
- Development of citizen service centers.
- Public outreach and information (POI) training.
- Permit centers with GIS databases for urban and construction permits.
- Financial management systems providing greater transparency and improved reporting.
- Publication of community profiles.
- Development of municipal websites in eight partner municipalities.

Accomplishments:

- Media campaigns on establishment of community development planning committees and publication of project application forms in the press led to submission of over 3,250 project proposals from which 148 were selected for GAP funding.
- The capital improvement planning initiative, which took hold in fourteen partner municipalities despite the absence of a viable debt market, was characterized by intensive media campaigns at various stages and included public hearings as a requirement.
- Information-desk software and process in use at all citizen service centers.
- More than 120 municipal employees received POI training.
- Community profiles prepared for Čelić, Bužim, Vogošća, Fojnica, Vukosavlje and Ljubuški.
- GIS provided in twenty municipalities offering faster and more reliable information for citizens and businesses assuring transparent and consistent information.
- A municipal-owned broadcast station, Radio Konjic, used a GAP community development grant and funds from the municipal budget, to improve production programming for some 50,000 potential listeners, including those

Accomplishments (continued):

in even the remotest locations of Konjic and neighboring municipalities. The station broadcasts:

- ✓ all sessions of the municipal council (uncensored)
 - ✓ all public discussions on the budget
 - ✓ a once-per-week program informing citizens of all significant municipal and council decisions or laws
 - ✓ a daily program called Konjic Chronicle during which all events within the municipality, such as signing of contracts for specific projects, are discussed.
- Websites will be designed and implemented in the following municipalities with GAP support: Bosansko Grahovo, Bugojno, Kalesija, Nevesinje, Prozor-Rama, Travnik, Tomislavgrad and Vukosavlje.

Results:

- Increased citizen and business satisfaction.
- Estimated number of information-desk inquiries in the citizen service centers is 160,000 per month.
- As part of the performance monitoring plan, GAP tracks the utilization by municipalities of ten different information dissemination mechanisms. On average, first cohort municipalities increased the number of mechanisms used by ninety-five percent. Second cohort municipalities showed a thirty-nine percent improvement.
- The specified performance result has been achieved and gains will continue to be consolidated through completion of the task order.

6) Target municipalities will be better able to make educated decisions on revenue collection and outlays.

GAP inputs:

- New or upgraded financial management systems in thirty-five partner municipalities.
- Publication of the *Budget and Finance Guide for Municipalities in Bosnia and Herzegovina*.
- Microsoft excel revenue maximization tools.
- Related training.

Accomplishments:

- The new or upgraded financial management systems include modules for accounts payable and cash management.
- Microsoft excel revenue maximization tools have been integrated into the financial management software developed under GAP.
- Training on revenue maximization techniques was provided to employees in seven municipal finance departments.

Results:

- Due to the tools and training provided by GAP, partner municipalities are better able to make educated decisions on revenue collection and outlays. Accordingly, the specified performance result has been achieved and will continue to expand by the completion of the task order.
- *Municipal own-source revenue for partners in the first cohort increased by fourteen percent from 2004 to 2005 and by 27 percent in the following year. The second cohort managed an increase of 35 percent from 2005 to 2006.*

7) Target municipalities will have modern, formalized – and to the extent possible, uniform – budget/finance systems in place and utilized.

GAP inputs:

- New or upgraded financial management systems in thirty-five partner municipalities.
- Publication of the *Budget and Finance Guide for Municipalities in Bosnia and Herzegovina*.
- Software monitoring tool for capital improvement planning (CIP).

Accomplishments:

- Modern, formalized systems, reflecting to the extent possible uniform standards, are in place and utilized in GAP target municipalities. Ten integrated financial modules are available providing all of the technical tools needed for implementation of municipal treasury systems. Partner municipalities used the new system for preparation and execution of the 2007 Budget.
- CIP monitoring software has been successfully implemented in twenty-three municipalities.

Results:

- Although user support continues as an ongoing activity, the specified performance result will be achieved by the completion of the task order.

8) Target municipalities will demonstrate significant progress in own revenue generation and in raising the ratio of capital outlays to operating expenses.

GAP inputs:

- Revenue maximization training and tools.
- Capital improvement planning.
- Technical assistance on loan packaging (discontinued and refocused in third-year work plan at request of donors).

Accomplishments:

- Training on revenue maximization techniques was provided to employees of seven municipal finance departments.
- Municipalities in the aggregate are screening literally hundreds of capital improvement proposals for inclusion in their respective budgets.
- Four loan packages were completed and one went to market before this activity was suspended.

Results:

- Performance monitoring plan (PMP) surveys completed during the twelfth quarter related to municipal budget performance indicators showed that municipal revenues in 2006 among GAP first-cohort partners (twenty-three in number) grew to 350 million KM, representing an increase of thirty-five (35) percent compared to the prior year.

Fiscal revenues were significantly increased by almost thirty-nine (39) percent compared to year 2005, as a result of value-added-tax introduction and the successful GAP effort during 2005-06 to adopt revenue allocation formulae, which sharply increased indirect tax revenue for the local level.

- At the same time, non-fiscal (own-source) revenues were increased in 2006 by twenty-seven (27) percent compared to 2005. This is nearly double the previous year-on-year increase and clearly demonstrates that the tools provided to partner municipalities helped them successfully improve own-source income generation.
- For partner municipalities of the second cohort (eighteen in number) the results were even better. Among this group, fiscal revenues increased by forty-six (46) percent in 2006 compared to 2005, while municipal efforts to increase own-source revenue generation resulted in an increase of thirty-five (35) percent in non-fiscal revenues over the same period.
- The ratio of capital outlays to operating expenses, among all GAP partner municipalities (forty-one in number), increased from **1.47** in 2004 to **2.05** in 2006 (+39.5 percent).

However, analyzing only the thirteen GAP municipalities where the second and third cycle of multi-year capital improvement planning (CIP) was initiated⁸, this ratio was increased from **1.2** in 2004 to **2.25** in 2006 (+87.5 percent).

- In the same period, non-CIP municipalities increased the ratio from **1.36** to **1.71** (+25.7 percent). This analysis definitely confirms the effectiveness of the capital improvement planning introduced by GAP as a tool for better municipal management.

⁸ Rogatica, Goražde, Novo Sarajevo, Mrkonjić Grad, Velika Kladuša, Vogošća, Travnik, Kakanj, Dobož-Istok, Tuzla, Vlasenica, Gradačac and Čelić.

Results (continued):

- Analysis of the capital expenditure portion of total budget expenditures for GAP partner municipalities likewise shows impressive progress, with the greatest improvement indicated in the thirteen municipalities where CIP has been introduced. Average capital expenditures as a proportion of total budget for all partner municipalities increased from twenty-two (22) percent in 2004 to twenty-eight (28) percent in 2006.
- Moreover, among the thirteen CIP municipalities, an increase from eighteen (18) percent in 2004 to twenty-seven (27) percent in 2006 was recorded.
- On the strength of the above-described data, the specified performance result has been achieved, emphatically.

9) The policy framework will be improved to allow for substantially increased local autonomy in decision-making and finances.

GAP inputs:

- Policy staff work on FBiH Law on Principles of LSG; Revenue allocation laws

Accomplishments:

- Three laws adopted.

Results:

- Although much remains to be done, the three referenced laws have improved the policy framework to allow for substantially increased local autonomy in decision-making and finances. Accordingly, as reported in the Eighth Quarterly Progress Report (August 10, 2006) the specified performance result has been achieved.

10) VAT revenue-sharing formulae will include reasonable and predictable revenue transfers to the municipal sector. Inter-governmental revenue sharing formulas will be in line with best practices from elsewhere in the region.

GAP inputs:

- Policy staff work on revenue allocation laws

Accomplishments:

- Revenue allocation laws, including equalization coefficients were adopted in each entity.

Results:

- VAT revenue-sharing formulae, including reasonable and predictable revenue transfers to the municipal sector and inter-governmental revenue sharing formulas, in line with best practices from elsewhere in the region are now in place. Accordingly, as reported in the Seventh Quarterly Progress Report (May 12, 2006) the specified performance result has been achieved.

11) Cantonal supervision/control over municipal finances and municipal affairs will be substantially reduced.

GAP inputs:

- Policy staff work on revenue allocation laws and FBiH Law on Principles of Local Self-Government (LSG).

Accomplishments:

- Revenue allocation laws, including equalization coefficients were adopted in each entity. FBiH Law on Principles of LSG was adopted, which places financial and administrative supervision over municipal affairs at the FBiH level, with clear and transparent definition of oversight, rather than control.

Results:

- Cantonal supervision/control over municipal finances and municipal affairs has been substantially reduced. Accordingly, as reported in the Seventh Quarterly Progress Report (May 12, 2006) the specified performance result has been achieved.

12) Municipalities will be able to effectively advocate collectively for necessary administrative and legislative changes.

GAP inputs:

- Policy staff work with municipal associations.

Accomplishments:

- As previously reported, both municipal associations were featured prominently in the groundwork leading to adoption of the revenue allocation laws as well as subsequently.
- The FBiH Association of Municipalities and Cities removed substantial barriers to its effective functioning at a landmark Second Congress held in March 2007.

Results:

- Municipalities are now able to effectively advocate collectively for necessary administrative and legislative changes. Accordingly, as reported in the Seventh Quarterly Progress Report (May 12, 2006) the specified performance result has been achieved.

13) Municipalities will have collectively achieved at least one policy victory with minimal Contractor involvement.

GAP inputs:

- Policy staff work on the FBiH Law on Principles of Local Self Government.

Accomplishments:

- Adoption of the Law was a victory for the municipalities and the Federation municipal association.

Results:

- Municipalities have collectively achieved at least one policy victory (i.e. adoption of the Law on Principles of Local Self Government) with minimal Contractor involvement. Accordingly, as reported in the Eighth Quarterly Progress Report (August 10, 2006) the specified performance result has been achieved.

14) Municipalities will share information through regularized channels and will be open to cooperation and joint interest representation with other municipalities.

GAP inputs:

- Conferences on: Law on Principles of Local Self Government, Law on Revenue Allocation, Law on Real Rights, Municipal Debt and Borrowing.
- Trainings for: Municipal staff on public procurement procedures and Association staff on revenue allocation.
- Thematic Workshops on: Models of revenue allocation, Law on Principles of Local Self Government, Law on Real Rights, revisions to the Public Procurement Law, and law on concessions, revenue reporting format, harmonization of Cantonal and sectoral laws, citizen service center management, capital improvement planning and urbanism.
- Formation of user groups, and specialized committees of the municipal associations: Both associations also have fully functioning legal services and economic advisors providing member services.

Results:

- In all of these activities, municipalities were open to cooperation, and joint interest representation with other municipalities and shared information through regularized channels. Accordingly, the specified performance result has been achieved.

15) Municipalities and banks will be more knowledgeable about medium and long-term municipal loan products.

GAP inputs:

- Training, conferences, technical assistance and workshops.

Accomplishments:

- Two National Municipal Capital Markets Conferences were held at which municipalities and banks were represented.
- A *Municipal Borrowers' Guide* was produced in English and local language and distributed to all municipalities in Bosnia and Herzegovina.
- Four municipalities received direct assistance in preparing loan documentation.

Results:

- Municipalities and banks are more knowledgeable about municipal loan products. Accordingly, and as specifically acknowledged by USAID on April 24, 2007 the specified performance result has been achieved.
- *Although deleted as a contract requirement (see below) GAP did complete four loan packages one of which resulted in an approved ten-year loan for the Municipality of Lopare. The loan, in the amount of 613,550 Euro, will be used for essential road and street improvements.*

The following GAP performance result was deleted from the project task order, at the request of the donors, in a task order approved by USAID on May 4, 2007.

16) At least fifteen loan packages will be submitted with the assistance of GAP. At least eight loans will be approved following GAP assistance. DROPPED

Project Milestones

Twelve activities in the approved Project work plan are designated as project milestones. The following table summarizes the status of these milestones, all of which have now been completed, through the end of the current reporting period.

Milestone Status Report (07/15/07)

<u>Municipal Customer Service Initiatives</u>	Work Plan Target Date	Current Estimated Completion	Notes
First cohort CSCs opened	Dec '05	Dec '06	Breza opened November 16, 2006 and Mostar opened December 4, 2006. TASK COMPLETED.
Second cohort CSCs opened	Nov '06	Mar '07	TASK COMPLETED.
<u>Business Registration & Permitting</u>			
Start with BR&P procedure inclusion in the other cohort I CSC	Feb '07	Feb '07	TASK COMPLETED.
<u>Urban Planning and Permitting (UPP)</u>			
First cohort municipalities online	Jul '06	Jun '07	TASK EXPANDED. On December 28th JMC approved expanded activities in Bihać, Velika Kladuša, Jablanica, <i>Trebinje</i> and Goražde. Scope of work agreements for the expanded activities were signed and GIS software procurement procedures are to be completed by the end of May during June 2007. TASK COMPLETED.
Implementation of UPP level 2 for selected municipalities	Jan '07	Jun '07	Tendering and contracting process to be completed for all level two municipalities by the end of May. TASK COMPLETED.
<u>Creating the Business-Friendly Municipality</u>			
Economic Development Leadership Roundtables implemented in target municipalities	Aug '05	Feb '06	Mostar conducted in Oct '05. Tuzla conducted in Dec '05. Sarajevo and Banja Luka conducted in Feb '06. Report "Local Economic Development Roundtables" prepared February '06. TASK COMPLETED.
<u>Assessment and Installation of Integrated Accounting and Budgeting Software</u>			
Roll-out to partner municipalities	Jun '06	Nov '06	Rollout begins Dec '05. To be completed early in tenth quarter. TASK COMPLETED.
<u>BiH Budget Guide and Basic Budget Training</u>			
Presentation and cross-country distribution of the manual (four regional two-day training sessions for the municipalities)	Dec '05	Dec '05	TASK COMPLETED. (Produced in joint cooperation and cost sharing with OSCE; one day launch event in Sarajevo. Budget training ongoing).
<u>Revenue Maximization</u>			
Roll-out of tool to partner municipalities	Jan '06	Jun '06	Rollout to begin following testing phase. Jablanica and Tomislavgrad commenced using tool March 15, '06. TASK COMPLETED.

Milestone Status Report (07/15/07) - continued

<u>Capital Improvement Planning</u>	Work Plan Target Date	Current Estimated Completion	Notes
Training for CT members and councilors delivered [first cohort municipalities]	Feb '05	Feb '05	TASK COMPLETED.
Training for CT members and councilors delivered [second cohort municipalities]	Apr '06	Apr '06	TASK COMPLETED.
<u>Municipal Loan Preparation Technical Assistance (continued)</u>			DAI is preparing a Task order modification No. 3 deleting this component was approved by USAID on May 4, 2007.
Four municipalities identified during CIP training receive direct assistance on preparing loan application documentation	Sep '05	Dec '05	TASK COMPLETED. The GAP midterm evaluation report stated "...it is recommended that the training of municipal staff in loan packaging be suspended" unless the legal restrictions in the Federation are lifted. On February 17th the Municipality of Lopare requested approval from the RS Ministry of Finance for a \$1.5 million loan that was "packaged" with technical assistance from GAP. <i>Lopare consummated a ten-year commercial loan in the amount of 613,550 Euro.</i>

CHAPTER ONE: DIRECT MUNICIPAL INTERVENTIONS

Related Activities:

Improved Customer Profiles and Administrative Management Systems

Activity 1.A.1: Municipal Customer Service Initiatives (i.e. Citizen Service Centers)

Activity 1.A.2: Business Registration and Permitting

Activity 1.A.3: Urban Planning and Permitting

Improved Transparency and Information Flows

Activity 1.B.1: Participatory Planning for Community Development and Infrastructure Grants

Activity 1.B.2: Creating the Business-Friendly Municipality

Municipal Finance and Human Resource Management

Activity 1.C.1: Assessment and Installation of Integrated Accounting and Budgeting (IAB) Software

Activity 1.C.2: BiH Budget Guide and Basic Budget Training

Activity 1.C.3: Human Resources Management and Human Resource Information System

Activity 1.C.4: Revenue Maximization

Activity 1.C.5: Capital Improvement Planning (CIP)

Summary of Major Accomplishments:

All forty citizen service centers (CSC) are open and functional. Urban-permit centers opened in Banja Luka, Tuzla, Velika Kladuša and Travnik enabling faster and more transparent urban permitting in the pilot area of each municipality. The financial management system was delivered to the Municipality of Bihać, together with training and on-site startup support, bringing to thirty-five the number of municipalities with new or upgraded systems and improved financial management. Tomislavgrad adopted a five-year capital improvement plan, making a total of fifteen municipalities with the adopted CIP methodology.

The grants team continued to monitor the implementation of all fifty-six community development grants in second cohort municipalities in addition to two grants from the first cohort that remained open at the beginning of this quarter. At the end of this reporting period, only nine grant projects remained to be completed and administratively closed out.

Eighty-eight workshops and trainings were conducted for 874 participants, from the *first* and second cohort municipalities. Topics included best practices exchange, citizen service center and financial management software applications, use of information technologies in public administration management, capital improvement planning, urban permitting process through the use of zoning methodology and geographic information system technology and strategic approaches to local economic development.

Summary of Major Accomplishments (continued):

On June 21st and 22nd workshops on citizen services, urban permitting, capital improvement planning, integrated accounting and budgeting system (IABS), local economic development and the GAP grants program were held in Gradačac at the first-ever "Municipal Fair" in Bosnia and Herzegovina. The workshops were conceived as GAP final closeout events and were targeted to non-GAP municipalities.

Rather than GAP dominating the event, it was the representatives from partner municipalities who delivered presentations about what they achieved with Project support.

Progress on all technical assistance packages is in line with the third year work plan except in the case of the urban-permit center in Mostar, which is slightly behind schedule due to a complaint on the software tendering process (conducted by the municipality). The opening is expected to take place in August. It is notable that GAP, expanding on work plan targets, opened two additional permit centers in the municipalities of Travnik and Velika Kladuša.

Improved Customer Profiles and Administrative Management Systems

- CSC software acceptance testing was completed successfully in all municipalities of the second cohort.
- CSC advisory boards established in Živinice and Gradačac. All CSC advisory boards are now in place.
- Twenty-two municipalities have digitalized most of the data in their registrar books: Novo Sarajevo, Banja Luka, Živinice, Tuzla, Gradačac, Gradiška, Doboju-Istok, Fojnica, Kalesija, Velika Kladuša, Rudo, Vogošća, Travnik, Rogatica, Srebrenica, Bihać, Teslić, Vukosavlje, Jablanica, Drvar, Konjic and Prozor-Rama. In other municipalities digitalization of registrar data is ongoing at a satisfactory pace according to municipal action plans and expanding at the rate of 100,000 per month.
- Originally intended for implementation in four pilot-municipalities only, GAP has expanded assistance on introduction of complaints procedures, which have now been adopted in forty partner municipalities.
- CSC performance audits were conducted in nine municipalities (Živinice, Kalesija, Čelić, Posušje, Nevesinje, Bužim, Gradiška, Bugojno, Gradačac) with significant improvements in service provision noted. Municipalities are advised of any deficiencies recorded. All follow-up actions are closely monitored and supported by GAP.
- A second performance audit was conducted in seven municipalities (Tuzla, Konjic, Mostar, Bihać, Sanski Most, Breza and Srebrenica) recording constant daily usage of new systems and software, citizen satisfaction with service provision, and several self-initiated improvements by municipalities.

Summary of Major Accomplishments (continued):

Improved Customer Profiles and Administrative Management Systems (continued)

- On June 8, 2007 GAP in partnership with the Nevesinje municipality presented the CSC concept to parliamentary committees of the two entities and the state at a National Democratic Institute organized event held in Banja Luka.
- The publication "How to Establish a CSC" was finalized in local language and included in the GAP CD-ROM which was presented at the Gradačac Municipal Fair and distributed to all municipalities in BiH.
- Urban permit centers were opened on May 9, 2007 in Banja Luka, on June 11, 2007 in Travnik, on June 19, 2007 in Tuzla and on June 25, 2007 in Velika Kladuša. Based on geographic information system (GIS) technology and introducing zoning methodology for spatial planning, these centers are significantly improving accessibility of information and delivery of services through respective urbanism departments.

The centers have shortened the time needed for citizens and investors to initiate construction. Permit centers represent a major breakthrough for local government and in every case there are firm commitments and concrete plans for further development of the concept, i.e. to expand the pilot area to other areas of the municipality.

- With support of World Learning Participant Training Program, on May 14-18, 2007 twenty-two municipal officials attended a study tour to the Czech Republic on urban planning. Subsequently on June 18-19, 2007 an in-country follow-on event was conducted in Tuzla for participants of both urbanism-related study trips (i.e. 2006 and 2007).
- Building on successful urban pilot projects and based on requests from the partners, GAP will provide Novo Sarajevo and Tuzla with further upgrades, bringing the urban-permit centers in these developed communities to a new level. The upgrades include additional computers, scanners, LCD screen displays, servers and complementing municipal investments and planned activities to expand the urban pilot concept wider within each of these municipalities.
- New staffing plans or action plans for phased implementation of management consulting reports were adopted in all nine targeted municipalities (Mrkonjić Grad, Vlasenica, Goražde, Ljubuški, Bugojno, Živinice, Vukosavlje, Gradiška and Kakanj). Various measures are being taken including activities like delivery of professional development plans for employees, performance appraisal, staff right-sizing, internal and citizen communications and reorganization of municipal departments. Due to the complexity of these interventions, the implementation of GAP recommendations is likely to exceed the time-frame of the Project.

Summary of Major Accomplishments (continued):

Improved Transparency and Information Flows

- A number of community development projects were put into operation in Bugojno during this quarter, substantially improving conditions for the citizen beneficiaries of these grants. Renovating the green marketplace and municipal green areas resolved crucial infrastructure problems faced by market customers and greatly improved working conditions for the sellers. In the green market, improvements to sanitary facilities, regulation of surface water drainage, pavement of area surfaces, furnishing market stalls and other improvements have provided a more hygienic, attractive and pleasant environment for sellers and customers.

Furthermore, following the development of a flower nursery at the public utility company "Cistoca", the general appearance of the municipality has improved. More green areas in the city are being planted with flowers. The first flowers that were grown in the nursery (greenhouse) are already being planted and sold at the market. This greenhouse is expected to save about 3,000 KM annually, which Bugojno Municipality allocates for seasonal flowers, and will generate new revenues through sales of the products.

Finally, construction at the Center for Social Work Building in Bugojno will improve services provided to all citizens in need of social protection, especially disabled persons who are now finally able to physically access the Center's office and seek assistance. The Center for Social Work has 5,356 persons registered as users of their social protection services.

- Completion of an information center and tourist office in Konjic, with support from the GAP community development program, will support Municipal efforts to provide youth-oriented activities. The Konjic Youth Council, whose members are now working in these premises will support education courses and counseling about addiction and ecology, and student/professional counseling on education issues.

Also in Konjic, completion of an institute for fish farming in the Neretva River is expected to yield significant improvements in development of fishery and the local economy. The project will result in protection and upgrading of all breeds of trout in the basin of Neretva, with intention of saving endangered species. Moreover, the facility can offer practical courses and education for students, professionals, fishing workers and others. Three persons have already been employed in the facility and are working on upgrading different breeds of salmonids daily.

- Construction of the sports field in Posušje has improved the quality of life for children, youth and other citizens living in the settlement Meljakusa III, by providing them with an opportunity to organize various sports activities and competitions and offering a venue for after-school activities.

Summary of Major Accomplishments (continued):

Improved Transparency and Information Flows (continued)

Completion of new city hall facilities in Posušje has improved working conditions for the local government. Adequate space is now available for the work of the Municipal Council enabling open, public and transparent work of the body. More citizens, NGOs, media representatives and others will now be able to observe council sessions, wedding ceremonies, various meetings, public tributes and similar events in the Posušje community.

- Three community profiles were completed (Čelić, Vogošća and Bužim).
- A reference guide entitled “*Business Friendly Municipalities*” describing the GAP experience and evaluation methodology was completed, presented to public and distributed (including in CD-ROM format).
- Roundtable on concept of business friendly municipalities was held for localities from the Sarajevo region.

Municipal Finance and Human Resource Management

- A new financial management system was delivered to the municipality of Bihać bringing to thirty-five the number of municipalities with new or upgraded systems and improved financial management.
- GAP partner municipalities have been using the IABS systems in their everyday work. All ten modules have been developed to the satisfaction of end-users in municipal finance departments. All budget plans for 2007 have been prepared and are executed in the new integrated system.
- On May 21, 2007 a central IABS workshop for all the municipal partners from the RS was held in Sarajevo. Participants from thirteen partner municipalities actively participated in the workshop. As result of the workshop, and at the initiative of all participants, joint conclusions were addressed to the Ministry of Finance and the Association of Municipalities and Towns of the RS.

The most important of all conclusions was that participants are extremely satisfied with all the aspects of the IABS solution provided by GAP and would like to extend its use as a treasury tool in their respective municipalities. For this they require Ministry of Finance’s support. Also, municipalities requested continuous support from GAP in the process of transition to the treasury system.

Summary of Major Accomplishments (continued):

Municipal Finance and Human Resource Management (conditions)

- On May 30, 2007 a central IABS workshop for GAP partner municipalities from the Federation was held in Sarajevo. Twenty municipalities and one representative of the Association of Municipalities and Cities attended the workshop. The major topic of the workshop was the need for a smooth transition to the municipal treasury system. An agreed joint conclusion was that IABS municipalities are one step ahead of other Federation municipalities when it comes to successful implementation of municipal treasuries.

Municipalities requested support from the municipal association in promoting of the IABS software to respective Ministries of Finances and requested support from GAP2 in the transition period. These requests were articulated by the workshop moderator and sent in writing to the municipal association.

- The municipalities of Gradiška, Teslić, Foča, Prozor-Rama, Srbac, Kakanj, Mostar, Rogatica, Konjic, Čelić and Mrkonjić Grad are integrating their revenue generating departments (urban, communal etc.) into the IABS through the accounts receivable module.
- Additional Microsoft licenses will be distributed to thirty-two municipalities of the first and second cohort to meet an increased need by IABS for MS Excel and Word.
- A best-practice exchange conference on CIP was held on April 17, 2007 in Vogošća. Thirty-eight partner municipalities attended the conference, with more than one hundred high-ranking municipal officials, both municipal associations, regional agencies, and other international organizations taking part. As a result of this event, Foča and Srbac expressed their interest in adopting the CIP methodology with GAP assistance.
- Capital improvement planning software application for project monitoring, developed by GAP, was successfully installed in twenty-three municipalities and the software will assist these municipalities in the management of the complex CIP process. General impressions of the active users are extremely positive.
- A five-year capital investment plan was finalized and adopted in the Municipality of Tomislavgrad.
- Based on a request from Srbac and Foča municipalities, GAP trained newly appointed coordination teams and also provided on-site coaching to two additional CIP municipalities (Posušje and Nevesinje).

CHAPTER TWO: POLICY INTERVENTIONS AT THE STATE AND ENTITY LEVEL

Related Activities:

- Activity 2.1.1: Review and Assess New Local Government Legislation
- Activity 2.1.2: Implementation of the FBiH Law on Principles of Local Self-Government
- Activity 2.1.3: Training of MZ Staff to Improve Citizen Participation
- Activity 2.2: Raising Awareness of the Value Added Tax, Implementation of the Revenue Allocation Models
 - A. Improving local government revenue and expenditure reporting
 - B. Improving the capacity of entity ministries (and Associations) to adjust systems to changes in fiscal policy and expenditure assignments.
- Activity 2.3: The Functions and Finances of the City of Sarajevo
- Activity 2.4: Restoring the Powers of Local Governments in Key Sectors: Municipal Property and Right to Grant Concessions
- Activity 2.5: Revision of the Law on Public Procurement BiH

Summary of Major Accomplishments:

- During this quarter, the policy team continued efforts begun in the previous reporting period to implement the Federation (FBiH) Law on Principles of Local Self-Government. Comments on the Law were compiled, published, presented and distributed at the Conference on Implementation of the Law on Principles of LSG.

Final analysis of relevant sectoral legislation has been completed, and a model cantonal law on local self-governance has been produced reflecting input from the Organization for Security and Cooperation in Europe (OSCE) and cantonal representatives.

Zenica-Doboj Canton used the model in drafting a proposed cantonal law, which will be submitted to the Government in line with their legislative schedule.

- Work also continued in support of the entity Ministries of Finance. Transfer of knowledge and capacity building related to the models of revenue allocation was intensified during the quarter. Relevant staff from both Ministries received training in use of the revenue allocation simulator in order to enable them to work independently on producing the revenue shares.

A new Decision on single account revenue allocation for each municipality in the Republic of Srpska (RS) was produced with the assistance of GAP and adopted by the RS Government at its session on June 14, 2007.

A draft Decision on single account revenue allocation coefficients in FBiH was produced on July 13, 2007 with assistance from GAP.

Summary of Major Accomplishments (continued):

- GAP conducted an analysis of the existing laws on concessions at the state, entity and cantonal levels, which was presented and further discussed at three joint sessions of the FBiH Association Committee's for Economic Growth, and Constitutional and Legal Matters.

Based on comments collected from municipalities, the policy team produced recommendations for reform with draft amendments to the FBiH Law on Concessions, which have been submitted to the Association for the purpose of further lobbying for adoption of the proposed solutions.

- GAP conducted five training sessions on procurement procedures for municipal staff in the Republic of Srpska, aimed at harmonizing the existing municipal practice and addressing some practical issues in implementation of the Public Procurement Law.

Almost 110 participants representing fifty RS municipalities attended the trainings in Srbac, Bosanska Gradiška, Rogatica, Foča and Lopare.

Other Significant Actions during the Reporting Period:

- The policy director and legal advisor conducted meetings with the Ministers of Justice of Srednja Bosna and Zenica-Doboj Cantons regarding harmonization of their cantonal local self-government law with the entity law. The meetings were held on May 25th in Travnik and June 4th in Zenica.
- GAP participated in the work of three joint sessions of the FBiH Association Committees for Economic Growth, and Constitutional and Legal Matters on (May 16th, June 7th and July 3rd).
- The legal advisor attended two meetings of the Land Administration Project working group on legal issues (April 23rd and June 8th).
- On April 19th, following the adoption of the RS Law on Debt, Indebtedness and Guarantees, GAP met with Assistant Minister for Debt Management in the Ministry of Finance and discussed drafting of a list of three most critical questions regarding the writing of by-laws. The Ministry did not produce the list and instead on June 28th sent a letter requesting GAP assistance in writing the by-laws.
- Trained the new Head of Budget Unit of RS Ministry of Finance in using the revenue allocation simulator.
- On May 31st, the fiscal and policy advisor attended a conference organized by RS Association of Municipalities and Towns entitled "Management of Budgets of Local Governments", with special focus on external audits. The RS Auditor General shared with municipal representatives his opinion about irregularities in budget spending. At the end of the conference it was concluded that the RS

Other Significant Actions during the Reporting Period (continued):

Ministry of Finance needs to ensure that local governments are involved in the process of adopting new laws, decisions, instructions, and should provide clarification on issues that concern local governments.

- Throughout the quarter, a number of meetings and training sessions were held with Fiscal Advisor from FBiH Ministry of Finance, focusing on the use of the revenue allocation simulator and amending it to reflect the budget framework paper format.
- A study tour on sub-sovereign debt for FBiH Government, Parliament, and municipality representatives was held between June 24th and June 30th in Poland. The objective of the tour was to introduce the regulatory environment for debt in a transition country that has joined the European Union.
- The work on the new revenue reporting format continued in this quarter. Comments on the format were gathered and collated. The final draft has been submitted to the Legislative Office of the Federation Government.
- Work on the documents that will be posted on the web page of the FBiH Ministry of Finance continued in this quarter.
- Presented proposed amendments to the debt law to the Federation Association Committee for Economic Development on May 16th and participated in a follow-up discussion on June 7th, where it was agreed that a new set of amendments will be produced by GAP to better regulate municipal borrowing.
- On June 9th provided training to the Federation Association financial advisor on policy issues GAP is involved with, paying special attention to implication of different policy decisions and the advocacy role that the Association can play in the area of fiscal policy.

Progress against the Work Plan:

All activities are taking place in accordance with the Work Plan.

Key Tasks for the Next Quarter:

- Continue coordination with the Federation Association and the work of their committees and provide assistance if necessary.
- Provide technical assistance as needed to the Federation Ministry of Finance.
- Assist the Federation Ministry of Finance in uploading an explanation of the revenue allocation law, information from the simulator, and other statistical data onto the Ministry website.
- Produce new amendments to the Federation debt law and present them to the Ministry of Finance and Parliament.

CHAPTER THREE: STRENGTHEN THE COMMON VOICE OF MUNICIPAL GOVERNMENTS

Related Activity:

- Activity 3.1: Providing Policy Content for the Coordination Body of the Entity
Associations of Municipalities and Cities
- Activity 3.3: Identifying and Serving Member Needs

In the last quarter, GAP policy team continued to utilize and thus re-activate infrastructures of the municipal Associations from both entities by co-organizing and participating in several events.

Summary of Major Accomplishments:

- During the Municipal Fair held in Gradacac from June 20-22 2007, the policy team conducted three presentations covering major accomplishments in local governance legislative reform and implementation of the revenue allocation model in the Federation and RS. Attending were sixty-one participants, representing municipalities from both entities, as well as representatives from five other organizations (Danish Refugee Council, Enterprise Development Agency, Raiffaisen Bank, and the municipal associations).
- On July 5, 2007 the House of Representatives of the Parliament of Federation of Bosnia and Herzegovina, GAP, and the Association of Municipalities and Cities of the Federation, with support of the Council of Europe and the Organization for Security and Cooperation in Europe (OSCE) organized a Conference on Implementation of the Law on Principles of Local Self-Government in FBiH.

The Conference was attended by 116 participants from fifty-five municipalities. Speakers from the Council of Europe, OSCE, and GAP presented comments on the Law and its enforcement, as well as needed changes to cantonal and sectoral laws on local self-governance, and municipal statutes.

Participants concluded that there is a need to form a commission for decentralization, which will work under the guidance of FBiH Ministry of Justice and develop a work program for the local self-governance reform in the Federation and an action plan for the implementation of the Law on Principles of Local Self-Government. The Commission is to be composed of representatives from the Government and Parliament, the Federation municipal association, cantonal governments, and other local and international experts.

Considering the complexity of the issue, conferees suggested that the FBiH Government should consider the possibility of establishing a Ministry for Local Self-Government, or strengthening the existing role within the Ministry of Justice.

Other Significant Actions during the Reporting Period:

Following decisions of the General Assembly, the FBiH Association of Municipalities and Cities constituted five Committees: economic development, international cooperation, urbanism, constitutional and legislative matters, and development and promotion of local self government.

Progress against the Work Plan:

The initial meeting of the coordination body is delayed by representatives of the two associations.

Key Tasks for the Next Quarter:

- Organize a coordination body meeting with presidency representatives of entity associations, GAP and VNG.
- Continue work on raising the capability of the associations to analyze and propose policies, and institutionalizing their role in the legislative process.
- Monitor the formation of the commission for decentralization and their activities on developing the work program and action plan for the local self government reform implementation process.

CHAPTER FOUR: MUNICIPAL LOAN ASSISTANCE AND PACKAGING

Related Activities:

Activity 4.1: Municipal Loan Preparation Technical Assistance

Activity 4.2: National Municipal Capital Conference

The approved third-year work plan discontinues the previous activities related to loan implementation and instead focuses GAP on policy interventions that could eliminate the current impediments to municipal borrowing. The revised strategy has been to organize attention to this important issue using the municipal associations as linchpins to marshal efforts to eliminate overly restrictive controls on municipal debt.

GAP continues to work on raising awareness of problems stemming from lack of a viable municipal borrowing practice (i.e. public events, conferences).

Partner municipalities are becoming aware of the important role that debt fulfills in the implementation of a well-conceived capital improvement plan. In addition, and to the extent feasible, work in progress (such as the Borrower's Guide) was completed.

Modification of the task order to delete component four was approved by USAID on May 4, 2007.

CHAPTER FIVE: MONITORING AND EVALUATION (M&E)

Related Activities:

The GAP monitoring and evaluation process continues to provide answers to the following issues related to project implementation:

- Progress achieved towards GAP program objectives in support of USAID Strategic Objective 2.1; *A More Participatory, Inclusive Democracy*.
- Adequacy of inputs for producing activity outputs and efficiency of processes leading to outputs;
- Status of critical assumptions and causal relationships defined in the GAP technical proposal; along with related implications for performance against USAID and Sida Project expectations; and
- Status of related partner efforts that contribute, and indeed add on to, the positive achievements of GAP performance.

Summary of Major Accomplishments:

- Completed the quarterly performance monitoring plan (PMP) survey for the GAP first and second cohort municipalities.
- Completed an analysis and report on the annual attitudinal survey for both GAP cohorts and control municipalities (45 municipalities in total).
- Completed the annual survey on performance indicators related to municipal budgets (major findings are displayed in Annex B).

Other Significant Actions during the Reporting Period:

Organized data collection, processing and analysis for the semiannual PMP and municipal capacity index (MCI) survey, and municipal budget execution reports for 2006.

Progress against the Work Plan:

This activity is achieving the progress specified in the work plan.

Key Tasks for the Next Quarter:

- Completion of the final PMP and MCI survey (covering the period January through June 2007).
- Preparation of the final GAP M&E report and participation in the GAP final completion report.

CHAPTER SIX: ADMINISTRATIVE MATTERS

Related Activities:

The operations team provides support to all components of the Project including logistical services during the organization of meetings and trainings, transportation, translation and interpretation, and IT support. Operations is also responsible for the entire range of financial management activities at GAP, including administration of three donor contracts and eight major subcontracts, ensuring that all financial transactions are in line with home office and client regulations. In addition, this team provides each staff member and consultant with personnel services.

Recruitment and Hiring:

During the reporting period:

- Mr. Zlatan Musić resigned his position as Municipal Coordinator for the Sarajevo office effective June 13th in order to accept a position closer to his home in Brčko. Given the phase of Project implementation and outstanding activities, it was decided that the remaining coordination staff in the Sarajevo office would cover the duties of this post through the end of GAP.
- Ms. Jasenka Kratović resigned her position as Information Officer effective the end of June. The Information Officer position will not be filled for the remainder of the Project and duties will be shared among other GAP staff.
- During this period, eight short-term technical advisors were hired (total level of effort not exceeding 85 days).

Other Significant Actions during the Reporting Period:

- The operations team was heavily involved in the logistics and other aspects of the first-ever BiH Municipal Fair held in Gradačac from June 20th – 22nd. A BiH exposition company "Boms-Expo", the Association of Municipalities and Cities of the BiH Federation, the RS Association of Towns and Municipalities, the Danish Refugee Council, and GAP jointly organized the event. GAP operations had a major role in coordination between the co-organizers.
- The operations team supported the organization of the Conference on Implementation of the Federation Law on Principles of Local Self Government on July 5th in the BiH Federation Parliament, together with the Association of Municipalities and Cities.
- The operations team assisted in the publication of two GAP brochures in the twelfth quarter: the local economic development guide and "Comments on the Federation Law on Principles on Local Self-Government", the latter in cooperation with the Association of Municipalities and Cities.

Progress against the Work Plan:

- A Project closedown plan was prepared and submitted to USAID and Sida.
- A security and evacuation plan was finalized and approved by the DAI Security Manager.
- A final report on the public information outreach training was completed and submitted to Sida and USAID.
- A success story on capital investment planning and the Grant B project for rehabilitation of the sports center in Bugojno were completed and distributed.

Key Tasks for the Next Quarter:

- The operations team will ensure a proper closedown and a smooth transition to GAP2.

ANNEX A: PROGRESS UNDER THE WORK PLAN (07/15/07)⁹

Activity 1.A.1 – Municipal Customer Service Initiatives		Work Plan Target Date	Current Estimated Completion	Notes
1.	Preparation of technical assistance packages including CSC Manual	Nov '04	Nov '04	TASK COMPLETED.
2.	Staff training	Jan '05	Jan '05	TASK COMPLETED.
3.	Sign MoU with first cohort municipalities	Dec '04	Dec '04	TASK COMPLETED.
4.	Mayors decisions on CSC establishment	Jan '05	Jan '05	TASK COMPLETED.
5.	Establishment of the CSC Working Group	Feb '05	Feb '05	TASK COMPLETED.
6.	Needs assessment	Mar '05	Dec '05	TASK COMPLETED.
7.	Conceptual and construction design of the CSC	Apr '05	Jan '06	Action plan for Mostar approved January 11, 2006. TASK COMPLETED.
8.	Scope of Work discussed and signed	May '05	Jul '06	Task completed except in Mostar (Dec '05). See item No. 7. IRM concurrency received June 12, 2006. Mostar tender proposals received July 13, 2006. TASK COMPLETED.
9.	Remodeling of customer service centers (CSCs)	Oct '05	Sep '06	TASK COMPLETED.
10.	Grant and tender procedures	Aug '05	Jul '06	TASK COMPLETED.
11.	Process reengineering	Sep '05	Mar '06	TASK COMPLETED.
12.	Development and installing the software	Dec '05	Sep '06	TASK COMPLETED.
13.	CSC staffing and training of municipal staff	Jun '06	Nov '06	Mostar to be completed in November 2006. All first cohort citizen service centers were staffed with trained personnel by November 2006. If new personnel are appointed in Mostar, additional training would be provided under a new work plan activity. TASK COMPLETED.
14.	Loading of the data	Aug '07	Aug '07	Loading of data will be a long-term continuum. Ten <i>Twelve</i> first-cohort municipalities have digitized the majority of their registrar data.
15.	Establishment of the CSC Advisory Board	Dec '05	Sep '06	TASK COMPLETED.
16.	First cohort CSCs opened	Dec '05	Dec '06	Breza opened November 16, 2006 and Mostar opened December 4, 2006. TASK COMPLETED.
17.	Raising community awareness of CSC	Jan '06	Mar '06	TASK COMPLETED.
18.	Second cohort municipalities identified	Nov '05	Nov '05	TASK COMPLETED.
19.	Sign MoU with second cohort (II C) municipalities	Dec '05	Dec '05	TASK COMPLETED.
20.	II C Mayors decisions on CSC establishment	Jan '06	Jan '06	TASK COMPLETED.
21.	Establishment of the CSC Working Group II C	Jan '06	Jan '06	TASK COMPLETED.
22.	Needs assessment II C	Mar '06	Mar '06	TASK COMPLETED.
23.	Conceptual and construction design of the II C CSC	Mar '06	May '06	TASK COMPLETED.
24.	Scope of Work discussed and signed with II C	Apr '06	Jul '06	TASK COMPLETED.
25.	Grant and tender procedures II C	Jul '06	Dec '06	TASK COMPLETED.
26.	Process reengineering II C	Jul '06	Oct '06	TASK COMPLETED.

⁹ Updates and changes from the previous quarterly progress report are shown using ~~strikeovers~~ and *italics*.

Activity 1.A.1 – Municipal Customer Service Initiatives (continued)		Work Plan Target Date	Current Estimated Completion	Notes
27.	Remodeling of II C customer service centers (CSCs)	Aug '06	Feb '07	TASK COMPLETED.
28.	Installing the software II C	Oct '06	Feb '07	TASK COMPLETED.
29.	II C CSC staffing and training of municipal staff	May '07	Mar '07	Study tour to Poland completed April 9th. CSC manager training completed in August 2006. Ahead of schedule... TASK COMPLETED.
30.	Loading of the data II C	Aug '07	Aug '07	Loading of data will be a long-term continuum. Nine <i>Ten</i> second-cohort municipalities have digitized the majority of their registrar data.
31.	Establishment of the II C CSC Advisory Board	Jul '06	May '07 Jul '07	CSC Advisory Board established in all second cohort municipalities except Zivinice and Gradačac. TASK COMPLETED.
32.	Second cohort CSCs opened	Nov '06	Mar '07	TASK COMPLETED.
33.	Raising community awareness of II C CSC	Dec '06	Apr '07	Public Outreach Initiative (POI) training for second cohort (55 municipal employees) completed in eighth quarter. Four representatives of municipal associations also participated. Each municipality conducting public campaign prior to the opening of the CSC and thereafter. TASK COMPLETED.
34.	Promotion of the ISO Certification	Jun '06	Aug '07	Novo Sarajevo officially certified for ISO 9001 standardization February 23, 2006. Vogošća certified for ISO 9001 on December 13, 2006. Breza certified for ISO 9001 on March 15, 2007. Lopare, Vlasenica, Srebrenica, Foča, Rudo, Trebinje, Travnik, Fojnica, Kakanj and Gradačac have commenced the process leading to certification.
35.	Complaint procedures	Aug '07	Aug '07	Complaint manual drafted "Introducing Complaint Procedures to GAP Municipalities" Draft No. 6, October 2006. Regional workshops scheduled for January 2007. Complaint procedures adopted in thirty six <i>forty</i> municipalities.
36.	Performance monitoring against the MoU	Aug '07	Aug '07	Initial CSC performance audits completed in thirty two <i>all</i> municipalities and second round audits completed in eighteen <i>twenty-five</i> municipalities. Second year citizen and business satisfaction attitudinal surveys for first cohort and first year surveys for second cohort completed. Workshops on Internal Communications and Exchange of Best Practices conducted in all four regions.
37.	IRM for Mostar approved	Jun '06	Jun '06	TASK COMPLETED.
38.	[Mostar] Tendering procedures completed [incl. vendor selection, execution of contracts]	Jul '06	Aug '06	TASK COMPLETED.
39.	[Mostar] LAN and MAN completed	Aug '06	Jan '07	LAN is completed, MAN was completed January 9, 2007 and is fully functional. TASK COMPLETED.
40.	[Mostar] Hardware installed	Sep '06	Oct '06	TASK COMPLETED.
41.	[Mostar] Software installed	Sep '06	Oct '06	TASK COMPLETED.
42.	Mostar CSC operational	Sep '06	Dec '06	TASK COMPLETED.
Activity 1.A.2 – Business Registration & Permitting				
43.	Develop business registration & permitting module to be integrated in CSC	Nov '04	Nov '04	TASK COMPLETED.

Activity 1.A.2 – Business Registration & Permitting (continued)		Work Plan Target Date	Current Estimated Completion	Notes
44.	a. BR&P process reengineering staff training	Jan '05	Jan '05	TASK COMPLETED.
45.	b. Creation of the BR&P Municipal Sub Groups	Feb '05	Feb '05	TASK COMPLETED.
46.	c. Piloting BR&P procedure inclusion in the CSC	Jan '06	Jan '06	TASK COMPLETED.
47.	d. Creation of the BR&P Municipal Guides	Dec '05	Feb '06	TASK COMPLETED (guides available at opening of CSC).
48.	Linkage to other IC same sector projects	Jun '06	Aug '07	Joint workshops with SPIRA on Exchange of Best Practices conducted in all four regions with 113 participants from 41 municipalities. TASK COMPLETED.
49.	Coordinate with policy team on legislative changes	Jul '07	Aug '07	Coordination with SPIRA is ongoing.
50.	Start with BR&P procedure inclusion in the other cohort I CSC	Feb '07	Feb '07	TASK COMPLETED.
51.	Integrate business registration with central registry and CSC databases cohort I	Mar '06	Mar '06	TASK COMPLETED.
52.	Integrate business registration with central registry and CSC databases cohort II	Aug '07	Mar '07	TASK COMPLETED.
53.	Start with second cohort municipalities - CSC WG initiation	Jan '06	Jan '06	TASK COMPLETED.
54.	Mapping of processes in second cohort municipalities	Feb '06	Feb '06	TASK COMPLETED.
55.	Process reengineering in second cohort municipalities	Aug '06	Oct '06	TASK COMPLETED.
56.	Production of the new citizens' guides in second cohort municipalities	Aug '06	Mar '07	TASK COMPLETED.
57.	Share recommendations on process improvement, reports and action workshops	Jun '07	Jun '07	Series of workshops conducted in February 2007. TASK COMPLETED.
58.	Performance monitoring	Jul '07	Jul '07	See item No. 36 above. Open CSCs have citizen guides including information on business registration as confirmed during performance audit visits. <i>Performance audits continued during the reporting period and will be completed on schedule at the beginning of the final quarter.</i>
Activity 1.A.3 – Urban Planning and Permitting (UPP)				
59.	Develop urban planning and permitting module for CSCs	Aug '05	Dec '05	TASK COMPLETED.
60.	Assess and map municipal processes	Aug '05	Dec '05	TASK COMPLETED.
61.	Presentation of local and regulatory obstacles during the GAP Partners Forum Conference	Sep '05	Jan '06	In lieu of the Partners Forum Conference, roundtables were conducted in Sarajevo, Banja Luka and Tuzla. Separate meeting held in Mostar on January 27 at which Cantonal representatives expressed interest in zoning approach. TASK COMPLETED.
62.	UPP process reengineering training for the Hub municipality staff	Nov '05	Dec '05	TASK COMPLETED.
63.	Advanced process reengineering of pilot project	Jul '06	Dec '06	TASK COMPLETED.

Activity 1.A.3 – Urban Planning and Permitting (UPP) – continued		Work Plan Target Date	Current Estimated Completion	Notes
64.	Linkage to other IC same sector projects; (land registry etc.) cohort I	Sep '05	May '07	Meeting with SPIRA on September 27, 2006 to follow up on legislative proposals dealing with planning and permitting procedures. Cooperation is continuing on issues related to cadastre (GTZ) and further streamlining of procedures (SPIRA). GAP commented on draft RS planning law in a meeting with SPIRA on April 5, 2007 and met with the GTZ land registry project on February 26, 2007 and April 17, 2007. <i>Working groups established by GTZ on legal and IT issues with GAP membership. GAP also represented on SPIRA working groups. TASK COMPLETED.</i>
65.	Linkage to other IC same sector projects; (land registry etc.) cohort II	Aug '06	May '07	Cooperation is continuing on issues related to cadastre (GTZ). See item No. 64 above. GAP completed the reform on urban permitting and planning in close collaboration with international community same sector projects. TASK COMPLETED.
66.	Finalizing advanced manual to streamline permitting procedures	Aug '06	Aug '06	Manual "How to Establish a Permitting Center" finished August 10, 2006. TASK COMPLETED.
67.	Reengineer Urbanism Department processes	Nov '05	Jul '06	TASK COMPLETED.
68.	Link to other institutions & government level's processes	Dec '05	Aug '06	TASK COMPLETED.
69.	First cohort municipalities online	Jul '06	Jun '07	TASK EXPANDED. On December 28th JMC approved expanded activities in Bihać, Velika Kladuša, Jablanica, Trebinje and Goražde. Scope of work agreements for the expanded activities were signed and GIS software procurement procedures are to be and staff training completed by the end of May during June 2007. TASK COMPLETED.
70.	Second cohort municipalities included	Jul '06	Jun '07	In progress. Scope of work agreements including urban permitting for second cohort municipalities completed. TASK EXPANDED. On December 28th JMC approved expanded activities in Konjic, Travnik and Foča. Scope of work agreements are signed, tenders are completed and software and hardware has been installed and staff training completed in Foča, Konjic and Travnik. TASK COMPLETED.
71.	Establishing urbanism working sub-groups (II C)	Mar '06	Mar '06	TASK COMPLETED.
72.	Train 2nd cohort municipalities in GAP improving models of urban planning and permitting procedures, based on the manual	Jun '06	Jun '06	TASK COMPLETED.
73.	Prepare urbanism department need assessment for SoW agreement (II C)	Jun '06	Jun '06	TASK COMPLETED.
74.	Mapping administrative permitting process and introduction of the UPP reengineering process	Jun '06	Jun '06	TASK COMPLETED.
75.	Procuring the urbanism software for model 2 and model 3 (pilot) municipalities	Aug '06	May '07 Jul '07	All procurements completed except for Konjic, Travnik, Mostar, Trebinje, Velika Kladuša and Gradačac. TASK COMPLETED.
76.	Contracting and software development	Nov '06	May '07 Jul '07	All contracts have been awarded except for Goražde, Velika Kladuša, Konjic, Travnik, Mostar, Trebinje and Gradačac. TASK COMPLETED.

Activity 1.A.3 – Urban Planning and Permitting (UPP) – continued		Work Plan Target Date	Current Estimated Completion	Notes
77.	Installation of urbanism software, and training held by software provider (II C)	Oct '06	Jun '07 Jul '07	Installation and training is still to be completed in: Jablanica, Goražde, Foča, Bužim, Gradiška, Srbae, Konjic, Travnik, Mostar, Trebinje, Velika Kladuša and Gradačac. TASK COMPLETED.
78.	Urban planning and permitting process reengineering in selected (bigger) municipalities (II C)	Dec '06	Dec '06	Eight workshops were conducted in hub and selected larger municipalities during September-October 2006. TASK COMPLETED.
79.	Implementation of UPP level 2 for selected municipalities	Jan '07	Jun '07	Tendering and contracting process to be completed for all level two municipalities by the end of May. TASK COMPLETED.
80.	Integration of permitting into the CSC document tracking system	Jun '07	Jun '07 Aug '07	This task is complete in thirty-nine first and second cohort municipalities where permitting is integrated into the CSC document tracking system to facilitate monitoring. For the four hub municipalities the advanced applications have been approved and will be completed by June 2007. were installed in three of the four hubs by the end of the quarter. Implementation in Mostar was delayed because of a complaint by one bidder.
81.	Second training on reengineering	Oct '06	Oct '06	TASK COMPLETED.
82.	Drafting manual to streamline permitting procedures for the pilot project	Aug '06	Aug '06	TASK COMPLETED.
83.	Start-up assessment of interest and needs for four hub pilot projects (Banja Luka, Mostar, Novo Sarajevo and Tuzla)	Mar '06	Mar '06	TASK COMPLETED.
84.	Prepare Manual on Improving Permitting Procedures by Efficient Urban Land Management (pilot)	Feb '07	Apr '07	The Manual has been prepared. TASK COMPLETED.
85.	Training on final zoning manual including land partition, official map, and infrastructure additional separates (pilot municipalities)	Sep '06	Oct '06	TASK COMPLETED.
86.	Appointment of the advisory board / urbanism working group (UWG) for the permit center and its establishment / improvement within the pilot scheme	Jul '06	Jul '06	TASK COMPLETED.
87.	Signing scope of work agreement between municipality and GAP	Jun '06	Oct '06	SoW agreements approved or processed as follows: Novo Sarajevo (approved) August 25, 2006 Mostar (approved) September 26, 2006 Tuzla (approved) October 16, 2006 Banja Luka (submitted to JMC) October 28, 2006 TASK COMPLETED.
88.	Defining the project action plan	Jul '06	Oct '06	Draft action plan prepared by Novo Sarajevo. MoUs executed between stakeholders in four hub municipalities. TASK COMPLETED.
89.	Implementation of pilot project	Jul '07	Jul '07 Aug '07	Implementation on schedule for completion of task on or before work plan target date. Novo Sarajevo completed March 29, 2007. Banja Luka completed on May 9, 2007 and Tuzla on June 19, 2007. Mostar to be completed in August 2007. TASK EXPANDED: Travnik and Velika Kladusa permit centers opened on June 11, 2007 and June 25, 2007 respectively.
90.	Technical assistance provided to hub municipalities in the preparation of ULMIS and as an option including zoning methodology	Jul '07	Jul '07	Tendering complete except in Mostar (scheduled early in twelfth quarter for July 2007.). Technical assistance has been provided during eleventh quarter to all four pilot municipalities and six "co-pilot" municipalities.

Activity 1.A.3 – Urban Planning and Permitting (UPP) – continued		Work Plan Target Date	Current Estimated Completion	Notes
91.	Setting long term objectives with an aim to ensure sustainability of the process	Aug '07	Aug '07	Agreements by and between municipalities and other stakeholders are designed to promote sustainability. A two-day workshop to support this task will be held early in the twelfth quarter was held on April 25-26, 2007 focused on long term objectives in pilot municipalities with a follow-on workshop planned for August.
92.	Community awareness of new processes	Jan '07	May '07 Jun '07	A draft report on the urban pilot “Smarter Planning and Permitting - Lessons Learned From the GAP Urban Pilot” was completed on April 6, 2007. <i>Lessons learned conference organized on June 18-19, 2007 and a workshop on June 21, 2007. TASK COMPLETED.</i>
93.	Performance monitoring against the SOW agreement	Aug '07	Aug '07	Second year citizen and business satisfaction attitudinal surveys for first cohort and first year surveys for second cohort completed. <i>Performance improvements closely monitored by PMP and attitudinal surveys and discussed at conferences and workshops (see above).</i>

Activity 1.B.1 – Participatory Planning for Community Development and Infrastructure Grants

94.	CDPC is formed in the 1st Cohort Municipalities	May '05	May '05	TASK COMPLETED.
95.	Public informed through media campaign of the CDPC establishment and initial work	May '05	May '05	TASK COMPLETED.
96.	Timeline for the work of the CDPC adopted	May '05	Jun '05	TASK COMPLETED.
97.	Priorities and criteria for the project evaluation set	May '05	Jun '05	TASK COMPLETED.
98.	Community development application form prepared and distributed to the public (published in the press)	May '05	Jun '05	TASK COMPLETED.
99.	Community development application forms collected	Jul '05	Aug '05	TASK COMPLETED.
100.	Community development application forms completed, scored, and categorized	Jul '05	Aug '05	TASK COMPLETED.
101.	Financial management questionnaire completed by potential grantees, with GAP grant coordinators and GAP sub-accountant's assistance	Aug '05	Nov '05	TASK COMPLETED.
102.	GAP grant proposals completed by the potential grantees, with the assistance of GAP Grants Coordinators and CDPC as needed, and given to GAP	Aug '05	Nov '05	TASK COMPLETED.
103.	GAP grants proposals submitted to the GAP Joint Management Committee (JMC)	Aug '05	Nov '05	TASK COMPLETED.
104.	GAP Management Team JMC/GAP Management Team reviews the proposals and gives final approval.	Sep '05	Feb '06	TASK COMPLETED.
105.	Grantees informed of JMC decisions and final Grant Agreements ready to be signed	Sep '05	Feb '06	TASK COMPLETED.
106.	Final Grants Agreements issued to selected grantees for signatures	Sep '05	Feb '06	TASK COMPLETED.
107.	Begin disbursement of the awards and monitor project implementation (<i>cohort I</i>)	Sep '05	Dec '05	TASK COMPLETED.
108.	CDPC concept discussed with the Mayor, President of the MC and other municipal employees in II Cohort Municipalities	Feb '06	Feb '06	TASK COMPLETED.

Activity 1.B.1 – Participatory Planning for Community Development and Infrastructure Grants (continued)	Work Plan Target Date	Current Estimated Completion	Notes
109. CDPC Manual, including community development application form, GAP grant proposal form and grantee financial management questionnaire presented to the Municipal and City authorities	Feb '06	Feb '06	TASK COMPLETED.
110. CDPC is formed in the II Cohort Municipalities	Apr '06	May '06	TASK COMPLETED.
111. Public informed through media campaign of the CDPC establishment and initial work	Apr '06	May '06	TASK COMPLETED.
112. Timeline for the work of the CDPC adopted	Apr '06	May '06	TASK COMPLETED.
113. Priorities and criteria for the project evaluation set	Apr '06	May '06	TASK COMPLETED.
114. Community development application form prepared and distributed to the public (published in the press)	Apr '06	May '06	TASK COMPLETED.
115. Community development application forms collected	May '06	May '06	TASK COMPLETED.
116. Community development application forms completed, scored, and categorized	May '06	Sep '06	TASK COMPLETED.
117. Financial management questionnaire completed by potential grantees, with GAP grant coordinators and GAP sub-accountant's assistance	Jun '06	Aug '06	TASK COMPLETED.
118. GAP grant proposals completed by the potential grantees, with the assistance of GAP grants coordinators and CDPC as needed, and given to GAP.	Jun '06	Sep '06	TASK COMPLETED.
119. GAP grant proposals submitted to the GAP Joint Management Committee (JMC).	Jun '06	Oct '06	TASK COMPLETED.
120. JMC/GAP Management Team reviews the proposals and gives final approval.	Aug '06	Oct '06	Final group of proposals (Tuzla region) approved October 16, 2006. TASK COMPLETED.
121. Grantees informed of JMC decisions and final Grant Agreements ready to be signed	Aug '06	Oct '06	All final grant agreements were executed by October 20, 2006. TASK COMPLETED.
122. Final Grants Agreements issued to selected grantees for signatures	Aug '06	Oct '06	All final grant agreements were executed by October 20, 2006. TASK COMPLETED.
123. Begin disbursement of the awards and monitor project implementation	Aug '06	Jul '07 Aug '07	
Activity 1.B.2 – Creating the Business-Friendly Municipality			
124. Development of community profiles for selected first cohort municipalities	Dec '05	Dec '05	TASK COMPLETED.
125. Develop TA for Economic Development Roundtables and Councils (EDC)	Dec '05	Dec '05	Role of EDC embedded into CDPC or [CIP]CT. TASK COMPLETED.
126. Development of Reference Guide into the GAP's concept of LED	Sep '05	Nov '06	LED Specialist commenced work September 13, 2006. TASK COMPLETED.
127. Reference Guide into GAP concept of LED disseminated to partner municipalities	Oct '06	Jun '07	LED Specialist commenced work September 13, 2006. <i>The guide was disseminated through a regional conference in Kakanj and the Municipal Fair in Gradačac.</i> TASK COMPLETED.
128. Training of regional and municipal coordinators	Oct '05	May '06	TASK COMPLETED.
129. Development of community profiles for the second cohort of municipalities	Jun '06	May '07	LED Specialist commenced work September 13, 2006. Final drafts of Community profiles developed as part of local economic development strategy process for Vogošća, Bužim and Čelić. TASK COMPLETED.
130. Implementation of the LED strategies through the work of CDPCs and CIP CTs	Apr '07	Jul '07 Aug '07	LED Specialist commenced work September 13, 2006. Draft LED strategies have been prepared in three target municipalities but are not yet adopted by municipal councils/assemblies.

Activity 1.B.2 – Creating the Business-Friendly Municipality (continued)	Work Plan Target Date	Current Estimated Completion	Notes
131. Economic Development Leadership Roundtables implemented in target municipalities	Aug '05	Feb '06	Mostar conducted in Oct '05. Tuzla conducted in Dec '05. Sarajevo and Banja Luka conducted in Feb '06. Report "Local Economic Development Roundtables" prepared Feb '06. TASK COMPLETED.
132. Monitoring of implementation by MCs	Nov '06	Jun '07	LED Specialist commenced work September 13, 2006. TASK COMPLETED.
Activity 1.C.1 – Assessment and Installation of Integrated Accounting and Budgeting Software			
133. In-depth assessment of available software	Feb '05	Feb '05	TASK COMPLETED.
134. Specifications written	May '05	May '05	TASK COMPLETED.
135. Tender dossier prepared	May '05	Jun '05	TASK COMPLETED.
136. Procurement of software and hardware finalized and contracts signed	Aug '05	Nov '05	Contract signing delayed because of increased due-diligence. Contracts signed Nov '05. TASK COMPLETED.
137. Software development	Sep '05	Nov '06	Contract signing delayed because of increased due-diligence. Final module (cost accounting) to be installed early in ninth quarter. TASK COMPLETED.
138. Training of GAP staff, regional and municipal coordinators and municipal staff on use of software (beginning with standard modules)	Jun '06	Nov '06	TASK COMPLETED.
139. Roll-out to partner municipalities	Jun '06	Nov '06	Rollout commenced Dec '05. To be completed early in tenth quarter. TASK COMPLETED.
140. Training, consultation, review of on-site experiences/budgeting practices in all 23 partner municipalities	Aug '06	Nov '06	Training in cost accounting to be provided during third year. TASK COMPLETED.
141. Monitoring on appropriate and complete use of software and all its applications	Aug '07	Aug '07	Task ongoing. Field staff monitor on biweekly basis complemented with visits by IT specialist. Reports given to software provider at regular meetings. Software acceptance testing conducted during eleventh quarter.
142. Selection of second cohort municipalities	Jan '06	Dec '05	Task slightly ahead of schedule. JMC approved second cohort in Dec '05. TASK COMPLETED.¹⁰
143. Needs assessment of partner municipalities	Feb '06	Feb '06	TASK COMPLETED.
144. Procurement of hardware and software initiated	Jun '06	Jul '06	TASK COMPLETED.
145. Training of municipal staff on new software	Aug '06	Oct '06	All partner municipalities using Finova software have been trained on modules needed for budget planning. TASK COMPLETED.
146. Roll-out to partner municipalities of second cohort	Sep '06	Oct '06	All partner municipalities using Finova software have capability to employ budget- planning module. Likewise for Novo Sarajevo (DAENET user). TASK COMPLETED.
147. Training, consultation, review of on-site experiences/budgeting practices in all partner municipalities	Dec '06	Dec '06	(i) Intensive training continuing by software provider. (ii) Frequent visitations by GAP field staff. (iii) Frequent individual consultations. TASK COMPLETED.

¹⁰ Municipality of Foča formally added on March 22, 2006.

Activity 1.C.1 – Assessment and Installation of Integrated Accounting and Budgeting Software (continued)	Work Plan Target Date	Current Estimated Completion	Notes
148. Monitoring on appropriate and complete use of software and all its applications	Aug '07	Aug '07	GAP field staff, IT specialist, Budget and Financial Management Specialist, and staff from the vendor organized into task force in August 2006 to closely monitor implementation of the IABS in partner municipalities. Action plans are developed for each of municipality and reports on progress in the use of the new software are made on weekly basis to ensure that the expected results are achieved.
Activity 1.C.2 – BiH Budget Guide and Basic Budget Training			
149. Review of existing budget guide from Serbia	Nov '04	Nov '04	TASK COMPLETED.
150. Identification of possible local partners in the process	Nov '04	Nov '04	TASK COMPLETED.
151. SLGRP, STTA and GAP meet with selected local partner to define specifications	Nov '04	Nov '04	TASK COMPLETED.
152. Establishment of Cooperation with the OSCE	Feb '05	Feb '05	TASK COMPLETED.
153. Development of chapters	May '05	Jul '05	TASK COMPLETED.
154. Review and approval of the chapters drafted by GAP staff, local and international STTAs (editorial board)	Aug '05	Aug '05	TASK COMPLETED.
155. Review and approval of the chapters drafted by the OSCE (editorial board)	Aug '05	Aug '05	TASK COMPLETED.
156. Compilation of all chapters into one uniform, format, language editing and final approval by the editorial board	Sep '05	Oct '05	TASK COMPLETED.
157. Translation to local languages	Oct '05	Nov '05	TASK COMPLETED.
158. Graphic design and printing of the manual	Nov '05	Nov '05	TASK COMPLETED.
159. Presentation and cross-country distribution of the manual (four regional two-day training sessions for the municipalities)	Dec '05	Dec '05	TASK COMPLETED (one day launch).
160. Assessment of needs and further on-site assistance (basic budget training)	Jul '06	Aug '07	Ongoing as part of regular technical assistance.
161. Update of the budget guide	Jun '06	May '07	Chapter on revenue allocation system completed by policy team and translated into three languages in collaboration with OSCE. Chapter on municipal borrowing to be done. Chapter on revenue allocation provided to RS and Federation municipal associations for distribution to members. Likewise (Federation only) with the chapter on Budget Preparation and Budget Accounting to reflect amendments to the FBiH Budget Law. TASK COMPLETED.
Activity 1.C.3 – Human Resources Management and Human Resource Information System			
162. Finalization of the design of the GAP's model HRIS	Dec '05	Mar '06	TASK COMPLETED.
163. Introductory presentations on HRIS concept	Feb '06	Mar '06	TASK COMPLETED.
164. Work with the IT suppliers towards adapting their package to the GAP's model HRIS	Apr '06	Apr '06	TASK COMPLETED.
165. Start of data-entry	Apr '06	Apr '06	TASK COMPLETED.
166. On-site coaching in setting up and operating the HRIS	Apr '06	Apr '06	TASK COMPLETED.
167. Follow-up training (after three months of use)	May '07	May '07 Aug '07	This task is ongoing and will be a long-term continuum.

Activity 1.C.3 – Human Resources Management and Human Resource Information System	Work Plan Target Date	Current Estimated Completion	Notes
168. Training towards development of the "more sophisticated" use of HRIS	May '07	Jun '07	Training on the HRIS module has commenced <i>been delivered and support continues in promotion of more advanced use of the HRIS module.</i>
169. Roll-out of the IABS (including HRIS) to second cohort municipalities	Sep '06	Oct '06	TASK COMPLETED.
170. Training, consultation, review of on-site experiences / budgeting practices in all partner municipalities	Dec '06	Aug '07	Internal GAP task force established (see item number 148 above).
171. Monitoring on appropriate and complete use of HRIS	Jun '07	Jun '07 Aug '07	
172. Preparation of management consulting reports (MCR)	Oct '05	Sep '06	Contract executed Mar 14, 2006. Reports completed as follows: Ljubuški July 13, 2006; Vlasenica August 29, 2006; Mrkonjić Grad and Goražde (September 26, 2006). TASK COMPLETED.
173. Presentation of the MCRs to the municipality and implementation of the recommendations	Mar '07	May '07 Aug '07	Ljubuški adopted a new systematization. Goražde, <i>Mrkonjić Grad</i> and Vlasenica are implementing action plans while Mrkonjić Grad is in the final phase of implementing a new systematization.
174. Preparation of management consulting reports (MCRs) for the selected second cohort municipalities	Nov '06	Jan '07	TASK COMPLETED.
175. Presentation of the MCRs to the municipality and implementation of the recommendations	Jun '07	Jun '07 Aug '07	Presentation of MCRs to four second-cohort municipalities completed.
Activity 1.C.4 – Revenue Maximization			
176. In-depth review of the municipal historical financial data	Sep '05	Sep '05	TASK COMPLETED.
177. Technical workshops conducted	Oct '05	Dec '05	TASK COMPLETED.
178. Training modules developed and tested in targeted municipalities	Nov '05	Jun '06	Training modules developed; Testing commenced in Feb '06. TASK COMPLETED.
179. Roll-out of tool to partner municipalities	Jan '06	Jun '06	Rollout to begin following testing phase. Jablanica and Tomislavgrad commenced using tool Mar 15 '06. TASK COMPLETED.
180. Review of the tools re: VAT reform	May '06	Jan '07	While there is some indication that municipalities may have lowered selected rates on own-source revenue and charges in 2006, the GAP revenue maximization tools are not affected by adoption of the revenue allocation legislation. TASK COMPLETED.
Activity 1.C.5 – Capital Improvement Planning			
181. Review of existing materials on CIP from other countries in the region and CIP materials currently available in Bosnia and Herzegovina	Nov '04	Nov '04	TASK COMPLETED.
182. Develop simple, practical, serviceable Capital Improvements Planning Manual based on best practices and lessons learned	Jan '05	Jan '05	TASK COMPLETED.
183. Selection of first cohort municipalities	Feb '05	Feb '05	TASK COMPLETED.
184. Notification of Mayors of selected municipalities by GAP	Feb '05	Feb '05	TASK COMPLETED.
185. Initial Municipal Council resolution project delivered to Mayor	Feb '05	Feb '05	TASK COMPLETED.
186. Resolution project passed by MC	Feb '05	Feb '05	TASK COMPLETED.
187. Mayor's orders on Application Form, Implementation Team, Coordination Team Composition passed	Feb '05	Feb '05	TASK COMPLETED.

Activity 1.C.5 – Capital Improvement Planning (continued)		Work Plan Target Date	Current Estimated Completion	Notes
188.	Coordination Team meeting (framework regulations accepted)	Feb '05	Feb '05	TASK COMPLETED.
189.	Training of the Mayors and CT representatives in Sarajevo	Feb '05	Feb '05	TASK COMPLETED.
190.	Training for CT members and councilors delivered	Feb '05	Feb '05	TASK COMPLETED.
191.	Media Campaign Started	Feb '05	Feb '05	TASK COMPLETED.
192.	Public hearing with NGOs	Mar '05	Mar '05	TASK COMPLETED.
193.	Public hearing with business circles	Mar '05	Mar '05	TASK COMPLETED.
194.	Mayors interview in media	May '05	May '05	TASK COMPLETED.
195.	Media campaign completed	May '05	May '05	TASK COMPLETED.
196.	Application forms distributed and submission deadline set	May '05	May '05	TASK COMPLETED.
197.	Application forms collected	May '05	May '05	TASK COMPLETED.
198.	Coordination team meeting number 2 (application forms revision, statistics analysis done and published)	May '05	May '05	TASK COMPLETED.
199.	Determination of project budgets initiated	Jul '05	Jul '05	TASK COMPLETED.
200.	Multiyear financial forecast (MFF) done	Jul '05	Mar '06	TASK COMPLETED.
201.	Application forms completed (both sides) and prepared for each CT member	Jul '05	Jul '05	TASK COMPLETED.
202.	Coordination team meeting number 3 projects split into groups, point scoring instructions, project scoring started	Jul '05	Jul '05	TASK COMPLETED.
203.	Mayor informs MC on project statistics	Jul '05	Jul '05	TASK COMPLETED.
204.	Project group points and costs estimated by the Secretary of CT	Jul '05	Jul '05	TASK COMPLETED.
205.	Coordination team meeting number 4 (point scoring completed, projects ranked, first financial assignment)	Jul '05	Jan '06	Delays have occurred in some municipalities. Coordination team meetings are an activity run by partner municipalities. TASK COMPLETED.
206.	Implementation year determined for each project by the municipal investment department	Jul '05	Feb '06	TASK COMPLETED.
207.	Coordination Team meeting number 5 (annual potential implementation tables ready and discussed)	Aug '05	Feb '06	TASK COMPLETED.
208.	Coordination Team meeting number 6 (Co-financing tables ready, discussed and approved, final tables ready, discussed and approved, annual project updating approved by MC resolution)	Sep '05	Feb '06	TASK COMPLETED.
209.	Mayor's CIP approval, plan accepted and passed to MC	Sep '05	Aug '07	Delays have occurred in Ljubuški, Tomislavgrad, and Lopare. 95-98 percent completed.
210.	Media campaign on the projects content	Sep '05	Apr '06	TASK COMPLETED.
211.	MC session on CIP held, CIP passed, CIP updating procedure passed	Sep '05	Jul '07	Linked to multiyear financial forecast. See item No. 209 above.
212.	Media campaign on the CIP content	Sep '05	Dec '06	Linked to multiyear financial forecast. Delays have occurred in Ljubuški, Tomislavgrad, Jablanica, Lopare and Tuzla. TASK COMPLETED.

Activity 1.C.5 – Capital Improvement Planning (continued)	Work Plan Target Date	Current Estimated Completion	Notes
213. Selection of second cohort municipalities	Jan '06	Feb '06	Selections forwarded to USAID and Sida February 16, 2006. TASK COMPLETED.
214. Notification of Mayors of selected municipalities by GAP	Jan '06	Feb '06	Notifications sent February 17, 2006. TASK COMPLETED.
215. Initial Municipal Council resolution project delivered to Mayor	Jan '06	Jan '06	TASK COMPLETED.
216. Resolution project passed by MC	Jan '06	Jan '06	TASK COMPLETED.
217. Mayor's orders on application form, implementation team, coordination team composition passed	Feb '06	Apr '06	TASK COMPLETED.
218. Coordination team meeting (framework regulations accepted)	Feb '06	Apr '06	TASK COMPLETED.
219. Training of the Mayors and CT representatives in Sarajevo	Mar '06	Feb '06	Training delivered February 23, 2006 in Vogošća. TASK COMPLETED.
220. Training for CT members and councilors delivered	Apr '06	Apr '06	TASK COMPLETED.
221. Media campaign started	Apr '06	Apr '06	TASK COMPLETED.
222. Public hearing with NGOs	Apr '06	Apr '06	TASK COMPLETED.
223. Public hearing with business circles	Apr '06	Apr '06	TASK COMPLETED.
224. Mayors interview in media	Apr '06	Oct '06	TASK COMPLETED.
225. Media campaign completed	Apr '06	Oct '06	TASK COMPLETED.
226. Application forms distributed and submission deadline set	Apr '06	Apr '06	TASK COMPLETED.
227. Application forms collected	May '06	Aug '06	TASK COMPLETED.
228. Coordination team meeting number 2 (application forms revision, statistics analysis done and published)	May '06	Aug '06	TASK COMPLETED.
229. Statistics analysis done and published	Jun '06	Aug '06	TASK COMPLETED.
230. Determination of project budgets initiated	Jun '06	Aug '06	TASK COMPLETED.
231. Multiyear financial forecast (MFF) done	Jun '06	Aug '06	TASK COMPLETED.
232. Application forms completed (both sides) and prepared for each CT member	Jun '06	Jul '06	TASK COMPLETED.
233. Coordination team meeting number 3 projects split into groups, point scoring instructions, project scoring started	Jun '06	Jul '06	TASK COMPLETED.
234. Mayor informs MC on project statistics	Jun '06	Aug '06	TASK COMPLETED.
235. Project group points and costs estimated by the Secretary of CT	Jun '06	Jul '06	TASK COMPLETED.
236. Coordination team meeting number 4 (point scoring completed, projects ranked, first financial assignment)	Jun '06	Aug '06	TASK COMPLETED.
237. Implementation year determined for each project by the municipal investment department	Aug '06	Nov '06	TASK COMPLETED.
238. Coordination Team meeting number 5 (annual potential implementation tables ready and discussed)	Aug '06	Nov '06	TASK COMPLETED.
239. Coordination team meeting number 6 (co-financing tables ready, discussed and approved, final tables ready, discussed and approved, annual project updating approved by MC resolution)	Aug '06	Nov '06	TASK COMPLETED.

Activity 1.C.5 – Capital Improvement Planning (continued)	Work Plan Target Date	Current Estimated Completion	Notes
240. Mayor's CIP approval, plan accepted and passed to MC	Aug '06	Jul '07 Aug '07	95 98 percent completed. The plan has not been accepted in Lopare (political reasons), Ljubuški (adoption planned for 25 April following municipal economic development strategy) and Tomislavgrad (adoption planned for May).
241. Media campaign on the projects content	Aug '06	Jul '07 Aug '07	95 98 percent completed. In addition to the media campaigns within respective partner municipalities, a media advisory was prepared by GAP and the media was present at the best practice exchange conference held in Vogošća.
242. MC session on CIP held, CIP passed, CIP updating procedure passed	Aug '06	Jul '07	95 98 percent completed. <i>Ljubuški and Lopare are pending.</i> In Velika Kladuša the final five-year capital improvement plan (2007 through 2011) was prepared and adopted at the Municipal Council session in the second half of January 2007.
243. Media Campaign on the CIP content	Aug '06	Jul '07	95 98 percent completed.
244. CIP best practices exchange workshops held in the four GAP regions	May '06	Apr '07	A single conference in Vogošća will substituted for the four regional conferences. The conference was conducted early in the twelfth quarter (<i>April 17, 2007</i>). TASK COMPLETED.

Activity 2.1.1 – Review and Assess New Local Government Legislation

245. Review, analyze, and facilitate amending or drafting of relevant cantonal and municipal legislation	Jun '06	Aug '07 Jul '07	The Federation Law on Principles of Local Self Government was adopted by both Houses of Parliament on July 12th. Final adoption occurred at the end of July and the Law was published in the Official Gazette in August 2006. Two short-term technical advisors engaged to conduct analysis of sectoral legislation and cantonal laws on local self government, which need to be harmonized with the Federation law. First drafts of analysis and reports submitted in April. <i>Analyses of sectoral legislation and model cantonal law on local self government were produced and presented at the Conference on LSG July 5, 2007.</i> TASK COMPLETED.
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Activity 2.1.2 – Implementation of the FBiH Law on Principles of Local Self-Government

246. Produce a Manual on Implementation of the Federation Law on Principles of Local Self-Government	Jun '07	Jun '07 Jul '07	First draft submitted April 2007. <i>Comments on the Law were presented and distributed at the Conference on LSG July 5, 2007.</i> TASK COMPLETED.
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Activity 2.1.3 – Training of MZ Staff to Improve Citizen Participation

247. Training of MZ staff to improve citizen participation	Jul '07	Jul '07	CCI has visited selected municipalities and made agreement with Mayors. Training for module 1 is scheduled in Teslic, Rudo, Foča and Prozor Rama early next quarter. <i>In addition to advising MZ representatives, the subcontractor consultant worked intensively on modules 1, 2 and 3 for which eight trainings were held for targeted municipalities (Mostar, Banja Luka, Prozor Rama, Teslic, Rudo and Foca).</i> <i>MZ priorities are being forwarded to respective municipalities.</i>
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Activity 2.2 – Raising Awareness of the Value Added Tax, Implementation of the Revenue Allocation Models

248. Continue working through working groups on intergovernmental finance	Sep '05	Nov '05	TASK COMPLETED.
249. Organize two retreats to discuss working group solutions	Aug '05	Nov '05	TASK COMPLETED.

Activity 2.2 – Raising Awareness of the Value Added Tax, Implementation of the Revenue Allocation Models (continued)	Work Plan Target Date	Current Estimated Completion	Notes
250. Two gatherings of government and Parliament representatives	Sep '05	Nov '05	TASK COMPLETED.
251. Create data base on revenues by level of government	Nov '05	Nov '05	TASK COMPLETED.
252. Development and presentation of reform options documents	Sep '05	Apr '06	TASK COMPLETED Federation: Law adopted in House of Peoples on February 14. Constitutional Court found no infringement of vital national interest on April 13, 2006. Implementation started on June 19th. RS: Council of Peoples confirmed the Law on Changes and Amendments to the Budget System Law and it was officially adopted April 13, 2006. Implementation started on July 1st.
A. Improving local government revenue reporting			
253. Work with MoF on evaluating the current reporting requirements and to produce new reporting formats	Sep '06	Jul '07	Delay has resulted because prerequisite memoranda of understanding (MoU) are taking <i>took</i> longer than expected to negotiate. MoU on cooperation between the RS Ministry of Finance and GAP was signed on September 6, 2006. MoU with the FBiH Minister of Finance was signed on November 16, 2006. Draft format completed <i>and sent to the Government Legislative Office.</i> TASK COMPLETED.
254. Organization of a range of presentations with MoF for municipalities and cantons to present the draft reporting system, explain its requirements and collect comments and suggestions	Nov '06	Apr '07 Jul '07	See above. Conducted meeting in Tuzla region on February 15th. Format circulated for comments on April 4th. <i>Comments collected and draft produced.</i> TASK COMPLETED.
255. Produce new reporting format for use in 2007	Dec '06	May '07 Jul '07	See item No. 253. Draft produced. TASK COMPLETED.
256. Provide together with MoF training to local governments and cantons in use of the new format (if necessary)	Jan '07	Jun '07 Sep '07	See item No. 254. <i>Will continue to discuss the possibility of training with MoF.</i>
257. Training for municipal associations on use of data for policy and member support purposes	Feb '07	Apr '07 Jul '07	Delays resulting from internal reorganization of the Federation Association. Vacancy announced in mid-April for economic advisor.
258. Monitor the reporting process, and provide additional assistance where needed	Jun '07	Jun '07 Sep '07	<i>Activity will continue to end of project.</i>
B. Improving the capacity of entity ministries (and Associations) to adjust systems to changes in fiscal policy and expenditure assignments			
259. Provide assistance to MoF with developing of data for MoF web site on revenue allocation model	Oct '06	Aug '07	This activity is underway.
260. Provide training to MoF staff in work on the simulator	Nov '06	Aug '07 Jul '07	This activity is underway. <i>Ministry of Finance staff has been trained to independently operate the revenue allocation simulator.</i>
261. Provide training in updating the simulator and in production of individual government's share of revenue	Jan '07	Apr '07 Jul '07	This activity delayed until new estimates of population and pupil enrollment are available from the statistics institutes (circa March 2007). <i>Statistical data has been obtained and the activity is underway. The simulator has been updated, new data entered and Decisions with revised coefficients adopted in the RS (June 14, 2007) and drafted in the Federation (July 13, 2007).</i> TASK COMPLETED.
262. Produce training modules and manuals	Mar '07	May '07 Sep '07	Federation MoF delaying activities because of workload.

Activity 2.2 – Raising Awareness of the Value Added Tax, Implementation of the Revenue Allocation Models (continued)	Work Plan Target Date	Current Estimated Completion	Notes
B. Improving the capacity of entity ministries (and Associations) to adjust systems to changes in fiscal policy and expenditure assignments (continued)			
263. Organize a joint workshop for all actors on pricing of functions	Apr '07	May '07 Sep '07	Federation MoF delaying activities because of workload. <i>Former activity No. 264 merged with No. 263.</i>
264. Organize a workshop on changes in the models of revenue allocation	May '07	May '07	<i>Merged with above activity.</i>
Activity 2.3 – The Functions and Finances of the City of Sarajevo			
264. Participate in a working group formed by the City Council and supported by CCI	Oct '06	Oct '06	Draft report submitted to USAID, Sida and CCI October 13, 2006. TASK COMPLETED.
Activity 2.4- Restoring the powers of local governments in key sectors, including social services & urban planning and permitting			
Restoring the powers of local governments in key sectors			
265. Compile a list of legal obstacles based on results of the questionnaire	Jul '05	Jul '05	TASK COMPLETED.
266. Organize a series of workshops in order to bring together participating jurisdictions	Aug '05	Dec '05	TASK COMPLETED.
267. Start defining problems and possible solutions in the most critical areas	Dec '05	Dec '05	TASK COMPLETED.
268. Produce guidelines for legal reform with specific recommendations	Sep '05	Mar '06	TASK COMPLETED.
Urban Planning and Permitting/Municipal Property			
269. Review the existing laws	Jul '05	Aug '05	TASK COMPLETED.
270. Review the ongoing initiatives relevant to the status of municipal property.	Aug '05	Mar '06	TASK COMPLETED.
271. Compile a list of legal obstacles based on results of the questionnaire	Jul '05	Jul '06	Written comments have been collected during workshops and were used in producing documents addressed to the entity Ministries of Justice. TASK COMPLETED.
272. Organize a series of workshops in order to bring together participating jurisdictions.	Aug '05	May '06	TASK COMPLETED.
273. Produce guidelines for legal reform with specific recommendations	Sep '05	Jun '06	Legal advisor produced two documents compiling comments from Federation and RS municipalities on the pre-draft Laws on Ownership and Other Rights. The Federation document was formally sent by the FBiH municipal association to the Ministry of Justice and GTZ on May 8, 2006. The RS document was formally sent by the RS municipal association to the RS Ministry of Justice and GTZ on September 19, 2006 TASK COMPLETED.
274. Facilitate amending or drafting of relevant legislation	Jun '06	Nov '06	Legal advisor produced two reports based on comments from the municipalities in the FBiH and the RS. Reports were adopted by the working group in November 2006. TASK COMPLETED.
275. Promotion of legal changes	Jun '06	Nov '06	Legal advisor participated in the session of the working group in November 2006 at which a number of municipal <i>comments</i> were adopted and incorporated in the draft law of each entity. TASK COMPLETED.

Activity 2.4- Restoring the powers of local governments in key sectors, including social services & urban planning and permitting (continued)		Work Plan Target Date	Current Estimated Completion	Notes
Urban Planning and Permitting/Municipal Property (continued)				
276.	Conduct analysis of the existing laws on concessions on state, entity and cantonal level	Mar '07	Apr '07	STTA legal advisor was hired in March and completed an analysis of the existing laws on concessions. TASK COMPLETED.
277.	Organize a series of workshops on right to grant concessions in order to bring together participating jurisdictions	May '07	May '07 Jul '07	<i>The issue of concessions related to municipal competencies was discussed at three sessions of Federation municipal association standing committees (i.e. Economic Growth, and Constitutional and Legal Matters).</i> TASK COMPLETED.
278.	Produce guidelines for legal reform with specific recommendations concerning municipal property and concessions	Jun '07	Jun '07 Jul '07	<i>Recommendations and proposed amendments to the Federation law on concessions completed.</i> TASK COMPLETED.
279.	Facilitate amending laws on concessions or drafting of relevant legislation	Jul '07	Jul '07	<i>Proposed amendments to the Federation law on concessions completed and forwarded to Association bodies for further advocacy promotion.</i> TASK COMPLETED.
Education and Social Welfare				
280.	Review the ongoing initiatives in the education and social sector reform	Jul '05	Feb '06	Completed analysis of European Commission functional review of education and health sector. Internal GAP report prepared. TASK COMPLETED.
281.	Develop guidelines for policy reform.	Jul '05	Feb '06	GAP completed a simulation that reflects changes in funding for primary education, at the request of the Head of the Budget and Finance Committee of the Federation House of Representatives. The guidelines for reform were developed after adoption of the Law on Principles of Local Self-Government. Guidelines produced. TASK COMPLETED.
282.	Review the existing laws.	Sep '05	Feb '06	TASK COMPLETED.
283.	Produce a report on the overall reform process.	Oct '05	Feb '06	Internal GAP report prepared. TASK COMPLETED.
284.	Produce guidelines for policy reform.	Nov '05	Feb '06	Internal GAP report prepared. TASK COMPLETED.
Activity 2.5 – Revision of the Law on Public Procurement BiH				
285.	Review ongoing initiatives concerning public procurement in BiH.	Nov '06	Nov '06	TASK COMPLETED.
286.	Compile a list of legal obstacles based on responses to a questionnaire.	Nov '06	Dec '06	Written comments were assembled and used in producing documents addressed to the BiH Public Procurement Agency. TASK COMPLETED.
287.	Organize a series of workshops in order to bring together participating jurisdictions.	Nov '06	Nov '06	Together with the entity associations, GAP organized eight workshops throughout BiH to review the Public Procurement Law. Almost 240 participants representing 105 municipalities attended these workshops. TASK COMPLETED.
288.	Produce guidelines for legal reform with specific recommendations and deliver report to the Public Procurement Agency BiH.	Dec '06	Dec '06	A comprehensive document was produced containing proposals for amending the BiH Law on Public Procurement, based on findings from the workshops and responses to questionnaires. The document has been sent to the entity associations and EUPPP, which will address it to the Public Procurement Agency BiH. TASK COMPLETED.

Activity 2.5 – Revision of the Law on Public Procurement BiH (continued)	Work Plan Target Date	Current Estimated Completion	Notes
289. Facilitate amending or drafting relevant legislation.	Dec '06	Jan '07	Proposals for amendments to the BiH Law on Public Procurement were submitted to the PPA. The Board of the Agency will decide on the final draft of amendments to this Law. TASK COMPLETED.
290. Training of municipal staff on public procurement procedures.	May '07	May '07	Together with the FBiH municipal association, GAP organized seven trainings for municipal staff on public procurement procedures. Approximately 140 participants attended from 68 municipalities. Training in the RS will be conducted early in the twelfth quarter. Five trainings were organized for municipal staff in the RS at which approximately 110 attendees from fifty municipalities participated. TASK COMPLETED.
Activity 3.1 – Providing Policy Content for the Coordination Body of the Entity Associations of Municipalities and Cities			
291. First meeting of the coordination body	Jul '06	May '07 Sep '07	Delayed due to engagement of members of the coordination body in the pre-election campaign and internal reorganization of the FBiH Association. All mandates have expired and election of a new Presidency is expected in February. New Association Presidency was elected at the end of March 2007. <i>The meeting is delayed by representatives of the entity associations.</i>
292. Monthly coordination body meetings to design common reform strategy, advocacy for reform, and plan future steps other related activities	Jun '06	Jun '07 Sep '07	The coordination body is the best vehicle for sustaining the work of PAB. The scope of work and organization is largely agreed. Coordination with VNG also agreed. See above.
293. Conference of all BiH municipalities to address the policy issues raised by the inability to access municipal credit	Oct '06	Dec '06	Conference conducted December 20, 2006. TASK COMPLETED.
294. Coordination body retreat to intensively develop and vet reform scenarios	Dec '05	May '07 Sep '07	See item No. 293 291 above.
295. Second coordination body retreat to intensively develop and vet reform scenarios	Jun '06	May '07 Sep '07	See item No. 291 above.
Activity 3.3 – Identifying and Serving Member Needs			
296. Web site development and maintenance	Jun '06	Dec '05	TASK COMPLETED.
297. Establish the GAP Municipalities Forum	Sep '05	Jan '06	Establishment of a GAP Municipalities Forum to allow inclusion of the second cohort partners. First meeting of Forum to be held at second cohort launch. TASK COMPLETED.
298. Second meeting of the GAP Municipalities Forum	May '06	May '06	TASK COMPLETED.

Activity 4.1 – Municipal Loan Preparation Technical Assistance	Work Plan Target Date	Current Estimated Completion	DAI is preparing a Task order modification No. 3 deleting this component <i>was approved by USAID on May 4, 2007.</i>
299. Four municipalities identified during CIP training receive direct assistance on preparing loan application documentation	Sep '05	Dec '05	TASK COMPLETED. The GAP midterm evaluation report stated "...it is recommended that the training of municipal staff in loan packaging be suspended" unless the legal restrictions in the Federation are lifted. On February 17th the Municipality of Lopare requested approval from the RS Ministry of Finance for a \$1.5 million loan that was "packaged" with technical assistance from GAP. <i>Lopare consummated a ten-year commercial loan in the amount of 613,550 Euro.</i>
300. Distribution of loan preparation guide through the RC, MC and CIP training events to both I and ultimately II cohort municipalities	Aug '06	Dec '06	TASK COMPLETED.
301. Identifying and documenting of loan applications for projects that have gone through the CIP process	Aug '06	Aug '06	See item No. 300 and 301 above.

ANNEX B: ANNUAL SURVEY ON MUNICIPAL BUDGET PERFORMANCE INDICATORS

Introduction

The annual survey on municipal budgets was conducted in the second quarter of 2007, since municipal budgets are adopted by municipal councils usually between March and June of each year. Municipal revenues and expenditures have been analyzed based upon submitted municipal budget execution reports for 2006.

Municipal Budget Revenues

First Cohort

Municipal budget revenues in 2006 among the municipalities of the first cohort were 350.4 million KM, which is an increase of thirty-five (35) percent compared to year 2005. Fiscal revenues were significantly increased by almost thirty-nine (39) percent compared to year 2005, as a result of value added tax (VAT) introduction and the successful GAP effort during 2005-06 to adopt revenue allocation formulae, which sharply increased indirect tax revenue for the local level.

In the same time, non-fiscal revenues, which are the only source of income that municipality can directly collect, were increased in 2006 by twenty-seven (27) percent compared to 2005, while the increase from 2004 to 2005 was just fourteen (14) percent. This confirms that the municipal approach to own-source revenue generation was more responsible and organized during 2006 (see Fig. No. 1).

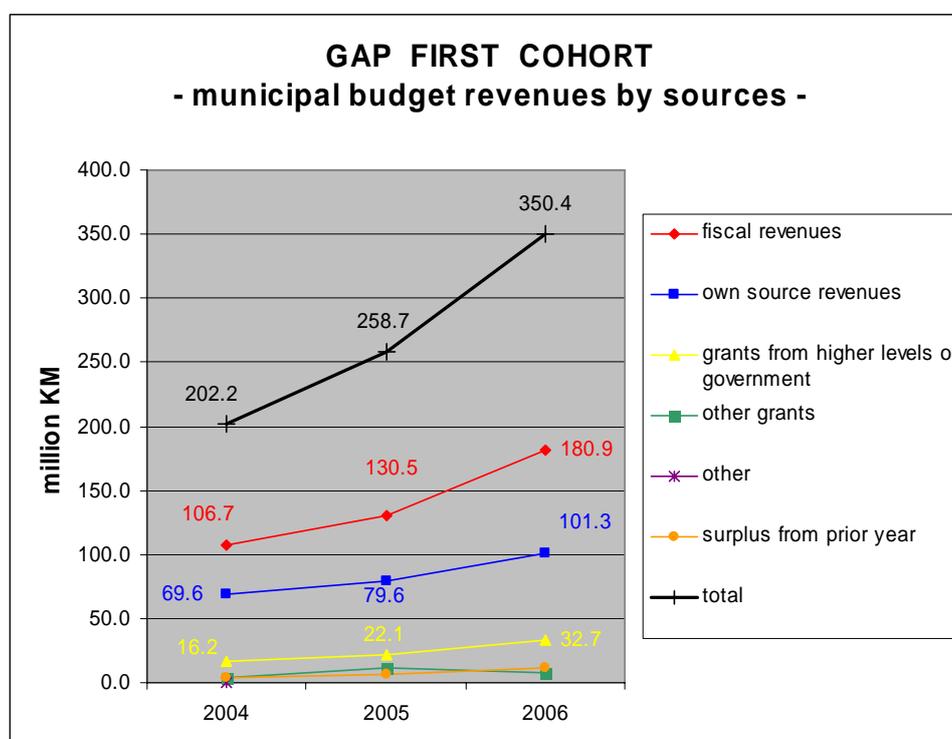


Fig. No. 1

Municipal Budget Revenues (continued)

Second Cohort

Considering the municipalities of the second cohort, fiscal revenues increased by forty-six (46) percent in 2006 compared to 2005, while municipal efforts in increase of own-source revenue generation resulted in an increase of thirty-five (35) percent of non-fiscal revenues (see Fig. No 2).

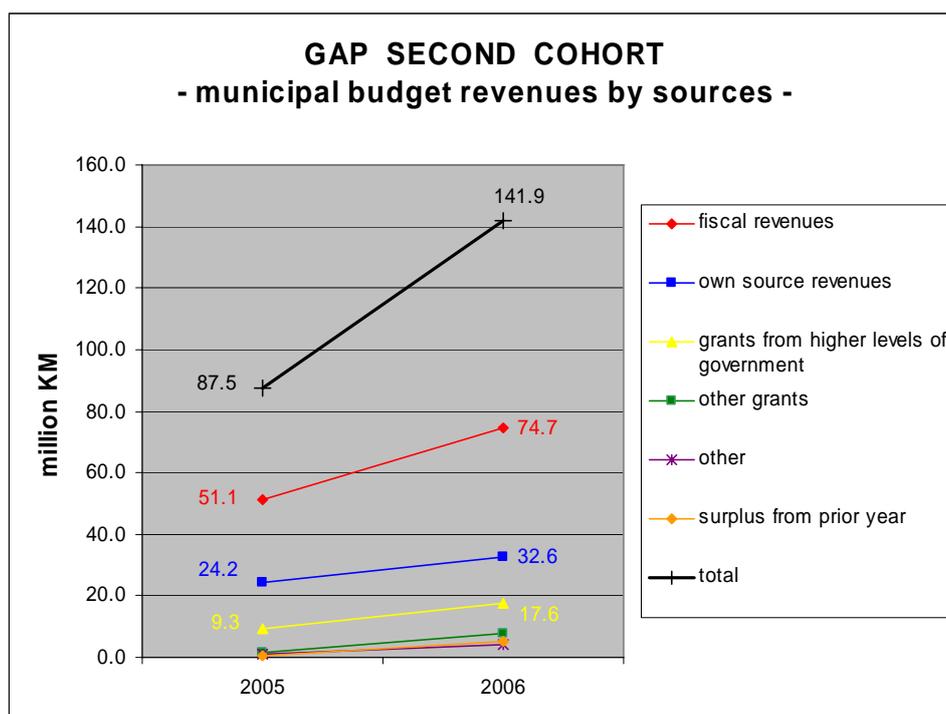


Fig. No. 2

Capital Municipal Budget Expenditures

The increase in municipal budget revenue, as well as GAP technical assistance in capital improvement planning and better municipal organization enabled partner municipalities to allocate more income to capital projects. Analyzing the ratio of capital outlays to operating expenses among all GAP partner municipalities, one can see that the ratio increased from **1.47** in 2004 to **2.05** in 2006.

However, concerning the thirteen GAP municipalities where a second or third cycle of multi-year capital planning was initiated (Rogatica, Goražde, Novo Sarajevo, Mrkonjić Grad, Velika Kladuša, Vogošća, Travnik, Kakanj, Tuzla, Vlasenica, Doboju-Istok, Gradačac and Čelić), this ratio increased from **1.2** in 2004 to **2.25** in 2006. In the same timeframe, non-CIP municipalities increased this proportion only from **1.36** to **1.71** (see Fig. No. 3). This analysis definitely validates the GAP approach to capital improvement planning as an effective tool leading to better municipal fiscal decisions.

Capital Municipal Budget Expenditures (continued)

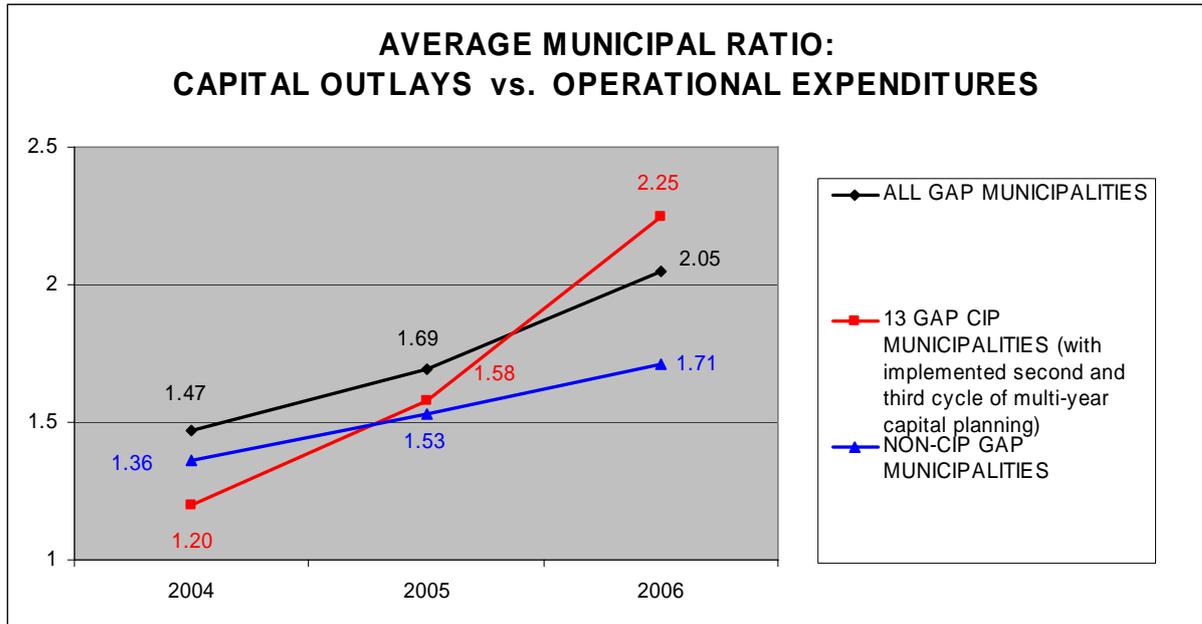


Fig. No. 3

Analysis of the average municipal percentage of the capital expenditures in relation to total budget expenditures shows, that average municipal capital budget among the GAP partner municipalities was increased from twenty-two (22) percent in 2004 to twenty-eight (28) percent in 2006. Once again, the greatest increases were recorded among the thirteen CIP municipalities with a growth of nine points, from eighteen (18) percent in 2004 to twenty-seven (27) percent in 2007 (see Fig. No.4).

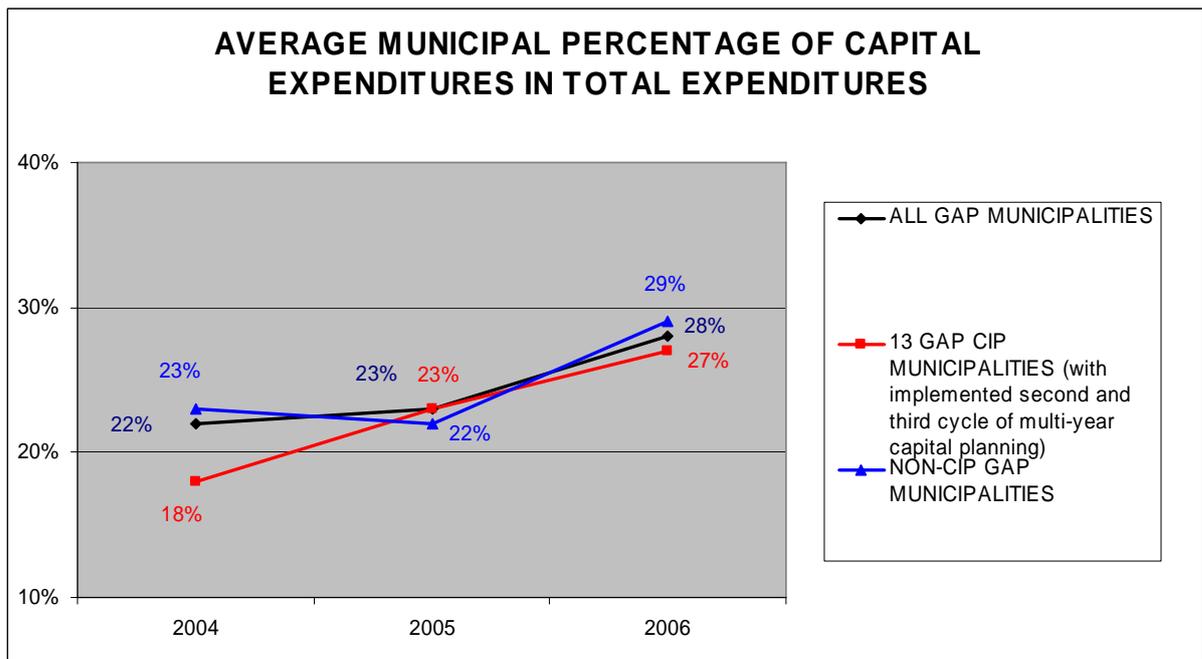


Fig. No.4

ANNEX C: SUMMARIES OF EXTERNAL MEETINGS - CoP

Date	Attendees	Substance or Purpose
April 24, 2007	<ul style="list-style-type: none"> ✓ Irina Faion, Local Government Initiative (LGI) ✓ Denisa SarajlićMaglić, GAP Director of Policy 	Discussions focused on areas of potential support that LGI could offer for GAP.
May 9, 2004	<ul style="list-style-type: none"> ✓ Verica Kunić, Head of Urbanism Department City of Banja Luka ✓ Sanela Kecman, Urbanism Department City of Banja Luka ✓ Amira Busuladžić, GAP Urbanism Advisor ✓ Siniša Petrović, GAP Municipal Coordinator ✓ Nikica Lubura, GAP Interpreter 	The discussion focused on future needs following completion of the Banja Luka urbanism pilot project.
May 10, 2007	<ul style="list-style-type: none"> ✓ Ljubo Bešlić, Mayor City of Mostar ✓ Predrag Supljeglav, Head of General Administration and Coordinator for GAP ✓ Mirela Suton, GAP Regional Coordinator ✓ Nikica Lubura, GAP 	<p>This was one of a series of meetings with the Mayor held at the request of GAP evaluate the City's progress in fulfilling Project goals. Aside from the overarching problem related to expected downsizing of municipal staff due to unification of the City, most GAP activities were meeting or exceeding expectations.</p> <p>The Mayor stated that the City would resolve the staff downsizing issues by September, specifically before the end of GAP.</p>
May 11, 2007	<ul style="list-style-type: none"> ✓ Mirza Hajric, Advisor Office of Executor Director The World Bank ✓ Jasmina Đikić, GAP 	Mr. Hajric, who is advisor to the Dutch member of the Executive Board of the Bank, requested the meeting to receive a briefing on GAP on behalf of his principal.
May 16, 2007	<ul style="list-style-type: none"> ✓ Steven Tweedie, NDI Director of Parliamentary Programs ✓ Denisa SarajlićMaglić, GAP ✓ Saša Leskovac, GAP Director of Field Operations ✓ Tatjana Muhić, GAP Regional Coordinator 	<p>Mr. Tweedie requested this meeting with GAP in order to express his appreciation for the assistance provided by the municipal interventions team in the placement of NDI supported interns at Novo Sarajevo Municipality.</p> <p>Further discussion continued on areas of possible collaboration between NDI and GAP.</p>
May 23, 2007	<ul style="list-style-type: none"> ✓ Rasim Omerović, Mayor of the Municipality of Kalesija ✓ Meliha Memisević, GAP Grants Coordinator ✓ Nikica Lubura, GAP 	During an informal tour showcasing several recent municipal initiatives, including those supported by GAP, the Mayor enthusiastically credited the Project for its contributions to the municipality through grant and technical assistance support.

Date	Attendees	Substance or Purpose
June 14, 2007	<ul style="list-style-type: none"> ✓ Sabina Dervišefendić, TCT Coordinator USAID FORECAST Project/ World Learning ✓ Aida Hadžić, Program Officer USAID FORECAST Project/ World Learning 	Discussions involved options for future World Learning study tours in light of current funding reductions.
June 15, 2007	<ul style="list-style-type: none"> ✓ Rade Pavlović, Mayor of the Municipality of Teslić ✓ Nikica Lubura, GAP 	Discussions with the Mayor focused on his future priorities for the municipality and how some of them might be addressed under GAP2.
June 25, 2007	<ul style="list-style-type: none"> ✓ Admil Mulalić, Mayor of the Municipality of Velika Kladuša ✓ Tanja Mihajlović, GAP Municipal Coordinator ✓ Nikica Lubura, GAP 	Discussions with the Mayor involved the opening of the municipal permitting center and future tasks to complete this work.
July 2, 2007	<ul style="list-style-type: none"> ✓ Christopher J. Iles, International Development Consultant ✓ Anesa Šehalić, GAP Budget and Financial Management Specialist ✓ Alija Ramović, GAP Software Development Specialist 	Mr. Iles requested a briefing on the GAP financial management system for municipalities as he is working on a European Union project to establish consolidated fiscal reporting for the macro-economic analysis unit (MAU) of the Indirect Tax Authority.

ANNEX D: CONFERENCES AND OTHER EVENTS ATTENDED BY CoP

DATE	EVENT
April 17, 2007	Opened the GAP conference entitled “Capital Investment Planning (CIP) - Exchange of Experiences Between GAP Partner Municipalities” Vogošća. Approximately ninety-three participants, including seventeen mayors, attended from thirty-five partner municipalities.
April 18, 2007	Represented GAP and spoke (on behalf of donors) at the ceremonial opening of two community development projects implemented in the Municipality of Konjic.
April 25, 2007	Opened the two-day GAP conference entitled "Preparing for Long-term Improvements in Urban Planning and Permitting" in Vogošća. Approximately one-hundred participants attended this event.
May 8, 2007	Participated in the Bosnia and Herzegovina: Fiduciary Update Report Dissemination Workshop at the invitation of The World Bank.
May 9, 2007	Represented GAP and spoke at the opening of the urbanism pilot project in Banja Luka.
May 15, 2007	Represented GAP and spoke (on behalf of donors) at the ceremonial opening of a community development project implemented in the Municipality of Gradačac.
May 18, 2007	Participated in a tour of the Vogošća citizen service center by visiting officials from the U.S. Department of State and USAID. The tour was followed by a wide-ranging meeting with the Mayor and his assistant.
May 21, 2007	Participated in a GAP-sponsored workshop in Sarajevo entitled “Exchange of Experiences on Advance Application of Integrated Budget and Accounting Software (IABS) in GAP Partner Municipalities of RS”.
May 23, 2007	Represented GAP and spoke (on behalf of donors) at the inaugural of two community development projects implemented in the Municipality of Kalesija. Participated as a guest and addressed a Ceremonial Session of the Municipal Council on the Day of the Municipality.

DATE	EVENT
May 30, 2007	Participated in a GAP-sponsored workshop in Sarajevo entitled "Exchange of Experiences on Advance Application of Integrated Budget and Accounting Software (IABS) in GAP Partner Municipalities of the Federation of BiH".
June 11, 2007	Represented GAP and spoke at the opening of the urban permit center in Travnik.
June 12, 2007	Addressed the Objectives Review and Pre-Departure Orientation Meeting conducted by World Learning Participant Training Program for a third-country training event to be conducted in Poland ("Sub-sovereign Debt Study Tour for FBiH Government, Parliament, and Municipality Representatives").
June 15, 2007	Represented GAP and spoke (on behalf of donors) at the inaugural of two community development projects implemented in the Municipality of Teslić.
June 19, 2007	Represented GAP at the opening of the urbanism pilot project in Tuzla.
June 19, 2007	Addressed a ceremonial session of the Municipal Council of Živinice and accepted an award as honorary citizen of the Municipality.
June 20-22, 2007	Attended the first ever Municipal Fair in BiH held in Gradačac. GAP, along with the two municipal associations and the Danish Refugee Council, was a co-organizer of the event.
June 25, 2007	Represented GAP and spoke at the opening of the urban permit center in Velika Kladuša.
June 27, 2007	Represented GAP and spoke (on behalf of donors) at the inaugural of a community development project entitled "Construction of the Basement and First Floor of the Center for Social Work Building" in Bugojno. The Center serves nearly 5,400 registered clients.
July 5, 2007	Attended a Conference on Implementation of the Law on Principles of Local Self-Government in the Federation of Bosnia and Herzegovina, which was jointly organized between GAP and the municipal association. More than 115 participants including twenty-one mayors attended.