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**LOCAL GOVERNANCE
PROGRAM IN ALBANIA**

LOCAL GOVERNANCE PROGRAM IN ALBANIA

YEAR 2 ANNUAL IMPLEMENTATION REPORT
OCTOBER 2008-SEPTEMBER 2009



OCTOBER 2009

This publication was produced for review by the United States Agency for International Development. It was prepared by ARD, Inc.

PREFACE

USAID's Local Governance Program in Albania (LGPA) is working with 10 municipalities throughout Albania to foster local economic growth, improve local governance, and strengthen civic and private sector engagement in local development activities.

The LGPA encourages and facilitates local economic growth in target municipalities to increase investment, create jobs, raise incomes, and ultimately expand the municipal tax base. The LGPA is also providing technical assistance and on-the-job training to staff in the target municipalities on a variety of governance issues, including tax collection, asset management, budgeting, procurement, and service provision, with the aim of improving management efficiency while creating a 'business friendly' investment climate.

The 45-month, \$7.3 million project is strengthening the involvement of local civil society groups and businesses in the local government planning and decision-making process. This has been initiated by including the civic and private sectors in Local Economic Growth Committees (LEGCs), establishing participatory budgeting mechanisms, and creating local government outreach mechanisms. This project addresses the *Governing Justly and Democratically Objective* of U.S. Government Foreign Assistance, and especially the decentralization and civil society areas.

The LGPA commenced on September 26, 2007, and will conclude on June 30, 2011. LGPA is implemented for USAID/Albania by ARD, Inc.

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COVER PHOTO: USAID Mission Director Roberta Mahoney speaks at the opening of the Albanian Municipal 'Best Practices' Conference. At right, Besnik Aliaj, Rector of Polis University, and Bamir Topi, President of Albania. Tirana, 17 September 2009.

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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ACRONYMS

AAC	Albanian Agriculture Competitiveness
AAEF	Albanian American Enterprise Fund
AATDA	Albanian-American Trade and Development Association
ACAC	Albanian Coalition Against Corruption
AMCHAM	American Association of Chambers of Commerce
APM	Advanced Participation Methods
APS	Annual Program Statement
AWSP	Association for Women with Social Problems
COP	Chief of Party
COTR	Contracting Officer's Technical Representative
CSO	Civil Society Organization
DCA	Development Credit Authority
DCOP	Deputy Chief of Party
EBRD	European Bank for Reconstruction and Development
EDEM	Enterprise Development and Export Market Services project
EU	European Union
FACTS	Foreign Assistance Coordinating and Tracking System
FLAG	Foundation for Local Autonomy and Governance
GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit</i> (German Technical Assistance Agency)
IDM	Institute for Democracy and Mediation
IDRA	Institute for Development and Research Alternatives
IFC	International Finance Corporation
IPLS	Institute for Policy and Legal Studies
ISB	Institute for Contemporary Studies
IT	Information Technology
KASH	Albanian Agrobusiness Council
LEGC	Local Economic Growth Committee
LGPA	Local Governance Program in Albania
M&E	Monitoring and Evaluation
MEGC	Municipal Economic Growth Committee
MOU	Memorandum of Understanding
NDI	National Democratic Institute
NGO	Nongovernmental Organization
NRC	National Registration Center
OSCE	Organization for Security and Cooperation in Europe
PBMP	Performance-Based Monitoring Plan
PETS	Public Expenditure Tracking System
PMP	Project Management Plan
RDA	Regional Development Agencies

RFP	Request for Proposals
SNV	<i>Stichtig Nederlandse Vrijwilligers</i> (Netherlands Development Organization)
SOW	Scope of Work
STA/M	Senior Technical Advisor/Manager
SWOT	Strengths, Weaknesses, Opportunities, Threats
TDY	Temporary Duty
TIO	Tourism Information Office
URI	Urban Research Institute
USAID	United States Agency for International Development
UNDP	United Nations Development Program

EXECUTIVE SUMMARY

USAID's Local Governance Program in Albania (LGPA) is working with 10 municipalities throughout Albania to foster local economic growth, improve local governance, and strengthen civic and private sector engagement in local development activities.

The LGPA encourages and facilitates local economic growth in target municipalities to increase investment, create jobs, raise incomes, and ultimately expand the municipal tax base. The LGPA is also providing technical assistance and on-the-job training to staff in the target municipalities on a variety of governance issues, including tax collection, asset management, budgeting, procurement, and service provision, with the aim of improving management efficiency while creating a 'business friendly' investment climate.

The LGPA is founded on two key strategic principles:

- First, the LGPA pursues the *development of a 'virtuous circle'* whereby new local private investment results in increased jobs, incomes, and related economic activity, leading to greater municipal tax revenues, allowing the municipality to improve public services, and thereby attract additional investment and further economic activity.
- Second, to facilitate this virtuous circle, LGPA is working with municipal governments and other interested stakeholders—including businesses and civil society organizations—to develop *'demand driven' programs of assistance*. Thus, through Local Economic Growth Committees (LEGCs) already established in each target municipality and frequent interaction with local stakeholders, LGPA responds to requests for training and technical assistance needed to achieve the development objectives defined by the stakeholders.

PRINCIPAL YEAR 2 ACHIEVEMENTS

The LGPA continues to focus on three interrelated component areas, with the overarching goal of improving local governance through economic growth.

Component 1: Local Economic Growth. Under this first component, LGPA is facilitating local economic growth in target municipalities. The worldwide and regional economic downturn has resulted in a mixed pattern of economic growth in LGPA target municipalities during Year 2. In general, achievement of performance indicators during Year 2 has been lower than during Year 1. Nevertheless, given the uncertain economic climate, some significant advances have been made, and the groundwork laid for future progress. Component 1 achievements and major activities undertaken and/or completed during Year 2 include the following:

Performance Indicator Results Achieved During Year 2:

- Direct private investment in LGPA target municipalities has increased by 165 percent above the Year 2 target (on an annualized basis.)
- Employment in LGPA target municipalities has decreased by 6.8 percent below the baseline level. (However, these data are for a five-month period [January–May, 2009] and also subject to certain technical reporting problems. A better performance result is expected once a full 12-month dataset is available.)

- The number of active and registered businesses has increased by 50 percent above the Year 2 baseline. This reflects a decrease of informality as well as a net increase in the initiation of new enterprises.
- The number of ‘bankable’ projects from public or private sources achieved during Year 2 was a total of two projects, which is 67 percent of the performance target.
- Three Public-Private Partnerships (PPPs) have been launched, which is 150 percent of the baseline target of 2.
- Five municipal urban development studies or plans have been initiated, which is 125 percent of the baseline target of 4.

Key Project Activities Initiated and/or Completed During Year 2:

The first municipal loan in Albania was finalized, in Fushë-Krujë. The target for ‘bankable projects’ was not met, in part, because of the late promulgation of secondary legislation for the Municipal Borrowing Law (October 2008). Further, the recent changes in the Law on Local Taxes have reduced the level of unconditional revenues realized by Albanian municipalities, and thereby also reduced their ability to borrow funds. This has made some municipalities less willing to seek loans at this time.

A Local Government Borrowing Manual was released. The manual enables municipal finance specialists to prepare bankable projects. By the end of Year 2, interest in seeking private funding for municipal projects had been expressed by five additional target municipalities. Several of these projects are expected to be realized in Year 3.

In Kukës, Fushë-Krujë, and Pogradec, Capital Investment Plans were initiated for the long-range planning and budgeting of municipal infrastructure improvements. The Capital Investment Plan in Pogradec was completed and approved during the year, while the work in Kukës and Fushë-Krujë will be completed in Year 3.

Urban Regulatory Plan preparation continued in Kukës and Fushë-Krujë, while work at the site planning scale was completed in Fier (transport center development) and Kukës (commercial center relocation).

Feasibility studies for development of a municipal slaughterhouse in Gramsh and relocation of the wholesale produce market in Fushë-Krujë were completed.

Environmental approval of the “yellow line” extension in Lëzha was obtained as a result of an environmental impact study as a required step for the city full Urban Regulatory Plan to become eligible for a grant from the Italian government.

A Public-Private Partnership (PPP) development project was prepared in Korça for a 40,000 m² parcel of municipal land. The Korça project will be put out for tender by the Municipality in the coming year.

Project implementation agreements involving the LGPA, the cities of Shkodra and Pogradec, and the private tourism information company, Çelësi, were executed to operate Tourism Information Offices (TIOs) in the two cities, on a Public-Private Partnership (PPP) basis. The Municipality of Korçe has undertaken a similar project as suggested by LGPA, but with participation of a local Korçe-based tourism company. The Pogradec facility is currently in operation, while facilities in Shkodra and Korçe are being tendered for construction.

Investment promotion materials were prepared for two cities—Shkodra and Korçe—for use at the ExpoReal fair in Munich. These would potentially attract foreign investments to the respective cities. Promotional publication activities were initiated in Lezhë, Librazhd,

Gramsh, and Fier, which will be completed in the coming year. Municipal website improvements were initiated in those cities currently lacking a website: Pogradec, Librazhd, Gramsh, and Fushë-Krujë. These new websites are expected to be operational in Year 3.

The second national Olive Oil Festival was organized in Apollonia by LGPA in association with the Municipality of Fier, the Qark of Fier, Shoqata Antika, *Stichting Nederlandse Vrijwilligers* (SNV), the Regional Office of the Ministry of Agriculture, and the Albanian Olive Oil Association, USAID's Albanian Agricultural Competitiveness (AAC) project. Over 750 persons attended the event, which featured olive oil producers from all parts of Albania, and other local agricultural producers from the Fier region.

Two-day trainings on e-procurement were conducted in eight target municipalities. Trainings in Fier, Korça, Pogradec, Kukës, Shkodra, and Lezhë included trainees from both public and private sectors. As result, municipalities are better able to administer the e-procurement process and local businesses enabled to compete for potential municipal procurement activities.

Surveys of local business needs and concerns were carried out in Shkodra, Kukës, Pogradec, and Fier and shared with municipal officials, which has resulted in improved dialogue and joint consideration given to initiatives that will improve the local business environment.

A small business support program was initiated in target municipalities to provide training, awareness, and association-building efforts for small business leaders. This will enable the businesses to raise their concerns with local tax authorities and other public officials. In addition, during Year 3, where sufficient interest and commitment exists, LGPA will seek to create Associations of Small Businesses to provide a continuing and sustainable voice for the business community.

A business fair was held in Pogradec that showcased and promoted 25 local businesses, and strengthened the relationship between the small business sector and the municipal government.

Component 2: Local Governance. LGPA has provided technical assistance and on-the-job training to staff in 10 target municipalities on a variety of issues including business registration, public procurement, participatory planning techniques, tax administration, and asset management. Component 2 achievements and major activities undertaken and/or completed during Year 2 include the following:

Performance Indicator Results Achieved During Year 2:

- The proportion of total municipal revenues derived from local municipal taxes and fees during the first seven months of Year 2 has reached 88 percent of the performance target, indicating the likely achievement of the target when a full 12 months of data are available.
- The total of local 'own source' revenues collected by target municipalities has increased by 108 percent above the Year 2 target (on an annualized basis.)
- Public perception concerning effectiveness of target municipalities in functional areas (administration, property management, tax collection, procurement, budgeting, etc.) has increased by 8.1 percent above the baseline, as measured by the Local Governance Survey.
- Public perception concerning effectiveness of target municipalities in providing basic public services) has increased by 10.4 percent above the baseline, as measured by the Local Governance Survey.

Key Project Activities Initiated and/or Completed During Year 2:

A ***Tax Administration Guideline*** manual was published, with endorsement of the Ministry of Finance and the Ministry of Interior/Decentralization. The manual has been distributed to all 65 municipalities and 306 communes in Albania, and is available for download at the LGPA/Albanian Association of Municipalities (AAM) website.

Based on a USAID-approved ***IT Procurement Plan***, IT hardware and software has been purchased and installation initiated in target municipalities to improve local tax administration. As of the end of Year 2, equipment was installed in seven cities: Lezhë, Fushë-Krujë, Fier, Gramsh, Korçë, Kukës, and Pogradec, and training of local staff is underway. Installation in the remaining cities will be accomplished in Year 3.

A working group was formed by LGPA and the Ministry of Finance (MoF) to facilitate local government and business sector awareness of and compliance with newly effective laws on the use of cash registers.

A Business Plan for the Fier Water Company was prepared for and adopted by the Water Company's Supervisory Board. A similar study in Lezhë was initiated and will be completed in Year 3.

A series of meetings on solid waste management in the Bushat/Shkodra region was held with officials of the Ministry of Public Works, the Ministry of the Environment, and representatives of the Commune of Bushat (location of the regional disposal site), the Municipalities of Shkodra and Lëzha, several communes, and the Qark to discuss mutual support. Following agreement among the stakeholders, a solid waste management Business Plan is now being prepared.

A ***Municipal Asset Management Toolkit*** was published and distributed at an asset management training workshop. The toolkit has been distributed to all 65 municipalities of Albania and is available for download at the LGPA/AAM website.

A catalogue of the newly registered assets was produced, and training materials were produced for use by asset managers in Gramsh. Similar asset registration projects have been initiated in Lezhë and Pogradec, for completion in Year 3.

A service improvement ***Action Plan*** for the cleaning service of Librazhd was prepared, along with a schedule for increased service fees as part of the municipality's annual Fiscal Package.

A series of energy efficiency workshops was held in Lushnje, Lëzha, and Korçë, for four LGPA cities (Kukës, Korça, Lëzha, and Gramsh.)

An introductory training was conducted by LGPA, the Ministry of Finance, and the Association of Municipalities for all Albanian cities on the newly mandated mid-term budgeting process. Materials were prepared for a more detailed training, to be held in the coming year.

Component 3: Civic and Private Sector Engagement. Target municipalities are strengthening the involvement of local civil society groups, special interest groups, and business in the local government process. This has been enabled by including the civic and private sectors in the 10 Local Economic Growth Committees, establishing participatory budgeting mechanisms in selected cities, and creating local government promotional materials. Component 3 achievements and major activities undertaken and/or completed during Year 2 include the following:

Performance Indicator Results Achieved During Year 2:

- Thirty civic or private sector groups have partnered with municipal authorities on local development initiatives, which is 187 percent of the baseline target of 16.
- One PETs or ‘Report Cards’ on local government operations has been conducted, which is 33 percent of the baseline target of 3. NGOs located in municipalities are reluctant to implement PETs as they are concerned about how it will affect their relationship with the municipal government.

Key Project Activities Initiated and/or Completed During Year 2:

The Local Economic Growth Committees (LEGCs) were reconvened in each target municipality, to review, discuss, and update the local Action Plans. Results of these meetings were used to guide LGPA interventions during Year 2.

Public Information Offices were established in Himarë and Fushë-Krujë, where citizens and business people can obtain current information about taxes and public services, apply for various permits and approvals, and communicate their issues and concerns to relevant public authorities.

Three training workshops were conducted for local nongovernmental organizations (NGOs) to present the objectives of the LGPA program and to enable NGOs to prepare applications for small grant funding.

A Community Outreach Day was held in Fier, to assist in the improvement of a neighborhood park in one of the city’s residential areas.

Under the LGPA’s continuing Small Grants Program, 16 new grants were issued during Year 2. These covered a wide range of activities, including participatory budgeting, service delivery improvements, public information dissemination, governmental transparency, monitoring of strategic plan implementation, a job fair, creation of a business incubator, and similar initiatives. As a result of these completed and ongoing small grant activities, local citizens and businesses have been enabled to work more closely with local authorities on both economic development activities as well as on improvements to municipal operations, and the level and content of public/private dialogue has been raised.

In addition to the above items, most of the activities discussed under Components 1 and 2 involved close and active collaboration with local businesses and civil society organizations.

CROSS-CUTTING ACTIVITY: THE BEST PRACTICES CONFERENCE

LGPA is making a concerted effort to disseminate good practices among cities through experience sharing. The cornerstone of this effort is the ***Best Practices Conference***, which draws upon successful activities undertaken in one or more of the LGPA components.

The first Best Practices Conference was held on September 17-18, 2009, co-sponsored by the Albanian Association of Municipalities and Polis University. Representatives from 65 municipalities, communes, NGOs, central government officials, international donors, and other interested parties assembled for the ***Best Practices Conference 2009*** to recognize and learn from best practices already employed by Albanian local governments. The Conference allowed local governments to highlight their recent achievements and to disseminate their improved techniques, thereby encouraging other local governments to implement similar practices in their own territories and to improve the quality of local governance.

Best Practices Conference 2009

The Conference highlighted recent local government achievements in decentralization practice, and accelerated dissemination of relevant information. Tirana, 17-18 September 2009.



Photo credit: Paul Cohn



Photo credit: Paul Cohn

Local governments throughout the country are employing innovative ideas to promote good governance, improve service provision, and be more responsive to citizens. Exchange of experience among peers is one of the best methods of advancing new ideas and skills.

In addition, through various presentations and panel discussions held during the two-day Conference, participants explored important issues such as trends in local government revenues, urban planning, and asset management, as well as the results of the annual USAID funded Local Government Survey. The Conference also hosted an exhibition of municipal booths highlighting 24 municipalities' best practices. Selected case studies are included in a compendium of Municipal Best Practices 2009, and represent a small sample of the pioneering approaches used by Albanian local governments to improve the quality of life. A final *Best Practices Conference* will be held early in Year 4 of the project.

During Year 2, LGPA continued to cooperate with other projects and donors, as was done extensively throughout Year 1. LGPA is working closely with the new USAID

Competitiveness Enterprise Development (CED) project which includes five of our target municipalities, the USAID Albanian Agricultural Competitiveness (AAC) project, and the Millennium Challenge Corporation's follow-on project, among others.

CHALLENGES

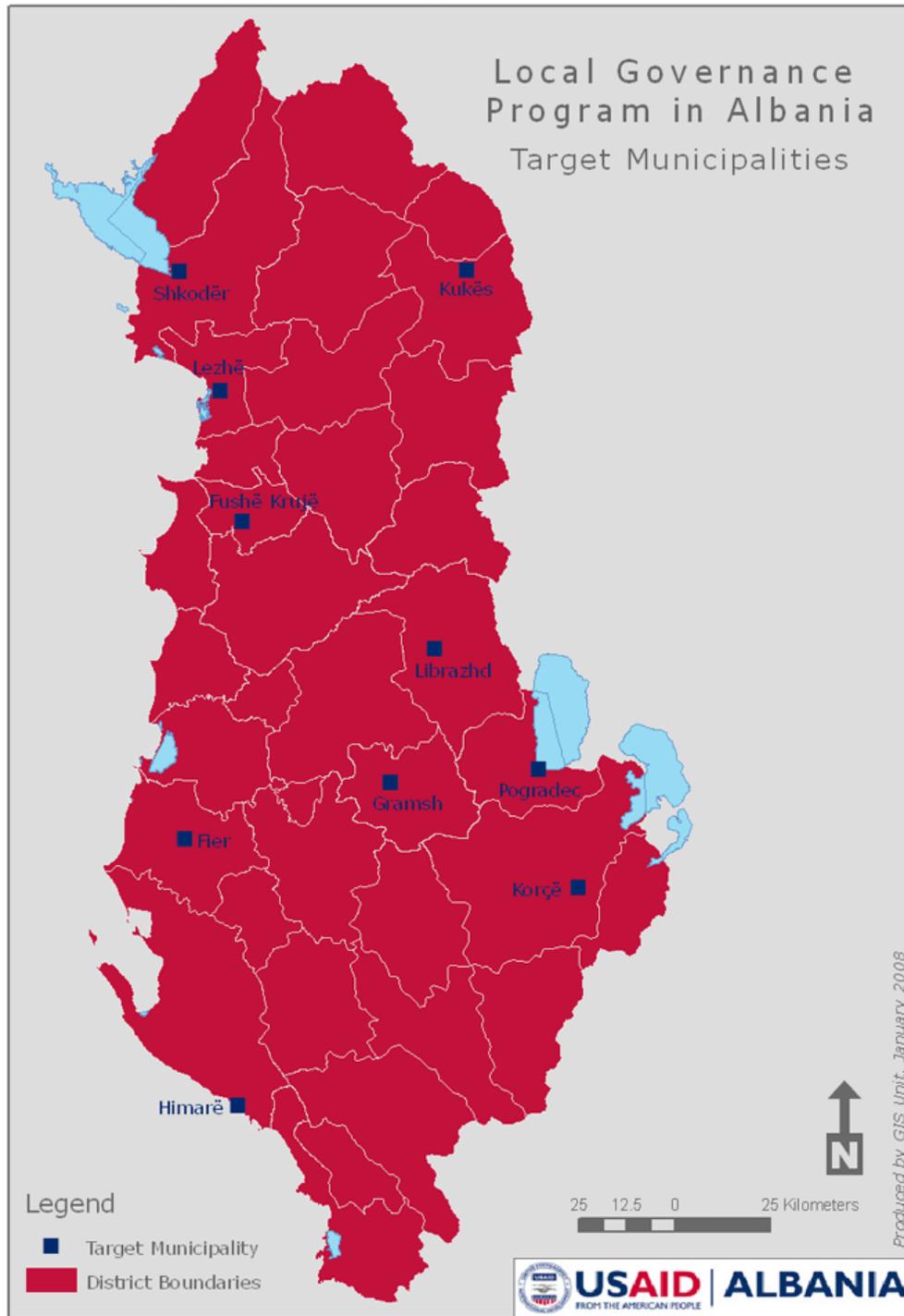
In some areas, the progress of LGPA has been hampered by the failure of the Government to complete activities that were expected to be concluded by the time LGPA began, or soon thereafter. Specifically:

- **Asset Transfer.** Although progress was made during Year 2 in the transfer of assets to the LGPA municipalities, the process remains incomplete in Fier, Himara, Kukës, Librazhd, and Shkoder as of September 30, 2009. Nevertheless, LGPA has underwritten projects that assist the Municipalities of Gramsh, Korçe, Lezhë, and Pogradec to register ownership of the transferred assets, has published a Toolkit for use by asset managers, and, during the coming year, will provide guidance to other cities as they complete the asset transfer process.
- **Municipal Borrowing and Taxing Authority.** Issuance of the necessary secondary legislation to the Municipal Borrowing Law has allowed the completion of the first municipal loan in Albania (in Fushë-Krujë). Further, LGPA is currently working with a number of target municipalities and a number of private banks to utilize borrowing to fund local development projects. However, recent changes to the *Law on Local Taxes* have seriously undercut the viability of municipal budgets in general and the ability to borrow funds in particular. The absence of offsetting revenues for the lost taxes imperils the progress that Albanian municipalities have achieved under the decentralization process.
- **Territorial Planning Law.** The new urban planning law was enacted in April 2009, but to date (due to delays triggered by the subsequent national election and resulting changes in governmental staffing), little progress has been made on the development of the necessary secondary legislation or on the restructuring of central government agencies as mandated by the law. With the installation of the new government in September, it will be possible to undertake work on preparing the secondary legislation in the coming year.
- **Effective Partnerships.** Working relationships with the Municipality of Himarë have proven to be difficult to establish on an effective and collaborative basis. As a result, LGPA (with support of USAID) has chosen to terminate the initial Memorandum of Understanding with Himarë. The termination will be effective in December 2009.

FUTURE ACTIVITIES AND INITIATIVES

The Year 3 Work Plan, submitted to USAID for review in mid-September, is designed to build on the successes of Year 2, and to overcome Year 2 challenges. At the beginning of Year 3, LGPA will reconvene the Local Economic Growth Committees in each target municipality to review Year 2 implementation of the Local Economic Growth Plans and to revise the Plans for Year 3. Based on Year 2 experience, the Plans will be refined to better focus on priority initiatives to promote investment and priority reform areas to create a business-friendly environment. The revisions will take into account successfully implemented action items from the Year 2 Local Economic Growth Plans as well as areas where the municipality was unable to take action. Activities in Component 2—Local Governance, will continue to be demand-driven, based on the needs identified by each target municipality, and stated in the revised Local Economic Growth Plans.

FIGURE 1. MAP OF LGPA'S 10 TARGET MUNICIPALITIES



1.0 RESULTS ACHIEVED DURING YEAR 2

1.1 INTRODUCTION

The LGPA draft *Year 2 Annual Work Plan* was submitted for review to USAID in September 2008, revised in October, and approved on November 3, 2009. The approved Year 2 Work Plan is attached as *Annex A*.

The LGPA's Performance Based Management Plan (PBMP) incorporates the impact indicators set forth in the LGPA task order, and provides a plan for obtaining base data and impact data, in both the target and control cities. The M&E system utilizes a five-level approach to tracking cause-and-effect linkages from resources to activities to outputs to outcomes, and finally to the performance indicators. As per USAID instructions, the PBMP is tracking the impact indicators from the RFP and the new Foreign Assistance Coordinating and Tracking System (FACTS) reporting indicators. The PBMP was modified in October 2008 with USAID concurrence to reflect data collection constraints, and to improve the scope and precision of various indicators.

The currently approved version of the PBMP has been used to structure the *Year 2 Performance Report*, which is attached to this document as *Annex B*.

This second *Annual Implementation Report* summarizes accomplishments realized and problems encountered during the second year of the project, using the approved Work Plan structure as a basis for presentation and discussion. The core of the Year 2 Work Plan consists of a matrix providing a detailed plan of activities for each of the three LGPA components:

- Component 1—Local Economic Growth
- Component 2—Local Governance
- Component 3—Civic and Private Sector Engagement.

Under each component heading in the Work Plan matrix, the expected results of the component to be accomplished over the lifetime of the project and the relevant indicators are listed. Including the expected results in the work plan helps to ensure that all activities undertaken by USAID's Local Governance Program in Albania (LGPA) are specifically aimed at achieving the program goals.

1.2 COMPONENT 1: LOCAL ECONOMIC GROWTH

1.2.1 Scope and Objectives of Component 1

Component 1 seeks to spur growth in the 10 target municipalities and expand their tax revenue/investment bases by providing technical assistance and training to their economic development offices or departments, working in concert with the local business community and civil society groups. Local Economic Growth Committees (LEGCs) have been formed in each target municipality, comprised of municipal, business, and community representatives. During Year 1, local economic development action plans were formulated by these

Committees to help guide LGPA activities and initiatives in each location. During Year 2, these plans were reviewed and modified to reflect progress made, and to identify new actions for implementation.

In the framework of the Municipal Borrowing Law, enacted in February 2008, LGPA is assisting participating municipalities to develop ‘bankable’ projects, and put in place systems and procedures that facilitate borrowing and improve creditworthiness. During Year 2, the first direct municipal loan with a private commercial bank was finalized in June, in the Municipality of Fushë-Krujë. By the end of Year 2, LGPA was actively working with five target municipalities to develop bankable project proposals that can be submitted to commercial banks for funding.

LGPA is working with the target municipalities to improve tax collection and other financial management and budgeting practices and procedures. During Year 2, LGPA activities in this field included a workshop on the new mid-term budgeting requirements, publication of a manual on local tax administration, and procurement and installation of tax administration hardware and software in target municipalities. Installation will be completed in Year 3.

LGPA is committed to providing support to selected municipalities for initial implementation of the new Territorial Planning Law, which was enacted in April 2009. Unfortunately, initiation of work on the secondary legislation has been slowed by the national elections and the reconstitution of the government. During September 2009, meetings were held with representatives of the Ministry of Public Works to create a working group that will be responsible for drafting the secondary legislation package.

LGPA is working with the planning and economic development staff in the target municipalities to design, implement, and monitor development projects, with a particular focus on the development of various assets—including land and buildings—that are currently being transferred to local governments by the central government as part of the national decentralization process. During Year 2, LGPA provided assistance to several target municipalities for the registration and inventory of their new assets, including Gramsh, Pogradec, Lezhë, and Korca. In Korca, a Public-Private Partnership proposal was prepared for development of a large parcel of land that is now in public ownership. A *Municipal Asset Management Toolkit* was prepared that includes a thorough analysis of applicable legislation on the use and disposition of municipal property and a toolkit featuring legal references, basic notions, and procedural guidelines to be followed by municipal officers in the asset disposition process.

During Year 3, this experience will provide a base to enable city staff to formulate action plans for the adaptation of unused parcels and buildings; elaborate and implement site plans for industrial or business parks; develop and execute renewal plans for the rehabilitation of abandoned industrial sites; and prepare capital improvement plans.

1.2.2 Activities and Achievements

The following sections describe activities undertaken and Year 2 achievements under Component 1.

1.2.2.a Update Local Economic Growth Plans (Action Plans)

Local Economic Growth Committee ‘Action Plans’ Updated

During Year 2, LGPA staff re-convened the Local Economic Growth Committees (LEGCs) in the projects 10 target municipalities. The Committees provide a forum to obtain the views of government, civil society and private representatives, while the action plans serve as a programmatic roadmap for LGPA’s collaboration with the target cities.

RIGHT: Korçe Mayor Niko Peleshi addresses the Committee. To his right are Deputy Mayor Sotiraq Filo and Economic Development Coordinator Sofjola Kotelli.



LEFT: During the meeting of the Pogradec LEGC, Deputy Mayor Erjon Vesho summarizes achievements made as a result of the Municipality’s collaboration with LGPA.

The strategic approach of the LGPA is to target the development of a “virtuous circle” whereby new local private investment results in increased jobs, incomes, and related economic activity, leading to greater municipal tax revenues, allowing the municipality to invest in improved public services and infrastructure, and thereby attract additional investment.

During Year 1, Local Economic Growth Committees (LEGCs) in each target municipality and initial Action Plans were completed for all 10 target municipalities in 2008. The action plans elaborate the development and operations reform activities identified by the LEGCs, indicate resources needed, time required, and establish the relative priority of the action as part of the LEGC’s over action plan.

The annual review and update of the 10 action plans was completed in each municipality during the first half of 2009. The updated action plans provide a programmatic roadmap for LGPA’s collaboration with the target cities during 2009 and into 2010.

1.2.2.b Implement Investment Promotion Projects from the Economic Growth Plans

During Year 2, LGPA assisted selected target municipalities to develop investment projects, using a Public-Private Partnership (PPP) model. LGPA partner Co-PLAN completed preliminary work on two investment projects, in Fier and Kukës. In Fier, the work focused on preparation of an implementation plan, in conformance with the city’s existing Urban Regulatory Plan, for development of the “Parku” area as an economic development generator for the city. In Kukës, the work is designed to generate a fundable development proposal for reconstruction of the city’s commercial center market.

In Korçe, LGPA partner URI assisted the Municipality to prepare a conceptual plan for the mixed-use development of a 40,000 sq. meter parcel of city-owned land. It is expected that the

Municipality will seek expressions of developer interest in Year 3. The URI study included an analysis of legal and administrative issues involved in the development and financing of PPPs. PPPs provide a mechanism with which to achieve municipal planning and development goals with the financial assistance of private investors, but they also present major legal and administrative issues that must be properly solved on a case-by-case basis. The URI project provides an assessment and analysis of legal, technical, and financial viability, and will assist with the selection of a private partner under an open, competitive bidding process. The results of the project will serve as a guide for other cities contemplating similar development activities.

In Lezhë, discussions were undertaken during Year 2 that will lead to the assessment of Lëzha’s proposed industrial zone development project in Year 3. This work will be carried out by Co-PLAN.

In Fushë-Krujë and Gramsh, IRR completed feasibility studies to relocate the municipal agriculture market. In Fushë-Krujë, the LEGC included this relocation activity in its Action Plan as a potential PPP project. Development of the new market in Fushë-Krujë will be pursued during Year 3 of the LGPA program.

1.2.2.c Develop Municipal Investment Promotional Materials

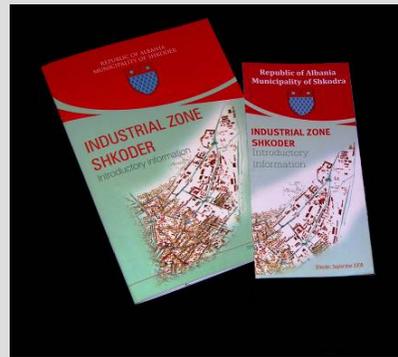
This work activity involves the development of municipal investment promotional materials and related investment and tourism promotion activities. These materials focus on tourism promotion in those cities having clear tourism development potential, and on commercial/industrial development in all 10 target cities. Both printed and electronic materials are being developed.

LGPA provided support to two cities—Shkodra and Korçe—to prepare promotional materials for use at an international fair, ExpoReal, held in Munich, Germany in October 2008. In the case of Shkodra, the materials relate to the city’s industrial park redevelopment while, in Korçe, the focus is on a mixed-use development project centered on a proposed Olympic-quality sports complex.

Municipal Investment Promotion

LGPA funded the preparation of investment promotion materials for two cities—Shkodra and Korçe—to distribute at the ExpoReal investment fair held in Munich, in October.

RIGHT: Two informational brochures relating to the Industrial Zone in Shkodra, where the municipality is seeking new investment to utilize vacant industrial sites and buildings.



LEFT: Korçe Mayor Niko Peleshi (at left in photo) reviews the contents of the city’s Olympic Sports Center multi-use development program with a prospective investor at the ExpoReal booth.

In tourism centers, the LGPA promotional strategy includes support for establishing local Tourism Information Offices (TIOs) as Public-Private Partnerships combining municipal and tourism industry participation. The first TIO, in Pogradec, began operating in September 2009. Similar centers, in Shkodra and Korca, are expected to begin operations in 2010. In Fier, LGPA cooperated with several local tourism groups, including SNV, Shoqata Antika, and the National Tourism Association, to develop a tourism guide for Fier and its region. The guide was prepared in Year 2, and will be published in October 2009. Other tourism-related promotional brochures, in Lezhë, Librazhd, and Gramsh, were designed in Year 2 and will be completed early in Year 3.

One component of the LGPA's IT assistance is support for web site development in the target municipalities. The assessment found that the larger target municipalities, such as Fier, Korçe, Kukës, Lëzha, and Shkodra, already have municipal websites and, to some extent, also have the necessary skilled local staff to update and maintain their websites. Other partner municipalities, such as Librazhd, Gramsh, Pogradec, and Fushë-Krujë, do not currently have websites. LGPA has developed a website design that these four cities have adapted to meet their needs. In Year 3, training will be provided on website maintenance to one or more municipal employees in all LGPA target municipalities, and to interested Peace Corps Volunteers. LGPA is also assisting the municipalities to prepare materials for posting on the website.

A principal use of each website will be to provide information of use to residents as well as to potential investors and tourists. LGPA will work with local staff in each city to develop informational and promotional materials in English and Albanian about the municipality (its officials, staff, and structure); tourism attractions; business and investment opportunities; municipal services; planning and permitting; and other programs.

1.2.2.d Develop Guidelines on Municipal Borrowing

Building on the groundwork established during Year 1, LGPA staff developed a publication entitled ***Guidelines on Local Government Borrowing*** in early 2009. The Guidelines address such topics as the legal framework covering local government borrowing; local procedures and roles of municipal departments in developing project proposals (role of the local executive and role of the local council); preparation of feasibility analyses (both operational and financial feasibility); developing a convincing project proposal; and public engagement. The Guidelines also present relevant Albanian case studies.

The Guidelines booklet was released at a public presentation held on April 15, attended by USAID Mission Director Roberta Mahoney, Deputy Minister of Finance Sherefedin Shehu, and Albanian Association of Municipalities Director Fatos Hodaj. With assistance from the Albanian Association of Municipalities (AAM) and the Albanian Association of Communes (AAC), a copy of the Guidelines was distributed to all 65 municipalities and the 100 largest Communes in Albania, and is also available for download at the LGPA/AAM website.

1.2.2.e Enable Target Municipalities to Access Project Financing

In early 2009, LGPA staff assisted the Municipality of Fushë-Krujë to prepare a loan application for funding a municipal road improvement project. A portion of the funds required were obtained from the central government by means of a competitive grant. The balance of the project cost, however, is being financed by the first municipal loan in Albania to be executed under the Municipal Borrowing Law.

The loan, in the amount of 100 million Lek (approximately US\$1 million), will be used to complete the Northern Ring Road around the city, identified by the community as an essential investment project necessary to promote economic growth in the city and to improve safety (an estimated 500 heavy trucks circulate through the city per hour). The new road will divert both inter-city traffic and, more importantly, large, heavy goods vehicles around the city center.

The strong economic development of the municipality highlights the need to construct this road. Several existing factories (including a cement factory, a brick factory, and lime sites) use the existing road through the city center, causing congestion, safety hazards, and pollution.

The Northern Ring Road is a total of 2.8 km in length and consists of two segments: the existing national road (1.2 km) and the existing rural road (1.6 km). The first segment of the road is the responsibility of the central government which is improving this section. The second segment, unpaved and only 5-5.5 meters wide, is the responsibility of the Fushë-Krujë Municipality.

First Municipal Loan Successfully Facilitated

During the first quarter of 2009, the Municipality of Fushë-Krujë received and evaluated three commercial loan offers, and selected a winning offer.

RIGHT: LGPA coordinator Ornela Shapo is flanked by Mayor Ismet Mavriqi, Deputy Mayor Dashamir Çela, and other members of the Evaluation Committee. The Committee's selection was approved by the Municipal Council in April and ratified by the Ministry of Finance in May 2009.



LEFT: On June 4, the loan was signed by the Mayor of Fushë-Krujë Ismet Mavriqi and BKT representative Dr. Pekhan İşipek at the Fushë-Krujë Bashkia. Road construction will begin in Year 3, following the procurement and execution of a construction contract by the Municipality.

The Municipality's loan application was submitted (with the assistance and cooperation of the Albanian Association of Banks) to 16 private commercial banks, and proposals to make the loan were received from three banks. A review and evaluation committee was established by the Municipality of Fushë-Krujë to assess the proposals.

LGPA staff assisted the Municipality of Fushë-Krujë to review and evaluate loan offers submitted by the banks (National Commercial Bank, Intesa Sanpaolo Bank, and International Commercial Bank), and advised the municipality during the negotiations process. The recommendation of the evaluation committee (in favor of National Commercial Bank, BKT) was approved by the Municipal Council on April 16 and by the Ministry of Finance on May 15, 2009. A formal signing by the Municipality and BKT was held on June 4, 2009. Experience gained through this process provided major input for development of the Municipal Borrowing Guidelines (see prior section).

Several other LGPA Municipalities, including Korca, Librazhd, Pogradec, and Kukës, are currently preparing project documents for possible municipal loans. In addition, at the request of USAID, LGPA is providing assistance for this purpose to the Municipality of Elbasan.

However, recent changes in the law on local taxation will make it more difficult for municipalities to borrow funds. During the coming quarters, the LGPA will work with interested municipalities to analyze the impact of the new law and, where feasible, will assist in preparing project documents for possible municipal loan applications.

1.2.2.f Improve Capital Budgeting Techniques

Capital Investment Planning (CIP) provides a means to conduct transparent, participatory planning, budgeting, and performance monitoring activities at the municipal level, and improves the likelihood that municipalities will be able to access private capital loan funds from banks and/or grants from donor programs to assist in implementing key infrastructure improvement programs. CIP can also be used as a tool to translate planning concepts and proposals into a financial plan for implementation by the municipality.

The European Union (EU)-funded EPTISA project has previously provided CIP training in four LGPA cities (Shkodra, Lëzha, Fier, and Korca). During 2009, LGPA conducted CIP in three cities: Kukës, Fushë-Krujë, and Pogradec. In Gramsh, LGPA grantee MSR initiated CIP training with a workshop held in July, and additional training will be provided early in Year 3. This leaves one LGPA city, Librazhd, (not counting Himara) that has yet to receive CIP training. LGPA intends to provide basic CIP planning to Librazhd as part of the program of Mid-Term Budget training that will be undertaken in the fall of 2009 in cooperation with the Ministry of Finance.

Financial Management and Budgeting Assistance

RIGHT: LGPA Chief of Party David Smith opens the Mid-Term Budgeting seminar in Tirana on April 30, 2009. Also present are Ornela Shapo of the LGPA, Deputy Minister of Finance Sherefedin Shehu, and Director of Intergovernmental Fiscal Affairs Fran Brahimi.

A more detailed two-day training on the mid-term budgeting process will be delivered early in Year 3.



BELOW, left and right: Excerpts from the Pogradec Capital Improvement Plan public information document, developed by the Municipality of Pogradec with assistance of LGPA partner URI (Urban Research Institute).



Photo credit: Municipality of Pogradec/URI

The capital investment/budgeting training in Kukës and Fushë-Krujë was conducted by LGPA Partner Co-PLAN. The Co-PLAN work complements the Urban Regulatory Planning work already underway, by translating planning concepts and proposals into a financial plan for implementation by the Municipality. A similar capital investment planning activity, conducted by LGPA Partner Urban Research Institute (URI), was completed in Pogradec, and adopted by the Municipal Council on August 7, 2009.

A small grant was issued in September 2008 to RDA/Tirana to initiate participatory budgeting activities in two target municipalities: Librazhd and Fushë-Krujë. These activities, carried out during the October-December 2008 Quarter, demonstrate how to incorporate community input into the municipal budgeting process. Grant activities supporting participatory budgeting processes were also undertaken in Korça (publication of the *Municipal Statistical Bulletin of Korça* by the Civil Society Development Centre) and in Kukës (establishment of a local budget monitoring committee and preparation of a guidelines manual, by the Democratic Integration and Development Center.)

1.2.2.g Provide Technical Assistance on Urban Planning

The new urban planning law was enacted in April 2009 but, to date (due to delays triggered by the subsequent national election and resulting changes governmental staffing), little progress has been made on the development of the necessary secondary legislation or on the restructuring of central government agencies as mandated by the law. With the installation of the new government in September 2009, it will become possible to initiate work on the secondary legislation in the coming Year 3.

The planning materials currently being developed by Co-PLAN and URI (see Section 1.2.2.b, above) will provide concrete case studies that can be used in the future to provide training seminars and targeted technical assistance in the 10 LGPA municipalities and other local governments in Albania.

1.2.2.h Conduct a Best Practices Conference

The first Best Practices Conference was held on September 17-18, 2009, co-sponsored by the Albanian Association of Municipalities (AAM) and Polis University. Representatives from 65 municipalities, communes, NGOs, central government officials, international donors, and

other interested parties assembled for the *Best Practices Conference 2009* to recognize and learn from best practices already employed by Albanian local governments. The Conference allowed local governments to highlight their recent achievements and to disseminate their improved techniques, thereby encouraging other local governments to implement similar practices in their own territories and to improve the quality of local governance.

Local governments throughout the country are employing innovative ideas to promote good governance, improve service provision, and be more responsive to citizens. Exchange of experience among peers is one of the best methods of advancing new ideas and skills.

In addition, through various presentations and panel discussions held during the two-day Conference, participants explored important issues such as trends in local government revenues, urban planning, and asset management, as well as the results of the annual USAID-funded Local Government Survey. The Conference also hosted an exhibition of municipal booths highlighting 24 municipalities' best practices. Selected case studies are included in a compendium of Municipal Best Practices 2009, and represent a small sample of the pioneering approaches used by Albanian local governments to improve the quality of life.

In order to expand the attendance beyond the 10 target municipalities directly assisted by the LGPA, LGPA has secured the support of USAID's FORECAST project to defray the expense of inviting participants from the remaining cities and major communes of Albania. In addition, in preparation for the conference, LGPA issued a small grant to the AAM to assist in organizing and conducting the conference and disseminating the results.

1.2.3 Performance Relative to Reporting Indicators

Four of the LGPA's performance indicators are related to Component 1:

- Increase in municipal direct private investment;
- Increase in employment in target municipalities;
- Increase in the number of businesses registered in target municipalities; and
- Number of "bankable" projects developed in target municipalities that receive financing from public or private sources.

The following paragraphs, excerpted from the *Year 2 Performance Report*, summarize the status of performance to date for each indicator. A more detailed discussion of each indicator can be found in the *Year 2 Performance Report*.

Indicator: Increase in Municipal Direct Private Investment (PBMP Indicator Nr. 3)

- ***Baseline:*** 149,929 Lek (000)
- ***Target (Year 1):*** 152,928 Lek (000). ***Achieved:*** 420,187 Lek (000). ***Performance:*** 274.8%
- ***Target (Year 2):*** 157,265 Lek (000). ***Achieved:*** through July 2009: 151,632.24 Lek (000). ***Performance:*** through July 2009: 96.4%

Definition and discussion of Indicator: Direct private investment by the private sector and citizenry is impossible to accurately capture and can only be estimated. The LGPA is utilizing a proxy that provides municipalities with a mechanism they can use in the long term. Private direct investment can take many forms: new business entrants, constructing new buildings, improvements, new equipment, investments in technology, etc. Without a survey (with candid responses) of every business and household, the amount of "investment" cannot be captured. Therefore, as a proxy, we utilize the tax on the impact of new construction to

demonstrate an increase in investment. This tax is levied whether for business purposes or private residences. It is therefore an indirect but useful measurement of investment activity.

At the time of the preparation of this report, Year 2 data are available for seven months only (January–July 2009). But with only seven months of data, the overall performance against target is already at a rate of 96.4%. Since LGPA currently only has seven months of data, there is very high performance against the target, and it is certain that the annual target will be exceeded.

However, there is a strong likelihood that proposed legislative changes will have a negative impact on this indicator. New changes to the Law on Local Taxes are being considered by the Albanian Parliament, and it is unclear whether the changes will be enacted in 2009 or 2010 thereby affecting either the 2009 or 2010 indicators.

Indicator: Increase in Employment (PBMP Indicator Nr. 4)

- ***Baseline:*** 76,162 employees
- ***Target (Year 1):*** 77,685 employees or 2% increase. ***Achieved:*** 78,996 or 4.6% increase. ***Performance:*** 230%
- ***Target (Year 2):*** 79,208 employees or 4% increase above the baseline. ***Achieved through May 2009:*** 71,365 employees or 6.8% decrease below the baseline. ***Performance through May 2009:*** 0%

Definition and discussion of Indicator: Reliable employment figures, especially at the municipal level, are difficult if not impossible to obtain (there is a great incentive for under-reporting). Employment figures are kept by the General Directorate of Taxation. After discussion with GDT officials and municipalities, it was concluded that the only source of data for this indicator remains the GDT's district-level records.

Although most of our target and control municipalities contribute the majority of employment in their respective district, and therefore an increase in district-level employment can reasonably be assumed to indicate an increase in municipal employment, this is not the case for all target and control municipalities. Notable exceptions include Himarë Municipality in Vlore District and Kamez Municipality in Tirana District. In this annual Performance Based Monitoring Report, LGPA is excluding data for Himarë (target municipality) and Kamez (control municipality) from the calculation as it cannot be assumed that these small municipalities contribute a majority of new employment where there are larger municipalities in the respective district.

The latest data available for this indicator are for the five-month period, January to May 2009. As explained in the PBMP, the annual performance of this indicator will be reported based on the GOA fiscal year, and updated information on this performance indicator will be reported by the end of April 2010.

The data for the January–May 2009 period show a decrease in the number of employees. However, these are incomplete data, and do not fully reflect the actual situation due to a lag in reporting. Furthermore, starting from January–February 2009, all VIP Taxpayers who performed business activity throughout Albania were brought under the administration of the *Regional Directory of Large Taxpayers*, located in Tirana. As a result, all employees that previously were reported as belonging to an LGPA city's District are now recorded in the Tirana District.

During the coming months, LGPA staff, working with GTD staff, will seek to disaggregate the VIP data so that comparable, district-level data can be compiled to compare to the indicator baseline. We expect that this will reveal an entirely different pattern of employment than can

be seen from the incomplete data now available. This is further confirmed by the fact that the number of new businesses reported under Indicator 5 shows a substantial increase.

Indicator: Increase in the Number of Active Businesses (PBMP Indicator Nr. 5)

- **Baseline:** 8,174 businesses
- **Target (Year 1):** 8,337 businesses or 2% increase; **Achieved:** 10,588 businesses; **Performance:** 30% increase above the baseline
- **Target (Year 2):** 8,501 businesses or 4% above the baseline; **Achieved:** 12,300 businesses; **Performance:** 50% increase above the baseline

Definition and discussion of Indicator: The number of active businesses is those registered with NRC. There is a very high rate of performance (12.5 times more than target) for this indicator through the second year of the project, from the 4% target to the 50% actual. Control municipalities show almost the same growth percentage (49%). The main reasons for the high increase in active businesses in both target and control municipalities are likely: first, the good functionality of the NRC as a one-stop process for business registration and, second, the reduction in the small business tax burden as a result of legislative changes. In addition to these factors, better auditing of small businesses as a result of increased collaboration among GDT branch offices and local governments has also encouraged black/informal businesses to become legalized through registration with the NRC.

Indicator: Number of “Bankable” Projects Developed that Receive Financing from Public or Private Sources (PBMP Indicator Nr. 6)

- **Baseline:** 0
- **Target (Year 1):** 0; **Achieved:** 0; **Performance:** 0%.
- **Target (Year 2):** 3; **Achieved:** 2; **Performance:** 67%

Definition and discussion of Indicator: A “bankable” project is one that receives funding “from public or private sources.” Public and private sources include both loans, other partnership arrangements, sales/leases of municipal assets, or grants from international sources, such as from World Bank, EBRD, or bi-lateral sources. No “bankable” projects were developed in target municipalities in Year 1. Two projects were developed in Year 2, namely:

- One “bankable” project was developed and financed from a private source during this year. Fushë-Krujë Municipality and the National Commercial Bank (BKT) signed loan documents for the first municipal loan in Albania in June 2009, to construct two segments of the Municipality’s Northern Ring Road.
- Fushë-Krujë Municipality was also assisted by the LGPA to secure a grant from the central government to renovate a third segment of the Northern Ring Road.

1.3 COMPONENT 2: LOCAL GOVERNANCE

1.3.1 Scope and Objectives of Component 2

Component 2 is designed to improve city governance by supporting effective:

- asset management
- revenue collection
- key public service provision.

Asset Management. As property is devolved to local control, management of public assets becomes an important municipal responsibility. Proper asset management is essential for

good municipal financial management. Better management of assets can improve public services directly, by reducing waste and unnecessary operating costs.

Tax Collection. Effective management and administration of local taxes is an essential condition for good municipal management. LGPA is enabling municipal officials to improve revenue collection through effective levy and collection of the small business tax, auditing of tax declarations and payments, and bringing registered businesses into compliance with the tax procedures laws.

Service Delivery. Municipal governments are responsible for a host of services, from sidewalk and street cleaning and lighting to solid waste collection/disposal and green space maintenance, to the physical upgrading and maintenance of educational and health facilities (schools and clinics). LGPA is assisting participating municipalities to develop capital improvement plans and related capital budgets. LGPA is also assisting target municipalities to employ best practices to upgrade the quality of major services through effective budgeting and management practices.

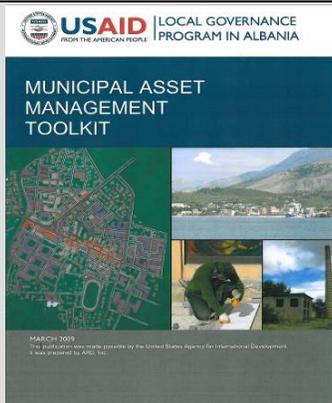
1.3.2 Activities and Achievements

1.3.2.a Provide Technical Assistance on Asset Management

Under the LGPA small grants program, LGPA grantee, Lorenzo & Co., completed a prototype registration of transferred public real property assets in the Municipality of Gramsh. Gramsh is one of the first target municipalities to have finalized the asset transfer process. This activity formed a model for similar work in other target municipalities: following publication of the Gramsh results in December 2008, LGPA expanded the asset registration work to Lezhë, Pogradec, and Korçë, which have recently completed the asset transfer process.

Municipal Asset Registration and Management

RIGHT: On December 14, 2008, Lorenzo & Co. delivered their work product on asset registration in Gramsh to the LGPA and to the Mayor of Gramsh. In the photo at right, Lorenzo Zani (left, in blue jacket), President of Lorenzo & Co., and Roland Çoniku (center), Director of the Economic Development, look on as Gramsh Mayor Kastriot Zeraj (right) inspects the catalogue of municipal assets.



LEFT: The Asset Management Toolkit, published by LGPA in March 2009, provides a comprehensive analysis of applicable legislation on the use, maintenance, and disposition of municipal property.

LGPA was assisted during November/December by short-term asset management expert Sonia Brubaker, who reviewed and edited portions of the draft *Municipal Asset Management Toolkit*. In March 2009, LGPA published the final *Municipal Asset Management Toolkit*, and conducted a training seminar for asset management staff from the LGPA's 10 target municipalities. The objective of the toolkit is to produce a comprehensive document that includes a thorough analysis of applicable legislation on the use and disposition of municipal property and a toolkit featuring legal references, basic notions, and procedural guidelines to be followed by municipal officers in the asset disposition process.

In addition, the electronic version of the Municipal Asset Management Toolkit, provided in CD format with each hard copy of the Toolkit, includes an Access-based Asset Registry to allow municipalities to inventory each asset together with important details. The Asset Registry and the accompanying methodology for assigning criticality ratings to each asset provide the basis for developing a municipal asset management policy.

The energy efficiency training, noted below, is a central component of LGPA's asset management strategy. Greater energy efficiency in municipal buildings (schools, health clinics, other municipal buildings, etc.) will improve user comfort while reducing operating costs and achieving tangible environmental benefits. In July 2009, LGPA grantee, the Energy Efficiency Centre (EEC) initiated energy audits in Korçe (two buildings) and Lezhë (one building).

1.3.2.b Provide Technical Assistance on Municipal Service Provision

In November 2008, a grant was awarded to Missionaries for Social Rights (MSR), from Kucove, to conduct a public services review of cleaning services in Librazhd. The Municipality of Librazhd did not have a method of calculating the total cost of this public service. Neither did the community and local businesses have any information on the cost of the service, nor has there been cooperation between the municipality and the community to improve the service.

The MSR project helped the municipality to calculate the real cost of and revenues from the cleaning fee, increase transparency and accountability, and produced a strategy to cover the service cost from the tariffs imposed on households and businesses. MSR calculated the actual total cost of the cleaning service according to methods provided by prior USAID projects. This process revealed to the Municipality of Librazhd the actual cost of the cleaning service, and thus enabled the Municipality to impose a fair and reasonable cleaning fee for all consumers, with the long-term aim of recovering the total cost of this service. As a second phase of the grant, MSR assisted the Municipality and the community to develop an "Action Plan" for improving the cleaning service, in line with performance indicators identified by citizen opinion surveys. The skills learned by municipal staff and community representatives can be easily applied to other public services in the future.

Fier & Lezhë Water Company Business Plan Preparation

RIGHT: Eng. Semira Kasimati of Valu Add Management Services, an LGPA subcontractor, presents the draft plan to members of the Fier Water Company Supervisory Board and representatives of local municipalities, March 18, 2009. The Business Plan was approved by the Supervisory Board in May 2009.



LEFT: Lezhë Water Company Supervisory Board Chairman and General Director of Water Utilities at the Ministry of Public Works, Transport and Communications Taulant Zeneli and Mayor of Lezhë Viktor Tushaj listen to the presentation made by LGPA subcontractor Valu Add on May 11, 2009. The Lezhë Water Company Business Plan will be presented for Supervisory Board approval in Year 3.

In December 2008, LGPA issued a grant to the Albanian organization, Valu Add, to develop a business plan for the Fier Water Supply and Sewerage Company. This enabled the Company to develop a five-year business plan, applying the methodology and guidelines of the model business plan that has been prepared by the Albanian General Directorate of Water Supply and Sewerage (DPUK) and accepted as the standard for Albanian water utilities. The business plan has the objective of directing company activities toward becoming financially self-sustaining, while meeting the service needs of its customers for a safe, reliable water supply and wastewater service at a fair and affordable price. With such a document, which was approved by the company's supervisory council (owners' representatives appointed by local government), the local government is now able to better understand, and follow more closely, the company's performance, and therefore realistically plan investments for needed performance improvements. The business plan got underway in late December and a draft Business Plan was presented on March 18 to the Water Company's Supervisory Board. The final business plan was approved by the Fier Supervisory Board in May. A similar study was initiated by Valu Add for the Lezhë Water Company in May. Work continued in Lezhë over the summer months, and the final business plan will be presented for Supervisory Board review and approval in early Year 3.

In Shkodra, the municipality requested LGPA to prepare an issue paper and to convene a roundtable meeting with interested stakeholders to identify steps required to form a regional solid waste management organization. LGPA subcontracted Valu Add to undertake this initial assessment and coordination meeting. On March 4, in Shkodra, Valu Add presented an

Issue Paper and recommendations for the structuring of solid waste management activities in the Shkodra region. Participants included the commune of Bushat, the municipalities of Shkodra and Lëzha, several communes, and the Shkodra Qark. Deputy Minister Ristani of the Ministry of Public Works also participated in the meeting.

Shkodra/Lezhë Regions Solid Waste Management

On March 4, LGPA organized a meeting of representatives from local and regional governmental units in the Shkodra/Lezhë regions, to discuss options for regional inter-governmental management of solid waste collection and disposal operations. Deputy Minister of Public Works Prof. Dr. Stavri Ristani explains the central government policy position, while Qark Chairman Gjovalin Kolombi (foreground) and Bushat Deputy Mayor Fahri Trushi (rear) listen.

Following receipt of a joint request from relevant local and regional authorities, LGPA subsequently initiated work on a Business Plan for regional solid waste management.



A joint letter was subsequently sent to LGPA and USAID by the Commune of Bushat (location of the regional disposal site), the Municipalities of Shkodra and Lëzha, several communes, and the Qark requesting additional assistance for preparation of a Business Plan for the management of waste disposal. Further action was delayed as a result of the national elections and subsequent reorganization of government at the national level. In late September, however, a meeting was called to sign a Memorandum of Understanding that establishes an institutional governance structure and will allow a business plan to be prepared for a regional solid waste management entity. Work on the business plan will begin in late October 2009.

In September 2009, a grant was issued to the Albanian Water and Sewer Association to develop and deliver a training module on consumer relations for public services delivery at the municipal level. Preparation of training materials began in September and, early in Year 3, the training course will be delivered to all 10 LGPA target municipalities on how to improve a dialogue with service customers with a view towards improving the quality and responsiveness of municipal services.

In March 2009, Partners Albania received an LGPA grant to promote community participation in governance in the Municipality of Lezhë. As part of the needs assessment, Partners Albania conducted a roundtable including Lezhë and three other municipalities in order to share experience. To date, Partners Albania has provided training on three modules: “*Participatory Governance*,” “*Monitoring and Evaluation*,” and “*How to Cure and Prevent Corruption*.” In addition, Partners Albania provided training and assistance to the Municipality of Lëzha in regard to the preparation of a Code of Ethics.

It is also to be noted that the Co-PLAN Urban Regulatory Planning and CIP work in Fushë-Krujë and Kukës, as well as URI’s CIP work in Pogradec, includes consideration of the planning, design, and budgeting needed to fund infrastructure facilities required to support the provision of essential public services.

1.3.2.c Computerize the Tax System in Target Municipalities

In Year 2, LGPA staff and short-term consultants undertook an IT assessment of the 10 target municipalities. Based on the assessment, the LGPA reached a better understanding of the capabilities and deficiencies of the target municipalities. Following the assessment, LGPA staff met with various software developers/providers to assess options for application in the target municipalities. Based on the final IT recommendations, LGPA developed an IT improvement plan for each city including phasing, co-financing, and a training plan. Implementation of the IT Improvement Plans for each target municipality began in May 2009.

LGPA prepared and submitted an ***IT Procurement Plan*** to USAID in December 2008, for approval by USAID M/IRM pursuant to ***ADS Chapter 548, Program-Funded Information Technology (IT) Reviews***. In January 2009, LGPA obtained Information Resources Management (IRM) approval of an information technology (IT) procurement program, and requested bids from hardware, software, and training/technical assistance service providers, in both the U.S. and Albania, for procurement of goods and services to implement the local tax system improvement program.



IT Hardware and Software Procurement Initiated

LEFT: On January 30, 2009, LGPA issued a *Request for Proposals* to obtain computer hardware, software, and related training and technical assistance to improve local tax administration in the LGPA target municipalities.

RIGHT: Photo of IT equipment being installed in the Lezhë tax office. During Year 2, installation of IT equipment was initiated in Lezhë, Gramsh, Fushë-Krujë, Fier, Kukës, Pogradec, and Korçe. Installation in Shkodra and Librazhd will begin early in Year 3.



Following a procurement process involving U.S. and local firms, LGPA selected two Albanian firms (DATECH and InfoSoft) to provide hardware, software, and training/technical assistance services to implement the LGPA's local tax system improvement program. The package of goods and services includes:

- Computer hardware;
- Microsoft Office and antivirus software;
- Local tax system software;
- Cabling services; and
- Training services for municipal staff and software resource.

A combination of networking, hardware, and software is being installed in the target municipalities and the requisite training is being provided. Initial installation work began in May on the first phase cities (Lezhë, Fier, and Fushë-Krujë). In August, installation began in Kukës, Gramsh, Pogradec, and Korçë. The remaining cities (Shkodra and Librazhd) will receive the equipment and training in early Year 3. LGPA will continue to monitor the mobilization of local resources and the implementation of the computerized tax systems during the remaining Years 3 and 4.

1.3.2.d Provide Technical Assistance on Tax Collection and Auditing

In October 2008, the second workshop on tax administration was held in Tirana, and a handbook prepared to help guide tax staff in the target cities. The workshop focused on improving local tax departments' understanding of the law and the authorities of the local tax department, and increased their capacity to forecast local revenue from various taxes and fees.

Training for Local Tax Officers

In October 2008, LGPA provided training for staff from the tax offices of the project's 10 target municipalities.

RIGHT: Members of the Kukës tax office utilize calculators and computers to work through a practical problem presented during the training program.

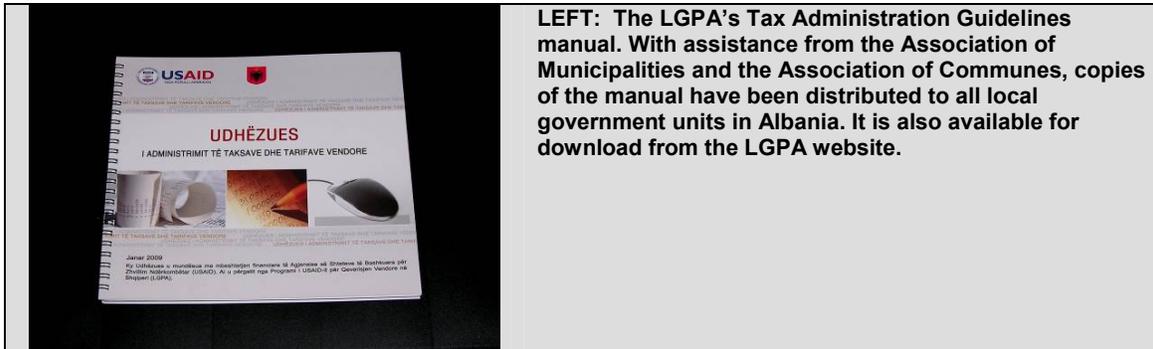


The *Tax Administration Guidelines* manual, referred to above, was designed for use by municipal tax office administrators, and released in January 2009 at a publication ceremony attended by Mission Director Roberta Mahoney, Deputy Interior Minister Ferdinand Poni, and Deputy Finance Minister Florjon Mima. The manual carries the formal endorsement of the Ministry of Finance and the Ministry of Interior/Decentralization, and has been distributed to all 65 municipalities and 306 communes in Albania. It is also available for download at the LGPA/AAM website.

Publication of the LGPA Tax Administration Guidelines Manual

RIGHT: On January 28, 2009, USAID Mission Director Roberta Mahoney presided at a ceremony to announce the availability of the manual. Ms. Mahoney was accompanied by Deputy Minister of Finance Florjon Mima and Deputy Minister of Interior Ferdinand Poni. Both Ministries officially endorsed the manual as a guide for local tax office administrators.





LEFT: The LGPA's Tax Administration Guidelines manual. With assistance from the Association of Municipalities and the Association of Communes, copies of the manual have been distributed to all local government units in Albania. It is also available for download from the LGPA website.

In January 2009, following USAID/IRM concurrence with the IT acquisition plan, LGPA issued a request for bids for the procurement of computers, software, and training and other support, to implement the LGPA's program for improvement of local tax offices and administrative procedures. This initiative: (i) realizes the LGPA's IT assessment recommendations and acquisition plan; (ii) assists selected target municipalities to implement the new tax software to ensure long-term sustainability; (iii) assists target municipalities to develop comprehensive tax payer registries; and (iv) improves the overall efficiency and effectiveness of target municipality tax departments. Short-term consultant Bethe Pires will return to Albania to assist in the initial installation and field testing of the systems once the goods have been procured.

In February and March, "on the job trainings" were conducted with local tax administrators on various tax issues. For example, discussions were held on the Immovable Property Rights transfer tax in Shkodra (February 12) and Himara (March 25); and on tax enforcement procedures and tax administration issues in Lëzha, Gramsh, Fier, Korca, and Kukës. On March 13, in Shkodra, a meeting to improve local tax collection and cooperation (as mandated by law) between Local Tax Administrations and the Regional Tax Administration (of the central government) was arranged and facilitated by Component Two Team Leader Silvana Meko. Such coordination meetings between local and central tax administration offices are being organized in all 10 target cities, on a regular basis.

In cooperation with staff of the Ministry of Finance, LGPA staff carried out a review of the impact of recent changes to the Law on Local Taxes, which has had a significant impact on local revenue production, budget preparation, municipal borrowing, and other local financial and revenue management functions. A presentation was made at the Best Practices Conference to elicit response from Albanian municipal leaders. Results of the tax impact report will also be incorporated into the LGPA's technical assistance programs.

1.3.2.e. Provide Technical Assistance to Target Municipalities on Procurement

In November 2008, LGPA procurement specialist Elvana Gadeshi, and Public Procurement Agency Training Director Reida Shahollari provided a second-stage procurement training to the procurement staff of Lezhë Municipality. The training involved a step-by-step review and critique of several procurement events, to assess where errors may have been made, and to suggest ways to improve the efficiency of the process.

E-Procurement Training Seminars

During Year 2, LGPA conducted training seminars on Albania's e-procurement regulations in eight cities, both for municipal staff serving on tender commissions as well as for private sector businesses interested in submitting bids for goods and services. LGPA partnered with the American Chamber of Commerce (AmCham) to deliver this training.

RIGHT: LGPA Training Coordinator Elvana Gadeshi and AmCham Senior Trainer Melsi Beli address an audience of business people in Korca.



Throughout Year 2, LGPA procurement specialist Elvana Gadeshi conducted two-day e-procurement trainings in Lëzha (February 9), Korca (February 18), Pogradec (March 12), Kukës (March 31), Fier (April 24), Shkodra (May 25), Lezhë (May 26), and Librazhd (June 8). The training involved a step-by-step review of the e-procurement procedures, which are now mandatory for local government units. The seminar was carried out with real-time connection to the national e-procurement website. At the suggestion of several local officials, who pointed out that the private sector also needs exposure to e-procurement systems, the trainings in Korca, Pogradec, and Kukës included both public sector and private sector company trainees. The sessions were carried out with real-time connection to the national e-Procurement web site. The trainings were held in collaboration with staff of the American Chamber of Commerce/Tirana (AmCham), who had previously developed training materials directed to private sector economic operators.

1.3.2.f Develop an Internal Study Tour Program for Target Municipalities

In an effort to encourage municipalities to share best practices and learn from Albanian successes, LGPA launched an in-country study tour program during Year 2. LGPA target municipalities have been invited to submit in-country study tour requests on issues related to the LGPA program such as tax collection and audit, asset management, urban planning, municipal borrowing, etc. During February 2009, a group from Librazhd traveled to Kucove to study municipal cleaning practices and procedures, building on the LGPA small grant activity that analyzed collection costs and developed an Action Plan for improving the cleaning services in Librazhd.

Two study tours were conducted on local tax administration procedures: two Gramsh staff members and four staff members from the Municipality of Librazhd participated in a tour hosted by the Municipality of Lezhë on April 24, 2009; and four Kukës staff members and four staff members from the Municipality of Fushë-Krujë participated in a tour hosted by the Municipality of Vore on May 15, 2009.

Three additional internal study tours are planned for Year 3.

1.3.3 Performance Relative to Reporting Indicators

Four of the LGPA's performance indicators are related to Component 2:

- Proportion of total municipal revenues derived from local municipal taxes;

- Increase in local revenue collections (own source revenues) in target municipalities compared to controls;
- Percentage increase in public perception concerning effectiveness of target municipalities in functional areas (administration, property management); and
- Percentage that perceives improvement in service delivery in target municipalities compared to controls.

The following paragraphs, excerpted from the *Year 2 Performance Report*, summarize the status of performance to date for each indicator. A more detailed discussion of each indicator can be found in the *Year 2 Performance Report*.

Indicator: Proportion of Total Municipal Revenues Derived from Local Municipal Taxes and Fees (PBMP Indicator Nr. 1)

- ***Baseline:*** 26.3%
- ***Target (Year 1):*** 28.3%; ***Achieved:*** 34.7%; ***Performance:*** 122.6%
- ***Target (Year 2):*** 31.3%; ***Achieved through July 2009:*** 27.6%. ***Performance through July 2009:*** 88.1%

Definition and Discussion of indicator: Local municipal “taxes” include taxes, permits, tariffs, fees, charges, etc. For the purpose of this indicator, “local municipal taxes” refers to own source revenue (OSR); that is, all of the revenues collected by the municipality from sources that are controlled by the municipality. Total municipal revenue includes both OSR and transfers from central government, some based on formulas, others covering short-falls, and yet others as awards for competitive grants.

The latest data available for this indicator are through July 2009. The actual overall performance indicator through July 2009 is 88%. Based on the central government’s approved budget, it is expected that conditional transfers, particularly in the fields of health, education, water-supply and sanitation, will increase during the September-December period. This increase will reduce the proportion of local municipal taxes and fees against total revenues, and therefore lower the performance indicator. The precise affect on the indicator will not be clear until the end of the 2009 GOA fiscal year. Nevertheless, since LGPA only has seven months of data, the provisional 88% fulfillment of this indicator suggests that we are on track to achieve the Year 2 target.

Indicator: Increase in Local Revenue Collection (Own Source Revenues) (PBMP Indicator Nr. 2)

- ***Baseline:*** 1,360,427 Lek (000)
- ***Target (Year 1):*** 1,387,636 Lek (000); ***Achieved:*** 1,560,565 Lek (000). ***Performance:*** 112.5%
- ***Target (Year 2):*** 1,428,448; ***Achieved through July 2009:*** 906,548 Lek (000). ***Performance through July 2009:*** 63.5%

Definition and Discussion of Indicator: This indicator tracks the growth of OSR year by year. The overall performance indicator through July is 63.5%. Since LGPA only has seven months of data, 63.5% fulfillment of this performance indicator is on track to achieve the target by the end of the 2009 GOA fiscal year, notwithstanding the effect of various changes in the law on local government finances that have been put into operation during 2009.

Indicator: Percentage Increase in Public Perception Concerning Effectiveness of Target Local Governments in Functional Areas (Administration, Property Management, Tax Collection, Procurement, Budgeting etc.) (PBMP Indicator Nr. 7)

- **Baseline:** 46.5%
- **Target and Performance (Year 1):** Baseline of 46.5% established in Year 1 (2008); indicator to be measured in 2009
- **Target (Year 2):** 48.4% or 4% increase above the baseline; **Achieved:** 50.3% or 8.1% increase above the baseline; **Performance:** 202%

Definition and Discussion of Indicator: This indicator charts six factors: 1) Overall responsiveness, 2) Taxes, 3) Procurement, 4) Budget, 5) Satisfaction with actual interaction, and 6) Perceived corruption. The percentage increase (or decrease) is averaged for the six factors for each municipality, to produce a General Public Perception score (GPP).

A Local Governance Survey was subcontracted to a local research organization (IDRA) to determine public perception concerning effectiveness of municipal governments in certain functional areas. The survey was carried out in the spring of 2008 and included 4,800 interviewees from both target and control municipalities. Survey results were published in June 2008. Results of the survey were used to create a baseline figure of 46.5% for a General Public Perception (GPP) score, from an average of the six factors for each municipality. For Year 2, an increase of 4% above the baseline yields a GPP target of 48.4%.

A second survey was conducted by IDRA in 2009 to determine changes in public perception. The second survey was conducted in March-May 2009. Results of the study measured changes over time in the “General Public Perception” score. This survey established a figure of **50.2%** for the General Public Perception (GPP) score, from an average of the six factors for each municipality. This result is 202% of the Year 2 target.

Indicator: Percentage Perceived Improvement in Service Delivery (PBMP Indicator Nr. 8)

- **Baseline:** 58.4%
- **Target and Performance (Year 1):** Baseline of 58.4% established in Year 1 (2008); indicator to be measured in 2009
- **Target (Year 2):** 61.3% or 5% increase above the baseline; **Achieved:** 64.5% or 10.4% increase above the baseline; **Performance:** 208%

Definition and Discussion of Indicator: Measuring “Service Delivery” focuses on the key services of water, sewage, garbage/solid waste, road maintenance and street lighting, and measures public perception through the question: ‘Have public services improved in comparison with 12 months ago?’ The Local Governance Survey by IDRA, discussed above, established a baseline figure of 58.4% for this indicator in target municipalities. This is the percentage of survey respondents in target municipalities that have the perception that public services are improved in comparison with 12 months ago. For Year 2, an increase of 5% above the baseline yields a Service Delivery target of 61.3%.

The second (2009) survey established a figure of 64.5% for the Service Delivery score, from an average of the five factors for each municipality. This result is 208% of the Year 2 target.

1.4 COMPONENT 3: CIVIC AND PRIVATE SECTOR ENGAGEMENT

1.4.1 Scope and Objectives of Component 3

Component 3 focuses on civic and private sector engagement. Local economic investment and growth cannot prosper without active local business participation. Local economic growth is generated mainly by small and medium-sized businesses already established in a community. These businesses need visibility, cost-effective access to public services, and accessibility and collaboration with local officials. Within many Albanian municipalities, business groups and associations are forming that are in addition to traditional chambers of commerce. These organizations can represent member interests, identify common issues and problems, and facilitate collaboration with city development/planning staff. LGPA is supporting the development of such associations, and assisting in developing channels of effective engagement with municipal officials.

Decentralization of governmental authorities and resources also presents an opportunity to promote transparency and accountability. Local governments are closer to citizens, and there are more opportunities for citizens to hold local officials accountable. LGPA is harnessing the resources of watchdog and civic monitoring groups to monitor local public expenditures in different sectors, using such tools as Public Expenditure Tracking Surveys (PETS).

Finally, LGPA is continuing to carry out the *Local Government Survey* that was previously initiated with USAID support.

Component 3 activities are supported by the LGPA's small grants program funds. The small grant funds can be used to overcome constraints to achieving project objectives at the municipal level, and to act as seed money to initiate activities key to spurring local economic development or improving municipal service delivery.

1.4.2 Activities and Achievements

1.4.2.a Assist local business groups to improve their organizational capacity

In May, LGPA co-sponsored the annual Olive Oil Day celebration in Fier (Apollonia), in cooperation with the Albanian Olive Oil Association, the Municipality of Fier, Shoqata Antik, and USAID's Albania Agricultural Competitiveness (ACC) project. USAID/LGPA also supported the inauguration of this event in 2008. Over 750 persons participated in the event.

LGPA Co-sponsors National Olive Oil Day

RIGHT: Mr. Fatmir Skilja, an olive oil producer from Elbasan, displays his products at the Albanian Olive Oil Producers Festival in Apollonia (Fier region), May 30, 2009.





LEFT: Minister of Justice Enkelejd Alibeaj and USAID/Albania Mission Director Roberta Mahoney appear at the opening session of the festival.

In June 2009, LGPA subcontractor RDA/Korca initiated a small business support program, designed to increase the awareness of local small business leaders with respect to local taxation, licensing, and other local government functions, while simultaneously improving the ability of small businesses to participate more effectively in local government matters such as participatory budgeting and economic development promotion. The RDA program extends into the fall of 2009, and will be coordinated with LGPA IT/tax system improvement activities.

The e-procurement trainings and the participatory budgeting activities described earlier in this report also contributed to increasing the organizational capacity of local businesses and business groups.

1.4.2.b Facilitate Participation of CSOs, Businesses, and Business Associations in Local Government Decision Making

In December 2008, LGPA organized an NGO training seminar on grant writing/proposal preparation, in cooperation with the Municipality of Shkodra. Thirty-three representatives of NGOs from Shkodra and Kukës participated in this 2.5-day training seminar. Although one objective was to encourage submission of grant applications to the LGPA, the seminar also had a broader purpose of strengthening the capability of NGOs to obtain funding from any source. Similar events were organized in Korca (February 2009; 30 participants from Korca, Pogradec, and Librazhd) and Vlora (April 2009, with 19 participants from Fier, Gramsh, and Vlora.)

NGO Training Workshops

Thirty-three representatives from Kukës and Shkodra NGOs participated in this first training seminar that was designed both to encourage the submission of better grant applications to the LGPA, and to provide participants with the skills needed to prepare and present funding requests to other donors.

RIGHT: LGPA Civic and Private Sector Engagement Specialist, Lori Memo, explains the intent of the seminar, and its relevance to the LGPA program.



Small grant activities conducted by IRR (in Gramsh and Fushë-Krujë): MSR (Librazhd); RDA/Tirana (Librazhd and Fushë-Krujë); RDA/Fier (Fier and Himara); IWP (Pogradec); and DIDC (Kukës) have directly involved small businesses and local NGOs in local government decision making. Co-PLAN planning activities in Kukës, Fushë-Krujë, and Fier have included the creation of Working Groups to assist in the development and evaluation of project alternatives, and to facilitate access to groups and individual businesses affected by the planning proposals. URI's CIP work in Pogradec included extensive interaction with municipal staff, officials, local business leaders, and CSO groups.

1.4.2.c Conduct, in Conjunction with Local Economic Growth Committees, Business Attitude Surveys

LGPA's surveys of local businesses are designed to explore matters of concern to local businesses, and to identify ways the municipality can respond to improve conditions for existing businesses, and to encourage new business development. Survey results have also proven helpful to other LGPA subcontractors, such as the RDA/Korca small business support program discussed above, as well as to the sister USAID project, Competitive Enterprise Development (CED). During Year 1, a survey was completed in Fushë-Krujë.

A survey of local businesses in Shkodra was completed in December 2008. The survey explored matters of concern to local businesses, how the municipality can respond to improve conditions for existing businesses, and to encourage new business development. Results were presented to the municipality and local businesses in early 2009, at the annual LEGC update meeting.

In Kukës, LGPA carried out a local business survey with the assistance of Prof. Dr. Fatmir Mema. Results were presented in May. In Pogradec, LGPA grantee IWP/Pogradec carried out a local business survey with the mentoring of LGPA staff. Results were presented to the Municipality and local business representatives in May. In Himarë, LGPA grantee RDA/Fier conducted a local business survey, with particular attention to the tourism sector. Results were presented in September. In Fier, LGPA carried out the survey (again with the assistance of Prof. Dr. Mema). Results were presented in September.

1.4.2.d Conduct a Survey on Local Government Services in LGPA Target and Control Municipalities

LGPA has continued the Local Government Survey to measure citizen perceptions about the quality of local government services. LGPA subcontractor IDRA conducted the first survey in the spring of 2008. A second survey was conducted in May/June of 2009, and released at the LGPA "Best Practices" Conference in September. The survey:

- (i) Measures residents' satisfaction with services provided by the municipality and the overall performance of the local government administration.
- (ii) Tracks progress achieved by municipalities during the interval between surveys.
- (ii) Compares perceptions in **recipient** vs. **non-recipient** municipalities.

In 2009, as in 2008, the LGPA Municipality Survey had two components:

- The *Target Municipality Survey*, which covered the 10 municipalities selected by LGPA as recipients of technical assistance in the areas of Local Economic Growth, Local Governance, and Civic and Private Sector Engagement, namely: Kukës, Shkodër, Lezhë, Fushë Krujë, Gramsh, Librazhd, Korçë, Pogradec, Fier, and Himarë.

- The *Control Municipalities' Survey* involved 10 randomly selected municipalities that are not part of the LGPA program. For comparison purposes the municipalities composing the control municipalities are similar to those of the 2008 survey.

The survey report, which covers the periods of time of 2008 and 2009, presents the key findings to the surveys. The results are presented for the control municipalities sample and for each target municipality. In this way, three different comparisons are possible:

1. Target municipalities' results 2009 versus control municipalities' results 2009.
2. Target municipalities' results 2009 vs. target municipalities' results 2008.
3. Target municipalities' progress vs. control municipalities' progress.

Presentation of the LGPA 2009 Municipality Survey

RIGHT: Auron Pashaj, Director of IDRA, and colleague Eriselda Fejzulla present the results of the Survey at the LGPA Best Practices Conference, 17 September 2009.



The survey was carried out in the LGPA's 10 target and 10 control cities. In each of the target cities, a sample of 400 citizens was surveyed, which totals 4,000 interviews in target cities (but in fact more were interviewed). In addition to the target cities sample, there was another sample drawn from the 10 control cities. The survey results in these cities allow comparison of changes with the target cities. This comparison becomes more important keeping in mind that the survey tracks the results in periodic annual surveys. The combined sample size for the 10 control cities is 800 persons.

IDRA's survey yielded the following principal results:

- Based on residents' responses, target and control municipalities seem to face the same problems, even when compared to 2008.
- *Employment/Lack of employment opportunities* is the number one concern in control municipalities and all target municipalities, with the exception of Himarë.
- The second issue mentioned as the most pressing concern by most of respondents is *Economic Problems*.
- *Weak infrastructure* also ranks high among the most problematic issues in most of target municipalities.
- *Environment and Poverty/Social Service* are other concerns that target municipalities face according to respondents.

Accountability and Responsiveness. In general, local government administration operations are evaluated as good in most of the target municipalities. Differences are noted for each operation from municipality to municipality.

The majority of residents in all target municipalities are satisfied with behavior of municipal employees and office hours convenience. Timely service and performance when responding to residents' needs are generally evaluated as good by the majority of residents in target

municipalities. Instead, wider differences in residents' satisfaction rates between target municipalities themselves are noted when the ability to solve problems, the clarity of rules and procedures, the easiness to contact the right person, and the establishment of trust among the parts are considered.

On average, the evaluation of local government administration operations scores higher in target municipalities when compared to control municipalities. Also, in all target municipalities in 2009, the average of respondents' satisfaction rate concerning local government administration operations is higher when compared to 2008.

Local Economic Growth Issues. Most of the residents questioned in target municipalities answered that the economy of their municipality is declining or that it is stagnant. When asked to evaluate their standard of living compared to 12 months ago, most respondents in target municipalities state that it has either stayed the same or has worsened. Among target municipalities, Kukës reports the highest rate of respondents who mention that their standard of living is improved.

Except Korçë, the majority of residents in target municipalities thinks that local government is little or not involved at all in encouraging and managing economic growth in their municipalities. On the other hand, when asked for the future role of local government in fostering and managing economic growth, residents of target municipalities seem to be more optimistic and see more involvement for local government.

Construction and tourism are seen as the most promising sectors in boosting economic growth in most of the target municipalities. Anyhow, the evaluation of economic sectors as 'promising' depends upon the specific features of each municipality and differences may be noted when comparing municipality from municipality.

Satisfaction with Public Services. On average, target municipalities report higher satisfaction rates when compared to control municipalities concerning public services. Residents of target municipalities appear to be more satisfied with drinking water supply, street lighting, and maintenance of pre-university buildings, while lower satisfaction rates are reported for maintenance of roads within the municipality, sewage, and cleaning service. Compared to the 2008 survey, there is an improving trend on the average of residents' satisfaction rate for maintenance of pre-university buildings, sewage service, and cleaning service, while the opposite appears with maintenance of roads within municipality's boundaries, drinking water, and street lighting.

Overall, according to the 2009 survey, residents of Gramsh and Kukës seem to be more satisfied with public services than those of other target municipalities or control municipalities. The opposite stands for the residents of Himarë, who appear to be less satisfied of public services than the residents of both target municipalities and control municipalities.

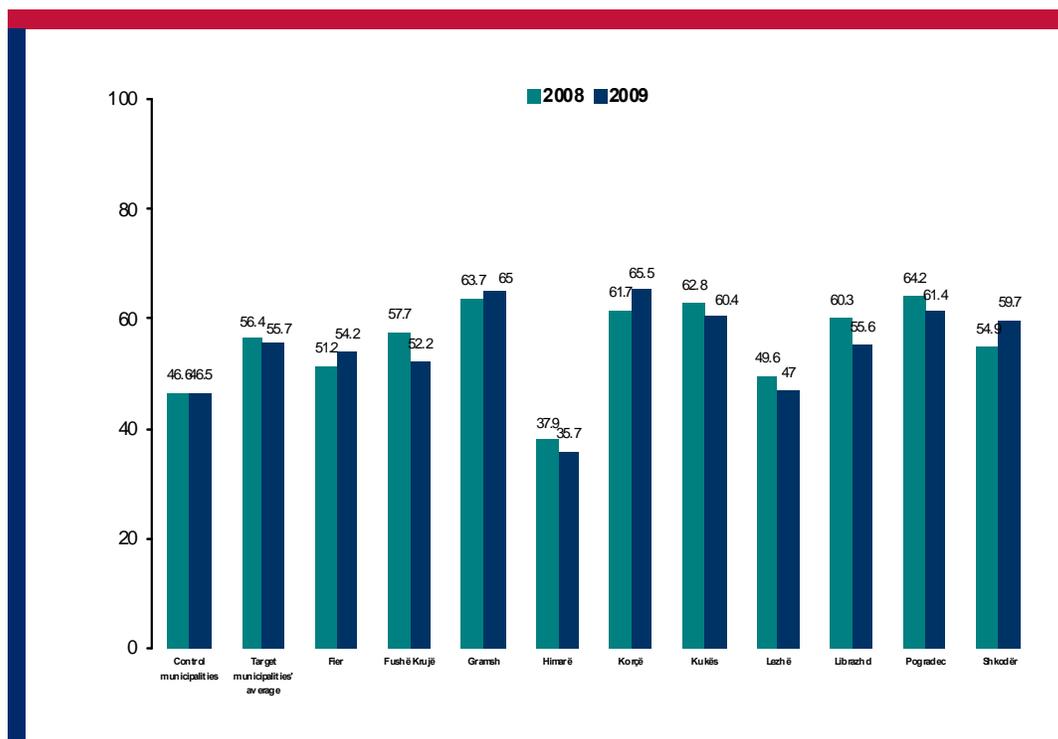
Public Services Residents Satisfaction Index (PSRSI) and Overall Evaluation of Services. The Public Services Residents Satisfaction Index (PSRSI)—a composed index by the satisfaction evaluation of the interviewed residents on six services provided by their municipality—is above the mid-point of the 0-100 scale, where 0 means 'Very unsatisfied' and 100 means 'Very satisfied,' in all target municipalities, with the exception of Himarë and Lezhë. The average PSRSI for all target municipalities is 55.7 points, compared to 46.5 points for control municipalities. ***That means that, on average, residents of target municipalities are more satisfied than unsatisfied with the services provided by their municipality while the opposite is true for their counterparts in control municipalities.***

The evaluation of the respondents on the services of (i) maintenance of roads within municipality boundaries, (ii) drinking water supply, (iii) sewerage service, (iv) street lighting, (v) garbage collection, and (vi) maintenance of pre-university buildings were used to calculate the Public Services Residents Satisfaction Index. For better presentation and more accurate statistical analysis the scale was converted to centi-scale ranking from 0 to 100. The conversion was achieved by first inverting the evaluation scale from 1 meaning 'Very satisfied' and 4 meaning 'Very unsatisfied' into 1 meaning 'Very unsatisfied' and 4 meaning 'Very satisfied.' Then 1 was subtracted from each point in the 1-4 scale so that the evaluations are scored from 0-3 scale. The scale is then divided by 3 so it ranges from 0 to 1, and multiplied by 100 to obtain a 0-100 range. In this centi-scale 0 means 'Very unsatisfied' and 100 means 'Very satisfied.' The average of centi-evaluation for the six services was calculated for each resident, giving that specific resident municipality's services satisfaction. The average of all respondents municipality's services satisfaction was calculated forming the PSRSI for that municipality.

The residents of all targets municipalities, but Himarë and Lezhë, are on average more satisfied than unsatisfied with the services provided by their municipality (Fig. 11). As well, on average, residents in target municipalities are more satisfied with the quality of the services than residents in control municipalities. The average PSRSI for target municipalities is 55.7 points on a 0-100 scale where 0 means 'Very unsatisfied' and 100 means 'Very satisfied', while for control municipalities, PSRSI is 46.5 points.

Compared to 2008, there are no major shifts of PSRSI in most of the target municipalities. There is a slight decrease of respectively 5.5 points and 4.7 points in the PSRSI of Fushë Krujë and Librazhd, compared to 2008. Instead PSRSI of Shkodër and Korçë have improved slightly, respectively, with 4.8 and 3.8 points compared to a year ago.

Public Services Residents Satisfaction Index (PSRSI)



Source: IDRA, Local Government Survey, September 2009

1.4.2.d Conduct a Small Grants Program

LGPA administers a \$500,000 grant program targeting nongovernmental organizations (NGOs), businesses, and associations to fund activities that assist grantees to overcome constraints to achieving project objectives at the municipal level. Grant funds can be used for a wide range of purposes, and provide seed money for setting up business improvement districts, business incubators, or similar economic development activity. ARD's flexible, demand-driven approach to grant programming allows the project to respond to needs and opportunities of potential grantees as they arise.

During Year 1, as of September 30, 2008, two grants were issued, including one for registration of municipal assets in Gramsh and the second to assist in developing a development monitoring and evaluation system for the Municipality of Fier. These two grants were completed during Year 2.

During Year 2, an additional 16 grants were issued to the following grantees:

- The Institute for Rural Research for feasibility studies of new wholesale markets in Gramsh and Fushë-Krujë;
- The Missionaries for Social Rights (MSR) to assist in analyzing the costs of cleaning services in Librazhd and to use the information to help design an Action Plan for improving the service;
- Valu Add, to prepare a business plan for the Fier Regional Water Enterprise;
- The Albanian Association of Municipalities (AAM) to assist with the LGPA's "Best Practices" Conference, held in September 2009;
- Civil Society Development Center (CSDC) of Korça to collect information and produce a statistical bulletin of the Municipality of Korça with a focus on participatory budgeting results;
- Net Vision Studio (NVS) to develop a visual improvement plan for the city of Fier;
- The Energy Efficiency Center (EEC) to provide support to four municipalities participating in the Monitoring of Energy Efficiency Program;
- Partners Albania to work with Lëzha Municipality to build a model of transparency and to stimulate broadening civic participation in governance;
- Democratic Integration and Development (DIDC) of Kukës to assist with developing an efficient monitoring system of the municipal budget;
- Intellectual Women of Pogradec (IWP) to work in strengthening the cooperation between the municipality and the local business community;
- Regional Development Agency (RDA) of Fier, to work with Himara Municipality to establish a public information office and develop a system of identification of tourist opportunities and service delivery improvements;
- The Albanian Socioeconomic Think Tank (ASET) to establish a public information office in Fushë-Krujë;
- Missionaries of Social Rights, Kuçovë (MSR) to prepare cost analyses of public services, design a public services improvement plan, and develop a CIP for Gramsh;
- Community Development Centre/Korça (CDC), to support the Municipality of Korça's annual job fair;
- Water Supply and Sewerage Association of Albania (WSSAA) to conduct training to the 10 LGPA Partner Municipalities on Customer Service issues; and

- Common Actions Against Poverty (CAAP) for the Establishment of a business incubator in Fier.

1.4.3 Performance Relative to Reporting Indicators

Four of the LGPA's performance indicators are related to Component 3:

- Number of local government-private sector forums developed/strengthened to discuss local economic development;
- Number of business associations that have partnered with target municipal governments on development initiatives;
- Number of joint local government-civic projects in target municipalities; and
- Number of civic or private sector groups that conduct PETS or report cards on local government operations (general or services) to track corruption.

The following paragraphs, excerpted from the *Year 2 Performance Report*, summarize the status of performance to date for each indicator. A more detailed discussion of each indicator can be found in the *Year 2 Performance Report*.

Indicator: Number of Civic or Private Sector Groups that have partnered with municipal authorities on local development initiatives (PBMP Indicator Nr. 9)

- ***Baseline: 0***
- ***Target (Year 1): 10; Achieved: 14; Performance: 140%***
- ***Target (Year 2): 16; Achieved: 30; Performance: 187%***

Definition and Discussion of Indicator: For municipalities to be responsive and transparent, they need to have mechanisms to discuss and resolve issues with the business community. This is also a *sine qua non* for a “business friendly” community. This indicator counts instances where target municipalities and the civic/private sector create mechanisms to communicate on local issues. Thus, this indicator counts LEGCs, collaboration between local governments and private/civic sector undertaken with the support of LGPA grants and subcontracts, as well as other partnerships.

The overall performance against target is 187%. During Year 1, 14 collaborations/partnerships between LG and private/civic organizations were created. During Year 2, another 16 partnerships were created with the support of LGPA grants and subcontractors. These new collaborations/partnerships during Year 2 occurred in almost all LGPA target cities including Librazhd, Gramsh, Pogradec, Fushë-Krujë, Fier, Himarë, Kukës, and Lezhë. These new partnerships demonstrate progress towards achieving more responsive local government.

Indicator: Number of Public-Private Partnerships in Target Municipalities (PBMP Indicator Nr. 10)

- ***Baseline: 0***
- ***Target (Year 1): 0; Achieved: 0; Performance: NA.*** Given the preparation required to achieve a viable public-private partnership, this indicator was not relevant for 2008.
- ***Target (Year 2): 2; Achieved: 3; Performance: 150%***

Definition and Discussion of Indicator: A Public-Private Partnership (PPP) is created when government and the private sector implement a project in both their interests or in the public interest in which both parties have contributed resources (cash, in-kind, physical assets, etc.).

No PPPs were realized in Year 1 of project implementation. During Year 2, however, a total of three new PPPs were realized. Three public-private partnerships in Pogradec, Korçë, and Shkoder were realized, based on the cooperation between the LGPA, the Municipalities of Pogradec and Shkoder, and Celesi sh.p.k, and between Korçë Municipality and Gulliver Travels to implement a PPP for the establishment of a Tourism Information Office (TIO). The TIOs will provide essential services to tourists visiting these cities, and foster economic development by generating public and private investments in the tourism sector. This demonstrates an improved relationship between LG and the private sector.

In addition, LGPA contracted Co-PLAN to develop underlying plans for PPPs in Kukës (industrial market relocation), and Fier (transport center development study), and URI to do the same in Korçë (a social housing and commercial development). These PPPs are agreed upon with local authorities, but await firm agreements with private sector partners. LGPA will work with the target municipalities in the coming Years 3 and 4 to finalize the PPP agreements noted above.

Indicator: Number of Urban Development Studies/Plans Developed with Target Municipalities (PBMP Indicator Nr. 11)

- ***Baseline: 0***
- ***Target (Year 1): 1; Achieved: 1; Performance: 100%***
- ***Target (Year 2): 4; Achieved: 5; Performance: 125%***

Definition and Discussion of Indicator: Municipal urban development studies or plans include urban regulatory plans, partial urban studies, and physical feasibility studies. Four new Urban Development Studies/Plans are initiated during year 2009:

- One feasibility study was conducted on financing the construction of the northern ring road in Fushë-Krujë. Using these products, Fushë-Krujë was able to obtain support from private financial institutions to implement this project;
- The Kukës Commercial Center study was completed;
- The ‘Parku’ Transport Center Development study was completed in Fier; and the
- Social Housing and Commercial Development project was conducted in Korçë.

The first three first studies were formally presented to the respective City Councils and approved by them. In addition, the studies of Kukës and Fier were presented as ‘best practices’ during the “Best Practices Conference” organized in Tirana, September 17-18, 2009. These actions demonstrate increased effectiveness and efficiency of local government.

Indicator: Number of Civic or Private Sector Groups that Conduct PETS or Report Cards on Local Government Operations (general or services) to Track Corruption Target Municipalities (PBMP Indicator Nr. 12)

- ***Baseline: 0***
- ***Target (Year 1): 1; Achieved: 0; Performance: 0%***
- ***Target (Year 2): 3; Achieved: 1; Performance: 33%***

Definition and Discussion of Indicator: The purpose of this indicator is to track the instances in which civil society (civic organizations or business associations) undertake formal activities to examine the quality of governance. This may take the form of PETS (looking at budget-expenditure-services) or citizen report cards on the quality of services (to be compared to budgets or service charges), in order to promote transparency, reduce corruption, or to improve services (quantity, quality, or value for money).

With support of a small grant from LGPA, CSDC Korça published the annual statistical bulletin of the Municipality of Korça. The Statistical Bulletin included the statistics of the city and spending allocations, as well as the 2008 participatory budgeting results. The bulletin was distributed to all stakeholders in Korçe City. The bulletin examined the projected 2008 budget allocations vs. the actual budget allocations. One month later, a survey was conducted to measure residents' understanding of the Municipality's activities and expenditures. 78% of the interviewees from this survey stated that they are satisfied with the presentation and quality of the bulletin and they have improved their understanding of transparent governance, including municipal revenues, expenditures, actions, and activities, and should feel encouraged to participate in the decision-making process next year.

This indicator has proven problematic thus far because it is difficult to identify NGOs that are willing to develop PETs. LGPA has taken several measures in an effort to get NGOs to conduct PETs, including solicitation of grants to conduct PETs through annual RFAs, training workshops for NGOs to discuss development of grant proposals with an emphasis on PETs, and one-on-one discussions with NGOs to develop PETs.

NGOs located in municipalities are reluctant to implement PETs as they are concerned about how it will affect their relationship with the municipal government. Because of the relatively small size of our municipalities, the close relationships between NGOs and municipalities, and the highly politicized environment in Albania, NGOs fear angering municipal governments. LGPA will continue to seek ways to mitigate these problems in Year 3.

1.5 COORDINATION WITH OTHER USAID PROJECTS AND U.S. GOVERNMENT ACTIVITIES

Throughout Year 2, LGPA continued to hold meetings with other ongoing USAID projects to identify potential opportunities for mutual support and synergistic collaboration. In January, LGPA participated in an issue identification workshop held by the Albania Sustainable Tourism Activity (ASTA). A series of coordination meetings were held in March with representatives of the Millennium Challenge Account Phase II Project, with particular emphasis on business licensing, tax administration, and development permitting. In May, together with the Albanian Agricultural Competitiveness (AAC) program, LGPA co-sponsored the Olive Oil Day celebration in Fier (Apollonia).

USAID Site Visit to Fushë-Krujë

RIGHT: On February 18, USAID Contracting Officer Martha Aponte visited LGPA Target Municipality Fushë-Krujë to meet local officials and visit project activity sites.





LEFT: USAID Bureau Environmental Officer Mohamed Latif meets with Engineer/Planner Arben Dobrozi of Fushë-Krujë to review the routing and environmental design of the city's proposed local ring road extension, May 11, 2009.

It is anticipated that opportunities for productive collaboration will be enhanced now that the new USAID Competitive Enterprise Development (CED) and Millennium Challenge Corporation (MCC) projects are underway.

During Year 2, Peace Corps volunteers assigned to various LGPA target municipalities participated in a variety of LGPA activities, including the Fier indicators project and tax administration improvement program; the Korça PPP program and Statistical Record publication project; the Pogradec small business fair; the Gramsh small business focus group session and promotional brochure preparation; the Fushë-Krujë public information center; the Lezhë tourism booklet; and the Kukës Commercial Center planning activity. In July, LGPA COP David Smith participated in a training session for new Peace Corps Volunteers in the Community Development program. Three new Volunteers were assigned to LGPA target municipalities Kukës, Fushë-Krujë, and Pogradec. These Volunteers, as well as previously assigned Volunteers, will continue to be involved as appropriate in LGPA activities. In addition, Peace Corps Volunteer Charles Schroeder assumed a one-year position with the AAM, where he assisted the LGPA in the implementation of the Best Practices Conference in September.

In January, LGPA hosted USAID Mission Director Roberta Mahoney at the LGPA offices, for an in-depth briefing on the project by the entire project staff. In February, LGPA organized a site visit to Fushë-Krujë for Contracting Officer Martha Aponte, to meet with local officials and visit sites of various project activities. In May, LGPA staff and Bureau Environmental Officer Mohamed Latif of USAID/Washington visited Fushë-Krujë to study the environmental issues associated with the city's proposed road improvement project. Information collected during this field trip was utilized by Mr. Latif in the Mission Environmental Training Seminar, which was held in Durres on May 19–21.

In June, in conjunction with the signing of the loan agreement between Fushë-Krujë and BKT, LGPA supported the Mission's Media Day program for print and electronic journalists who covered the signing event. On January 23, prior to the release of the *Tax Administration Guidelines* manual, a briefing session with Albanian media was conducted to review LGPA highlights and ongoing initiatives, focusing on fiscal decentralization policy and local government autonomy regarding to local taxes and fees.

LGPA also supported USAID on planning of the Community Outreach Day event held in Fier in May.

1.6 COORDINATION WITH OTHER DONORS AND PROGRAM IMPLEMENTERS

A number of donors and program implementers are currently involved in economic growth, infrastructure development, and governance programs in the 10 target municipalities. During Year 2, LGPA and GTZ jointly supported the participation of Korçe and Shkodra in the ExpoReal investment fair in Munich. Coordination meetings were held with the new Swiss/Austrian regional governance program in Shkodra. LGPA and the Organization for Security and Cooperation in Europe (OSCE) collaborated to advance acceptance of a regional solid waste management entity in the Shkodra Qark.

LGPA worked closely with and/or participated in seminars and workshops sponsored by the Albanian Association of Municipalities (AAM); the Albanian Association of Communes (AAC); Regional Environment Center (REC); Cooperazione Italiana; Energy Saving International (ENSI), a Norwegian Aid-funded program; Albanian Energy Efficiency Centre (EEC); AmCham; Students in Free Enterprise (SIFE); the Organization for Security and Cooperation in Europe (OSCE); the Swedish International Development Agency (SIDA); *Stichting Nederlandse Vrijwilligers* (SNV); the *Kreditanstalt für Wiederaufbau* (KfW); and the United Nations Development Programme (UNDP).

LGPA and the Netherlands Development Organization (SNV) agreed to attempt to organize a tourism planning program in Himara, although this effort proved not to be successful.

LGPA also collaborated closely with a number of Albanian central government agencies, most notably the Ministries of Finance, Interior, Economy, and Public Works, as well as the General Tax Directorate and the Public Procurement Agency.

The LGPA helped to organize a meeting of donor representatives to study the impacts of recent changes in the Law on Local Taxes.

Particular note is to be made of donor and central agency participation in LGPA's "Best Practices" Conference, held on September 17-18, 2009: the Conference was co-sponsored by Albanian Association of Municipalities (AAM) and Polis University. The President of Albania, Bamir Topi, gave the introductory address, while Deputy Minister of Interior, Ferdinand Poni, also participated in the Conference opening ceremonies. The Albanian Association of Communes (AAC) sponsored a booth. The Donor participation and assistance included the Swiss Development.

1.7 LIST OF REPORTS SUBMITTED

Reports submitted during this year include:

- Accrual and Expenditure Report—submitted as an annex to each Quarterly Report;
- Grants Progress Report—submitted as an annex to each Quarterly Report;
- IT Procurement Plan Approval Request, submitted in December 2008;
- Municipality of Gramsh, Catalogue of Municipal Assets (and related GIS data and training materials), published in December 2008;
- Website Development Template—submitted as an annex to the April 2009 Quarterly Report;
- Revised Performance Based Management Plan (incorporating base data through 31 December 2008), submitted in March 2009;
- *Tax Administration Guidelines*, published on January 23, 2009;
- *Guidelines on Local Government Borrowing*, published on April 15, 2009;
- *Municipal Asset Management Toolkit*, published on March 19, 2009;

- Shkoder-Bushat Regional Solid Waste Management Issue Paper, published in March 2009;
- Fier Water Company Business Plan, published on March 18, 2009;
- Librazhd Cleaning Service Improvement Action Plan developed on December 29, 2008;
- Catalogue of Municipal Assets in Gramsh, published on December 15, 2008;
- Feasibility study for Fushë-Krujë agriculture market completed on January 15, 2009;
- Feasibility study for Gramsh slaughterhouse completed on January 14, 2009;
- Shkodra business survey, published on April 10, 2009;
- Periodic Subcontractor Progress Reports (Co-PLAN and URI);
- Monitoring Manual of Development Strategy of Fier City, published on May 14, 2009;
- Visual Improvement Study for Fier, published on April 29, 2009;
- Pogradec Business Survey, published on May 13, 2009;
- Kukes Business Survey, published on May 28, 2009;
- Korçe Statistical Bulletin, published on June 18, 2009;
- Energy Efficiency Plans for Korçe, Lezhë, Gramsh, and Kukës finalized during June 2009;
- Catalogue of Municipal Assets with Economic Value in Lezhë, published on June 25, 2009;
- Catalogue of Municipal Assets with Economic Value in Korçe, published on June 26, 2009;
- Best Practices Manual, published on September 17, 2009;
- Himara Tourism Survey published on September 17, 2009;
- Local Governance Survey (prepared on behalf of the LGPA by IDRA), published on September 15, 2009;
- Draft Year 2 Work Plan, submitted in September 2009.

2.0 SIGNIFICANT IMPLEMENTATION PROBLEMS ENCOUNTERED

The dramatic decline in the value of the dollar and the need to accomplish a budget realignment were addressed during Year 2 by the submission of a comprehensive budget realignment request in September. This request is under review and pending approval by USAID.

Problems with engaging the Municipality of Himara have continued during Year 2. After consultation with the COTR, ARD has recommended in September 2009 that Himara be dropped from the LGPA program as an active partner. The Municipality of Elbasan is being provided with key assistance, particularly in the area of municipal borrowing and the creation of PPP projects.

Delays in the preparation of the secondary legislation of the new urban planning law appear to be coming to a close. Meetings have been held during September 2009 with representatives of the Ministry of Public Works, and with key donors such as World Bank and other partners, such as the MCC project. The creation of a Working Group, definition of roles and responsibilities, and initiation of technical work on the secondary legislation are expected to begin in the fall of 2009.

Changes in the Law on Local Taxes, enacted in April 2009, has severely reduced the amount of municipal revenues and resulted in reduced borrowing capacity, restricted “cost recovery” pricing for public services, and uncertainty in the administration of municipal budgets. Further cuts are currently under consideration. If such cuts continue without offsetting grants in aid from the central government, and in light of the ongoing economic crisis in Albania and the world generally, the ability of local governments to fulfill basic governmental responsibilities will be seriously curtailed, and the opportunity to make qualitative advancements in local services and infrastructure improvements will be rendered impossible.

The global economic crisis is likely to have a strong negative impact on local economic investment, tax revenue generation, and growth in Albania. As recently noted by the World Bank Country Director, “We do expect that growth will decline [in 2009]....Because we don’t know how long the crisis will last, it’s important for the country to take a very conservative approach to fiscal policy.”

3.0 ACTIONS TAKEN TO RESOLVE PROBLEMS

A proposed budget realignment has been submitted by ARD and is under consideration by USAID. The proposed realignment allows for an orderly completion of the LGPA and full achievement of key objectives.

A letter of termination has been prepared and will be sent to the Mayor of Himara in early October.

Work on the preparation of secondary legislation for the new urban planning law is expected to begin in October, once a Working Group is established and a clear definition of roles and responsibilities is obtained.

The LGPA has prepared analyses to assess the impact of the amendments to the Law on Local Taxes, and presented the issue for review and comment by municipal officials at the Best Practices Conference in September. LGPA continues to monitor this problem from the perspective of local budgeting, borrowing, and administrative operations. However, the solution to this problem is essentially outside the current scope of the LGPA, as it involves matters of national policy development and legislative reform.

Like the decline in local taxes, the impact of the overall economic situation will require monitoring. If new investment declines, it may be necessary to shift LGPA attention to more traditional urban governance and management activities, and away from an economic growth emphasis.

4.0 OBSERVATIONS/ RECOMMENDATIONS TO IMPROVE IMPLEMENTATION

Year 2 achievements (as described in the LGPA's *Annual Implementation Report* and the *Performance Report for Year 2*) have exceeded expectations, and give hope that the uncertain world financial and economic situation will not constrain future success of the project. Based on the action planning process, a series of technical assistance and related activities are being undertaken in coordination with local LEGCs and municipality staff. These activities have been organized and are being conducted by LGPA staff, with the input of specialized local consultant and subcontractor services. With the exception of Himara, municipal interest in and commitment to the LGPA remains high, as evidenced by the target municipalities' willingness to commit staff and financial resources to the program.

Several constraints that arose during Year 1 and that limited the LGPA's ability to initiate key program activities have been resolved during Year 2. These include:

- **Asset transfer.** As of September 30, 2009, five of the ten target cities had completed the asset transfer process. LGPA is funding activities that have enabled the Municipalities of Gramsh, Korçe, Lezhë, and Pogradec to register ownership of the transferred assets, and these pilot projects will provide guidance to other cities as they complete the asset transfer process.
- **Municipal Borrowing Authority.** In November 2008, the secondary legislation to the Municipal Borrowing Law was finalized. In June 2009, the first municipal loan was closed, in Fushë-Krujë. By the end of September, LGPA was actively working with five cities to develop 'bankable' projects for which commercial loans will be sought.
- **Territorial Planning Law.** The new urban planning law in Albania was enacted in April. Although the drafting of secondary legislation has been hampered by delays caused by the election process and the need to reorganize the central government, by September 2009, discussions were underway with relevant Ministry of Public Works officials to initiate work on the necessary secondary legislation. LGPA will participate in this drafting process, in support of the Ministry, along with the Millennium Challenge project, and other donors, such as the World Bank.

Based on the above, and the successful completion of Year 2 activities, LGPA expects to continue to achieve benchmark targets for Year 3. A series of technical assistance and related activities will be undertaken in coordination with local LEGCs and municipality staff. These activities will be organized and are being conducted by LGPA staff, with the input of specialized local consultant and subcontractor services.

During Year 3, the action plans in each target municipality will be revisited and, in cooperation with the LEGCs, appropriate adjustments and revisions will be made. In

particular, greater emphasis will be placed on securing the participation of businesses and business associations in public/private economic development efforts, and the participation of civil society in monitoring and improving services delivery.

ANNEXES

**ANNEX A: LGPA YEAR 2
WORK PLAN (OCTOBER 2008
TO SEPTEMBER 2009)**



USAID
FROM THE AMERICAN PEOPLE

ALBANIA

LOCAL GOVERNANCE PROGRAM IN ALBANIA

YEAR 2 WORK PLAN
(OCTOBER 2008–SEPTEMBER 2009)

SEPTEMBER 2008

This publication was produced for review by the United States Agency for International Development. It was prepared by ARD, Inc.

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LOCAL GOVERNANCE PROGRAM IN ALBANIA

YEAR 2 WORK PLAN

(OCTOBER 2008 – SEPTEMBER 2009)

SEPTEMBER 2008

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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ACRONYMS AND ABBREVIATIONS

AAM	Association of Albanian Municipalities
CSO	Civil Society Organization
IFC	International Finance Corporation
IPLS	Institute for Policy and Legal Studies
IT	Information Technology
LEGC	Local Economic Growth Committee
LGPA	Local Governance Program in Albania
MCC	Millennium Challenge Corporation
MOU	Memorandum of Understanding
NGO	Nongovernmental Organization
PBMP	Performance-Based Monitoring Plan
PETS	Public Expenditure Tracking System
PPP	Public-Private Partnership
RFA	Requests for Application
STA	Senior Technical Advisor
TBD	To Be Determined
USAID	United States Agency for International Development

1.0 OVERVIEW

1.1 STRUCTURE OF THE WORK PLAN

This work plan is divided into two main sections. The first, a narrative section, describes major themes and crosscutting initiatives that impact more than one component or do not fall neatly into a specific component (e.g., the Best Practices Conference). The second section provides a detailed plan of activities for each of the three components: Component 1, Local Economic Growth; Component 2, Local Governance; and Component 3, Civic and Private Sector Engagement as well as Monitoring and Evaluation activities. Under each component, the expected results of the component *to be accomplished over the lifetime of the project* and the relevant indicators are listed.¹ Including the expected results in the work plan will ensure that all activities undertaken by USAID's Local Governance Program in Albania (LGPA) are specifically aimed at achieving program goals. Target dates refer to calendar year quarters, thus the Year 2 work plan covers the calendar year period 4Q08-3Q09.

1.2 LOCAL ECONOMIC GROWTH PLANS

At the beginning of Year 2, LGPA will meet with the Local Economic Growth Committees (LEGCs) to review Year 1 implementation of the Local Economic Growth Plans and to revise the Plans for Year 2. Based on Year 1 experience, the Local Economic Growth Plans will be refined to better focus on priority initiatives to promote investment and priority reform areas to create a business-friendly environment. The revisions will take into account successfully implemented action items from the Year 1 Plans as well as areas where the municipality was unable to take action. Activities in Component 2: Local Governance will continue to be demand driven based on the needs of each target municipality and identified in the Local Economic Growth Plans.

1.3 INFORMATION TECHNOLOGY CAPACITY BUILDING AND ASSISTANCE

In Year 1, LGPA undertook a comprehensive information technology (IT) assessment which evaluated the IT equipment, software, staff computing skills, and Web sites of each target municipality. In addition, the assessment evaluated existing programs available in Albania for municipal use in the fields of asset management, taxation, financial management and budgeting, local council resolution tracking, complaint log, and payroll/human resource management as well as Albanian government rules for establishing government institution Web sites. Based on this information, the assessment recommended an individualized course of action for each target municipality.

¹ Table 1, Page 7 of the Performance-Based Monitoring Plan (PBMP) (version of February 15, 2008) also shows which components are linked with each of the 12 indicators. In the PBMP, often more than one component is linked with the indicators. For purposes of this work plan, an indicator is only linked with the single most appropriate component. For example, in the PBMP, Indicator 9: Number of local government-private sector forums developed/strengthened to discuss local economic development is linked with Components 1 and 3. In this work plan, it is linked only with Component 1.

In Year 2, after further consultation with each municipality, LGPA will make final determinations of how to proceed with each target municipality with regard to updating their IT capacities. The decision will include which IT hardware is to be purchased (possibly including servers, desktops, printers, and networking equipment); which software package(s) should be installed and in which sequence; the amount of training, consulting, and implementation assistance to be provided to each municipality; the degree of assistance needed on each municipality's Web site; and the cost sharing to be provided by each municipality. The pace at which IT assistance is provided to each target municipality will depend on their current IT capability and the degree of commitment of each target municipality (supported by a Memorandum of Understanding [MOU] with the LGPA) to sustain the IT improvement initiative.

1.4 EXPERIENCE SHARING AMONG TARGET MUNICIPALITIES AND THE BEST PRACTICES CONFERENCE

In addition to providing direct technical assistance and training, LGPA will make a concerted effort to disseminate good practices among cities through experience sharing. The cornerstone of this effort will be through an annual Best Practices Conference. As agreed with USAID, LGPA will conduct an annual Best Practices Conference for the 10 target municipalities. The Best Practices Conference will be held in April/May of 2009, and again in 2010 and 2011. The 2011 Conference will also serve as a technical close-out of the LGPA project and highlight the accomplishments, lessons learned, and successes over the lifetime of the project.

The Best Practices Conference will provide incentive for good governance and application of training and technical assistance provided by LGPA. Through "peer pressure," target municipalities will witness the successful implementation of better local government and improved methods to promote local economic growth. The Conference will be a mixture of target municipalities presenting their new practices and the resulting benefits and LGPA reinforcing technical assistance provided throughout the year.

In addition to the annual Best Practices Conference, LGPA will seek to conduct regional workshops and meetings on specific topics and will incorporate improved practices into training activities. For instance, during the first asset management training to be held in 4Q08, Gramsh will present the municipality's experience with registering its assets including the challenges faced and the benefits of having done so.

LGPA will also utilize printed and electronic materials to disseminate good practices. For example, upon completion of the first phase of urban planning activities, Co-Plan will document the process and methodology used in each target municipality in a compendium of Urban Planning Case Studies. These will also be added to the LGPA/Association of Albanian Municipalities (AAM) Web site.

A final potential tool that LGPA will utilize to encourage experience sharing is through in-country study tours. As opportunities and needs arise, LGPA will design the study tour and fund the travel of one or more target municipalities to visit another municipality to study a good practice. One likely topic is the design of an inter-local government entity established to provide solid waste collection and disposal service in Korce.

1.5 USE OF SUBCONTRACTORS

Subcontractors will be selected and hired as needed, based on activities and opportunities in each target municipality. To the extent possible, LGPA will competitively bid work in order to get the best qualified and most cost efficient contractor. In some instances, LGPA will continue to work with the subcontractors already selected in Year 1, including Co-Plan on urban planning and Institute for Policy and Legal Studies (IPLS) to complete the asset management toolkit. In addition, LGPA will likely use Valu Add Management Services to develop business plans with public service providers in target municipalities and

Lorenzo & Co. on asset management. Although the specific subcontractors have not yet been selected, LGPA will also use subcontractors in the following areas: participatory budgeting, capital budgeting, institutional structuring for regional solid waste management, and business association capacity building. **Up to \$400,000** is budgeted for Year 2 subcontracts.

1.6 GRANTS

LGPA's substantial grants program will be used to supplement program activities, with a particular emphasis on activities under Component 3. LGPA will adjust its grants program to utilize two cycles of Requests for Applications (RFAs) in Year 2 of the project. The RFAs will include a deadline for submission. Through the grant program, LGPA will put an emphasis on engaging civil society in the local decision-making process through grants that promote participatory budgeting, public expenditure tracking systems, and capacity building of business association and civil society organizations (CSOs).

1.7. PUBLIC-PRIVATE PARTNERSHIPS

Opportunities for public-private partnerships will be sought in all ten target municipalities based on available resources and the needs of the city. LGPA will work with municipal staff to identify potential public-private partnerships (PPPs) and to bring the private and public side together. Depending on the complexity of the public-private partnerships, LGPA will recruit additional Albanian and/or international expertise as needed. Three PPPs are already started and will be completed in Year 2 of the project: the public information centers in Shkodra, Korce, and Pogradec which will be undertaken by the respective municipality and the private firm Celesi. Other possible PPP projects that may be developed in Year 2 include, but are not limited to, the Fier bus terminal, Kukes consumer market, and agricultural markets in Gramsh and Fushe-Kruje (dependant on feasibility studies).

1.8 COLLABORATION WITH OTHER PROJECTS AND DONORS

LGPA will continue to cooperate with other projects and donors as we did extensively in Year 1. In Year 2, for example, LGPA will work with the International Finance Corporation (IFC) to include LGPA municipalities in its project and to work with the LEGCs in these cities. In addition, LGPA will work closely with the new USAID Competitiveness Enterprise Development Project which will include at least five of our target municipalities and the new Millennium Challenge Corporation's (MCC) follow-on project that will include tax administration and licensing in the scope of work.

2.0 COMPONENT 1: LOCAL ECONOMIC GROWTH

Expected Results:	Indicators:
<ul style="list-style-type: none"> Target municipalities are successfully accessing commercial credit markets Target municipalities are using the planning and borrowing laws to engender smart economic growth Target municipalities initiate business friendly practices 	<ul style="list-style-type: none"> Increase in municipal direct private investment Increase in employment in target municipalities Increase in the number of businesses registered in target municipalities Number of “bankable” projects developed in target municipalities that receive financing from public or private sources

Activity	Steps	Target Dates	Responsible Staff
Update Local Economic Growth Plans in each target municipality through a participatory process (to be reviewed periodically and updated no less than annually)	<ul style="list-style-type: none"> Reconvene Local Economic Growth Committees (LEGCs) with broad stakeholder participation including representation from municipal government, municipal council, local businesses, and local NGOs <ul style="list-style-type: none"> Encourage a larger role for local businesses on the LEGCs Review implementation of the Year 1 Local Economic Growth Plans Review the results of the Local Governance Survey results for each and, where applicable, the results of the Business Attitude Surveys Update the Local Economic Growth Plans for Year 2 	4Q08	Shapo, Jorgji, Selmani
	<ul style="list-style-type: none"> Work with relevant LEGC members and the municipal governments to implement components of the Year 2 Local Economic Growth Plans 	On-going	LGPA Team
	<ul style="list-style-type: none"> Review implementation of the Year 2 Economic Growth Plans on a quarterly basis to ensure that progress is on track 	Quarterly	Shapo, Jorgji, Selmani

Activity	Steps	Target Dates	Responsible Staff
Develop municipal investment promotional materials	<ul style="list-style-type: none"> ● Create and/or improve target municipalities' Web sites to highlight investment and other economic development opportunities 	3Q08-3Q09	Jorgji, Selmani, Shapo, Tabaku
	<ul style="list-style-type: none"> ● As needs and opportunities arise, design and disseminate investment promotion materials for target municipalities. Investment promotion materials will include printed brochures, improved Web sites, and public information offices. Among the target municipalities that LGPA plans to develop these promotional materials are Lezhe, Librazhd, Korce, and Shkodra 	1Q09-3Q09	Selmani, Gadeshi, Senior Technical Advisor (STA) (TBD)
Develop Guidelines on Municipal Borrowing	<ul style="list-style-type: none"> ● Develop guidelines on municipal borrowing and project financing to include information on: <ul style="list-style-type: none"> - Legal environment - Local procedures and roles of municipal departments in developing project proposals (role of the local executive and role of the local council) - Operational feasibility analysis - Financial feasibility analysis (how much to borrow, the cost of borrowing, maturities, and how to repay) - Developing project proposals - Involvement of the council - Public engagement - Albanian case studies (case studies will include Fushe-Kruje and Korce) 	1Q09	Shapo, Mcllellan
	<ul style="list-style-type: none"> ● Disseminate the Guidelines on Municipal Borrowing to target municipalities including mayors, vice-mayors, local economic development departments, financial departments, and local councils 	1Q09	Shapo, Mcllellan
Enable target municipalities to access project financing	<ul style="list-style-type: none"> ● As target municipalities develop project proposals, provide assistance to: <ul style="list-style-type: none"> - Develop project proposal documentation including detailed financial feasibility studies - Disseminate draft project proposals to key municipal staff to ensure a consistent municipal message - Present the project idea to the municipal council, the public, and other local stakeholders - Obtain council approval on the project proposal and financing options - Present the project proposal to potential funders - Update project documentation as necessary to meet potential funding institutions' requirements 	On-going	Smith, Mcllellan, Jorgji, Selmani, Shapo

Activity	Steps	Target Dates	Responsible Staff
	<ul style="list-style-type: none"> Help identify public-private partnership (PPP) opportunities and assist in structuring these PPPs as possible. In Year 2, LGPA intends to develop PPPs in up to four cities including Shkodra, Korce, and Pogradec where public information offices will be opened jointly between Celesi—a private entity and the municipal government. LGPA will seek to develop public-private partnership projects in two more target municipalities. The two additional municipalities will depend on the opportunities that arise in Year 2 	On-going	Smith, Mclellan, Jorgji, Selmani, Shapo, Subcontractors (TBD)
Improve capital budgeting techniques	<ul style="list-style-type: none"> Conduct training on capital budgeting techniques for financial specialists of all target municipalities (excluding Fier and Lezhe where Co-Plan has provided this training), including what classifies as capital expenditure, preparation of capital improvement plans, financing instruments, and developing various scenarios for financing of capital projects 	2Q09	Consultant/Subcontractor (TBD), Shapo, Mclellan
	<ul style="list-style-type: none"> Provide assistance in development of capital budgets, with broad stakeholder participation, to calculate different scenarios for project financing and to ensure local councils receive comprehensive information on financing options 	2Q09	Shapo, Consultant/Subcontractor (TBD), Mclellan
Provide technical assistance on urban planning	<ul style="list-style-type: none"> In conjunction with the MCC Phase 2 project and the World Bank, provide support to the Ministry of Public Works for the development of specific pieces of the urban planning secondary legislation, those that most affect LGPA target municipalities. Support is likely to include: <ul style="list-style-type: none"> - Drafting a limited number of instructions on issues such as permitting, zoning, land use, and mapping - Conducting workshops to encourage broad dialogue on the secondary legislation 	Upon passage of the law (anticipated in 4Q08-1Q09)	Smith, Shapo, Co-Plan
	<ul style="list-style-type: none"> Upon passage of the Spatial Planning Law and/or the secondary legislation, provide training to 10 target municipalities 	2Q09-3Q09	Smith, Shapo, Co-Plan
	<ul style="list-style-type: none"> Provide technical support to develop and implement regulatory/land use plans and/or partial land use plans (markets, industrial areas, bus terminals, etc.) or designing/changing zoning plans. In Year 2, this work will be conducted in Fushe-Kruje, Kukes, Fier, Pogradec, and possibly Shkodra 	4Q08-2Q09	Smith, Shapo, Jorgji, Selmani, Mclellan, Co-Plan, other Subcontractors as needed
	<ul style="list-style-type: none"> Develop case studies on the development of regulatory plans and partial land use plans and disseminate to target municipalities at the Best Practices Seminar 	2Q09	Co-Plan, Smith, Mclellan

Activity	Steps	Target Dates	Responsible Staff
Conduct a Best Practice Conference	<ul style="list-style-type: none"> Develop a compendium of case studies on best practices and innovations implemented by target municipalities in a Best Practices 2009 booklet 	2Q09	Gadeshi, Smith, Mclellan, Consultant (TBD)
	<ul style="list-style-type: none"> Conduct a Best Practices Conference that brings together representatives from all ten target municipalities to highlight their achievements in the areas of local economic growth, local governance, and civic and private sector engagement 	2Q09	Gadeshi, Shapo, Mclellan
	<ul style="list-style-type: none"> Further disseminate target municipalities' best practices through the distribution of the Best Practices 2009 booklet on the Association of Albanian Municipalities' Web site 	2Q09	Gadeshi, Smith, Mclellan

3.0 COMPONENT 2: LOCAL GOVERNANCE

Expected Results:	Indicators:
<ul style="list-style-type: none"> Target municipalities perform better than control municipalities on local governance parameters including assets used productively, tax compliance and collection rates, service delivery improvements, etc. 	<ul style="list-style-type: none"> Proportion of total municipal revenues derived from local municipal taxes Increase in local revenue collections (own source revenues) in target municipalities Percentage increase in public perception concerning effectiveness of target municipalities in functional areas (administration, property management) Percentage that perceive improvement in service delivery in target municipalities

Note: Technical assistance provided under Component 2 will be demand driven and will depend on the needs identified in the Local Economic Growth Plans.

Activity	Steps	Target Dates	Responsible Staff
Provide technical assistance to target municipalities on asset management	<ul style="list-style-type: none"> Conduct periodic training on asset management for municipal administration staff and local council deputies; training will include: <ul style="list-style-type: none"> Legal framework and registering municipal property (4Q08) Inventory, classification, and assessment (1Q09) Use and disposal of municipal property (2Q09) 	On-going	Selmani, Mclellan, Subcontractor (TBD – possibly Lorenzo & Co.)

Activity	Steps	Target Dates	Responsible Staff
	<ul style="list-style-type: none"> ● For target cities where the asset transfer is complete (to date, this is only the case in Gramsh and Lezhe), provide technical assistance to target municipalities on a variety of issues including: <ul style="list-style-type: none"> – Establish asset management units/departments units in local government administrations including developing unit/department responsibilities, creating unit/department budgets, and developing staff job descriptions – Registration of municipal assets – Inventory municipal assets including such fields as asset use, use rights (full or limited), asset value, and category (retain for on use, lease, sale) – Calculation of the value of municipal assets – Evaluation of the potential for development – Provide support for the installation of asset management software – A medium-term (3-5 years) asset management plan including plans to lease, sell, and/or enter into public-private partnerships 	4Q08-3Q09	TBD, Mcllellan, Lorenzo & Co.
	<ul style="list-style-type: none"> ● Finalize the asset management toolkit and disseminate to target municipalities 	4Q08	Mcllellan, Selmani, IPLS
Provide technical assistance to target municipalities on service provision (as it pertains to local economic growth)	<ul style="list-style-type: none"> ● In select target municipalities, develop business plans for public service providers including water, waste water, or solid waste. LGPA initially plans to develop a business plan for the water and waste water utility in Fier and will complete an additional 3 business plans in target municipalities. 	4Q08-3Q09	Selmani, Mcllellan, Subcontractor (TBD – likely Valu Add Management Services)
	<ul style="list-style-type: none"> ● Work with target municipalities to improve the service agreements between the local government and service providers to ensure that payments are correlated to service provision and clearly identified service standards 	1Q09-3Q09	Smith, Mcllellan, STA
	<ul style="list-style-type: none"> ● Develop a Consumer Relations Module in association with the Albanian Water Association. 	1Q09	Selmani, Albanian Water Association
	<ul style="list-style-type: none"> ● Conduct training on the Consumer Relations Module for the water/waste water and solid waste service providers in all target municipalities 		Selmani, Albanian Water Association
Computerize the tax system in target municipalities	<ul style="list-style-type: none"> ● Select, based on the IT Assessment conducted in Year 1, the most practical tax software available for target municipalities. 	4Q08	Sharko, Silvana Meko, Mcllellan, Pires

Activity	Steps	Target Dates	Responsible Staff
	<ul style="list-style-type: none"> Procure the necessary tax software and hardware according to municipal needs and install in municipalities. It is planned that installation will be done in 3 phases with 3-4 municipalities in each Phase. Prior to installation, sign a Memorandum of Understanding (MOU) with the Municipal Administration to ensure that they have the necessary staff to support the new IT equipment. 	PHASE 1: 1Q09 PHASE 2: 2Q09 PHASE 3: 3Q09	Sharko, Silvana Meko, Mclellan, Pires
	<ul style="list-style-type: none"> Provide training and intensive technical assistance to ensure implementation and use of the new tax software 	1Q09-2Q09	Sharko, Selmani, Mclellan, Pires
	<ul style="list-style-type: none"> Convene a demonstration in each municipality where new software is installed including the mayor, deputy mayor, financial department staff, the chairman of the local council, and members of the local council finance committee to show the types of reports now available with the new software 	2Q09	Sharko, Selmani, Mclellan, Pires
Provide technical assistance on tax collection and auditing	<ul style="list-style-type: none"> Finalize the Local Tax Administration Manual including sections on legal framework, tax collection procedures, role of local government bodies in tax collection, audit and enforcement and transparency. 	4Q08	Silvana Meko
	<ul style="list-style-type: none"> Provide training on tax enforcement and audit of the small business tax 	3Q09	Silvana Meko, Mclellan, Consultant
	<ul style="list-style-type: none"> Improve the tax database to ensure that it is accurate and comprehensive, and bring nonregistered taxpayers into the system 	On-going	Pires, Silvana Meko, Mclellan
	<ul style="list-style-type: none"> Develop and report better information on noncompliant taxpayers and tax arrears 	2Q09	Pires, Silvana Meko, Mclellan
	<ul style="list-style-type: none"> Improve the structure and efficiency of the tax collection department including developing organigrams and job descriptions (in line with reforms at the national level) 	1Q09	Pires, Silvana Meko, Mclellan
Provide technical assistance on procurement	<ul style="list-style-type: none"> Based on requests from municipalities, provide training on procurement procedures including the legal framework, standard tender documentation and templates, and e-procurement. Initial work will begin in Lezhe, and other target municipalities will be offered this assistance in 4Q08. 	1Q09-2Q09	Gadeshi, Consultant (TBD)
	<ul style="list-style-type: none"> Assist target municipalities to implement new procurement procedures upon request including the development of local procurement plans 	On-going	Gadeshi, Consultant (TBD)

Activity	Steps	Target Dates	Responsible Staff
	<ul style="list-style-type: none"> Assist target municipalities to implement new procurement procedures upon request including the development of local procurement plans 	On-going	Gadeshi, Consultant (TBD)
Develop an internal study tour program for target municipalities	<ul style="list-style-type: none"> Develop the program guidelines for an internal study tour specifying which topics are eligible and how target municipalities can propose study tour topics 	4Q08	Gadeshi, Smith, Mclellan
	<ul style="list-style-type: none"> Disseminate the internal study tour guidelines to target municipalities 	4Q08	Gadeshi
	<ul style="list-style-type: none"> Conduct internal study tours between target municipalities as target municipalities request on issues relevant to LGPA including tax collection and audit, asset management, and urban planning. LGPA aims to conduct 2-3 internal study tours in Year 2 subject to demand. 	Quarterly	Gadeshi, Smith, Mclellan

5.0 COMPONENT 3: CIVIC AND PRIVATE SECTOR ENGAGEMENT

Expected Results:	Indicators:
<ul style="list-style-type: none"> Private associations or civil society groups will have collaborated in partnership with all 10 target municipalities on at least one significant project, from the development of proposals to the receipt of financing, to project implementation and completion NGOs and business associations in target municipalities have improved their capacity and effectiveness 	<ul style="list-style-type: none"> Number of local government-private sector forums developed/strengthened to discuss local economic development Number of business associations that have partnered with target municipal governments on development initiatives Number of joint local government-civic projects in target municipalities Number of civic or private sector groups that conduct Public Expenditure Tracking System (PETS) or report cards on local government operations (general or services) to track corruption

Activity	Steps	Target Dates	Responsible Staff
Assist local business groups to improve their organizational capacity to better advocate for their interests	<ul style="list-style-type: none"> Provide capacity building assistance, in coordination with the USAID/CED Project, to existing and nascent business associations to improve their membership practices, expand their information dissemination, enhance their advocacy skills, and advance their management skills 	2Q09-3Q09	Jorgji, Subcontractor (TBD)
	<ul style="list-style-type: none"> Assist business associations to improve their financing mechanisms, including membership dues, and to improve their ability to seek grants which support the association's mission 	2Q09-3Q09	Jorgji, Subcontractor (TBD)
Facilitate the participation of Civil Society Organizations (CSOs), businesses, and business associations in the local government decision-making process	<ul style="list-style-type: none"> Assist municipalities to conduct issue specific public meetings with stakeholders on initiatives undertaken in Components 1 and 2 	Quarterly	Jorgji, Selmani, Shapo
Conduct, in conjunction with the Local Economic Growth Committees, business attitude surveys	<ul style="list-style-type: none"> Develop city specific business attitude surveys to identify local businesses' concerns, challenges in doing business, and obstacles to further growth 	4Q08-2Q09	Jorgji, Gadeshi

Activity	Steps	Target Dates	Responsible Staff
	<ul style="list-style-type: none"> Using the business attitude survey results, support local business climate improvement initiatives to address the concerns raised by local businesses 	1Q09-3Q09	Jorgji, Gadeshi
Perform an annual Local Government Survey in target and control municipalities	<ul style="list-style-type: none"> Conduct a competitive procurement of the annual Local Government Survey 	2Q09	Gadeshi, Smith, Mclellan
	<ul style="list-style-type: none"> Conduct the field work, tabulate data, and prepare reports including individual target city reports 	3Q09	Subcontractor (TBD)
	<ul style="list-style-type: none"> In conjunction with the larger public briefing, conduct a specialized briefing for media on the results of the Local Government Survey to ensure that mass media understand the key findings of the survey 	3Q09	Gadeshi, Subcontractor (TBD)
	<ul style="list-style-type: none"> Share the results of the survey with target municipalities' staff, LEGCs and other civil society groups for the purpose of improving local services and indicating and illustrating local government issues that require greater attention 	3Q09	Gadeshi, Subcontractor (TBD)
Conduct a grant competition (up to approximately \$250,000) in Year 2	<ul style="list-style-type: none"> Issue RFAs to encourage proposals in specific areas including participatory budgeting, public expenditure tracking systems, and promoting efficient and accountable local government. The RFAs will establish firm deadlines in an effort to increase the quantity and quality of applications 	4Q08 and 2Q09	Selmani, Smith
	<ul style="list-style-type: none"> Conduct regional outreach sessions with NGOs, CSOs, and business organizations to present LGPA's grant competition (including the RFAs), the types of projects sought, and the grant guidelines 	4Q08	Jorgji, Selmani
	<ul style="list-style-type: none"> Review grant applications as they are received to determine if they meet competition requirements and further the goals of the project 	4Q08 and 2Q09	Selmani, Smith, Mclellan, Shapo, Jorgji
	<ul style="list-style-type: none"> For successful applications, conclude grant agreements and oversee implementation of the grants. As appropriate, disseminate best practices to encourage replication in other target municipalities 	4Q08 and 2Q09	Selmani, Smith
	<ul style="list-style-type: none"> Review the Year 2 Grant Competition to identify possible improvements for Year 3 	3Q08	Selmani, Smith

6.0 MONITORING AND EVALUATION

Activity	Steps	Target Dates	Responsible Staff
Monitor and report on the Performance Based Monitoring Plan (PBMP)	<ul style="list-style-type: none"> Modify the PBMP, in conjunction with USAID and as needed, to ensure appropriate indicators, accurate targets, and clear/concise language 	Ongoing	Gadeshi
	<ul style="list-style-type: none"> Collect data on the indicators from a variety of sources including the target municipalities, the Ministry of Interior, the Ministry of Finance, and the Local Government Survey Modify the PBMP, as needed, to ensure accurate targets and clear language on the indicators 	Ongoing	Gadeshi
	<ul style="list-style-type: none"> Provide USAID with PBMP reports on a regular basis in conjunction with the quarterly reports 	Quarterly, annually	Gadeshi
Update the Municipal Database	<ul style="list-style-type: none"> Update the municipal database to continue tracking important municipal information which will be used for the PBMP as well as for other project purposes. The database includes information on partners in each city, LEGCs, financial data, businesses in the municipality, trainings topics, and participants for each municipality 	Ongoing	Gadeshi

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ANNEX B: LGPA YEAR 2 PERFORMANCE REPORT



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LOCAL GOVERNANCE
PROGRAM IN ALBANIA

LOCAL GOVERNANCE PROGRAM IN ALBANIA

YEAR 2 PERFORMANCE REPORT
OCTOBER 2008- SEPTEMBER 2009

September 2009

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USAID's Local Governance Program in Albania (LGPA) is required to submit an annual Performance Report based on indicators identified in the LGPA Task Order and subsequently incorporated into the Performance Based Monitoring Plan approved by USAID in March 2008.

USAID's fiscal year runs from October to September, with September being the date for LGPA's annual reports. Because this draft report is required in mid-September, not all September data is included in this document. Moreover, the GOA fiscal year runs on the calendar year, with final fiscal information for the preceding year available by March. In addition, financial data is only available with a lag. This means that indicators based on municipal financial data (including indicators: 1, 2, 3 and 4) are reported in this Annual Report for the period January-July 2009. Once the GOA financial information is available, LGPA will reissue an updated Annual Performance report by the end of April, 2010.

Significant data collection was accomplished during this year for all the indicators. The sources of data are the Ministry of Finance (MoF) (for total revenues, OSR and tax on the impact on infrastructure of new construction), the National Registration Center (NRC, for the number of businesses registered), the General Directorate of Taxation (GDT, for employment figures in target and control municipalities), and project activities.

TABLE 1: LGPA PBMP SUMMARY PERFORMANCE TABLES, OCTOBER 2008 - AUGUST 2009

No	Indicator	Baseline Indicator for Target Municipalities Year 2007 ¹	Baseline Indicator for Control Municipalities Year 2007	Y (1)	Target Y(1)	Performance Against Target Y(1) (%)	Year to Date (August 2009) Y (2)	Target Y(2)	Performance Against Target Y(2) (%)
1*	Proportion of total municipal revenues derived from local municipal taxes	26.3%	32.9%	34.7%	28.3% Or 2% increase	122.6%	27.6%	31.3% Or 5% increase above the baseline	88.1%
2*	Increase in local revenue collection (own source revenues)	1,360,427 Lek (000)	1,547,525 Lek (000)	1,560,565 Lek (000)	1,387,636 Lek (000) Or 2% increase	112.5%	906,548 Lek (000)	1,428,448 Lek(000) Or 5% increase above the baseline	63.5%
3*	Increase in municipal direct private investment	149,929 Lek (000)	248,327 Lek (000)	420,187 Lek (000)	152,928 Lek (000) Or 2% increase	274.8%	151,632.24 Lek (000)	157,265 Lek (000) Or 4% increase above the baseline	96.4%
4*	Increase in employment	76,162 employees	62,889 employees	79,642 employees	77,685 Or 2% increase above the baseline	230% Or 4.6% increase above the baseline	71,365 or 6.8% decrease below the baseline	79,208 or 4% above the baseline	-170%
5	Increase in the number of active businesses	8,174 businesses	7,829 businesses	10,588	8,337 Or 2% increase above the baseline	30% increase above the baseline	12,300	8,501 Or 4% increase above the baseline	50% increase above the baseline
6	Number of "bankable" projects developed that receive financing from public or	0	0	0	0	N/A	2	3	67%

¹ Indicators marked with one star (*) are related to the GOA fiscal year, so the baseline figure refers to the year ending December 31, 2007. Unmarked indicators are related to the USAID fiscal year so the baseline figure refers to the year ending September 30, 2007.

No	Indicator	Baseline Indicator for Target Municipalities Year 2007 ¹	Baseline Indicator for Control Municipalities Year 2007	Y (1)	Target Y(1)	Performance Against Target Y(1) (%)	Year to Date (August 2009) Y (2)	Target Y(2)	Performance Against Target Y(2) (%)
	private sources								
7	Percentage increase in public perception concerning effectiveness target local governments in functional areas (Administration, Property Management)	46.5%	42.2%	0	0	N/A	50.3% or 8.1% increase above the baseline	48.36% or 4% increase above the baseline	202%
8	Percentage perceived improvement in service delivery	58.4%	45.1%	0	0	N/A	64.5% Or 10.4% increase above the baseline	61.3% Or 5% increase above the baseline	208%
9	Number of civic or private sector groups that have partnered with municipal authorities in their jurisdictions on local development initiatives	0	0	14	10	140%	30	16	187%
10	Number of public – private partnerships in target municipalities	0	0	0	0	N/A	3	2	150%
11	Number of urban development studies/plans developed with target municipalities	0	0	1	1	100%	5	4	125%
12	Number of civic or private sector groups that conduct PETS or report cards on local government operations (general or services) to track corruption	0	0	0	1	0%	1	3	33%

INDICATOR NO 1: PROPORTION OF TOTAL MUNICIPAL REVENUES DERIVED FROM LOCAL MUNICIPAL TAXES AND FEES

Baseline: 26.3%

Target Y (1): 28.3%. Achieved Y(1): 34.7%. Performance Y(1): 122.6%

Target Y(2): 31.3%. Achieved through July 2009: 27.6%. Performance through July 2009: 88.1%

Definition of indicator: Local municipal “taxes” include taxes, permits, tariffs, fees, charges, etc. For the purpose of this indicator, “local municipal taxes” will refer to own source revenue (OSR), that is,

all of the revenues collected by the municipality that is controlled by the municipality. Total municipal revenue includes both OSR and transfers from central government, both conditional and unconditional transfers, some based on formulas, other covering short-falls, and yet others as awards for competitive grants.

The latest data available for this indicator is July 2009. Table 2 shows the proportion of total municipal revenues derived from “local municipal taxes” for the period January-July 2009 and actual performance vs. target in Year 2 calculated for each target and control municipality and then averaged.

TABLE 2: PROPORTION OF TOTAL MUNICIPAL REVENUES DERIVED FROM LOCAL MUNICIPAL TAXES AND FEES FOR TARGET AND CONTROL MUNICIPALITIES, JANUARY-JULY, 2009

Target Municipality	Baseline Year 2007	Target Year 1	Achieved Y(1)	Performance Against Target (%) Y(1)	Target Y(2)	Proportion of Total Municipal Revenues Derived from Local Municipal Taxes and Fees January-July 2009	Performance against target for the period January –July 2009	Control Municipality	Baseline Year 2007	Achieved Y(2)	Proportion of Total Municipal Revenues Derived from Local Municipal Taxes and Fees January-July 2009
Fier	32.6%	34.6%	37.8%	109.4%	37.6%	34.5%	91.7%	Berat	20.2%	23.1%	27.0%
Fushë-Krujë	19.3%	21.3%	29.5%	138.5%	24.3%	17.9%	73.8%	Bilisht	27.0%	21.4%	17.3%
Gramsh	27.1%	29.1%	26.7%	91.7%	32.1%	17.7%	55.3%	Durrës	52.7%	49.2%	49.3%
Himarë	40.4%	42.4%	56.9%	134.3%	45.4%	30.5%	67.2%	Gjirokastër	38.5%	38.6%	31.6%
Korçë	23.5%	25.5%	37.5%	147.0%	28.5%	32.6%	114.4%	Kamëz	11.7%	31.4%	11.3%
Kukës	13.8%	15.8%	10.8%	68.2%	18.8%	6.4%	34.0%	Laç	13.9%	11.3%	12.6%
Lezhë	32.6%	34.6%	34.3%	99.1%	37.6%	34.8%	92.6%	Prrenjas	24.4%	49.1%	24.0%
Librazhd	46.3%	48.3%	48.7%	100.9%	51.3%	30.3%	59.0%	Peshkopi	16.0%	16.5%	7.3%
Pogradec	55.8%	57.8%	52.6%	91.0%	60.8%	38.0%	62.5%	Rrogozhinë	28.1%	31.1%	32.0%
Shkodër	20.9%	22.9%	30.7%	134.2%	25.9%	26.4%	101.9%	Sarandë	52.5%	52.1%	36.8%
Total	26.3%	28.3%	34.7%	122.6%	31.3%	27.6%	88.1%	Total	32.9%	36.4%	30.3%

Data source: Ministry of Finance, September 2009.

The overall performance result indicator achieved through July 2009 is **88.1%**. It is expected, based on the central government's approved budget that conditional transfers, particularly in the field of health and education, will increase in September-December. The growth for the September-December 2009 period expected to be lower than the previous year because most of the conditional transfers particularly in the field of infrastructure (roads, water supply, etc.) were transferred before the recent elections (June 2009). None the less, this increase will raise the proportion of local municipal taxes and fees compared to total revenues. The precise effect on the indicator will be clear at the end of the 2009 GOA fiscal year. Moreover, the 12 month increase is expected to exceed the target.

Disaggregation by target and control municipalities:

The proportion of total municipal revenues derived from local municipal taxes and fees, for the period January-July 2009 is:

- **27.6%** for Target municipalities
- **30.3%** for Control municipalities

INDICATOR NO 2: INCREASE IN LOCAL REVENUE COLLECTION (OWN SOURCE REVENUES)

Baseline: 1,360,427 Lek (000).

Target Y(1): 1,387,636 Lek (000). Achieved Y(1): 1,560,565 Lek (000). Performance Y(1): 112.5%

Target Y(2): 1,428,448 Lek (000). Achieved through July 2009: 906,548 Lek (000). Performance through July 2009: 63.5%

Definition of indicator: This indicator tracks the growth of Own Source Revenue (OSR) year-by-year.

Table 3 shows total OSR for the period January-July 2009. In addition, actual performance against the target is calculated for each target and control municipality and then averaged.

TABLE 3: TOTAL OWN SOURCE REVENUE (OSR) COLLECTED BY TARGET AND CONTROL MUNICIPALITIES, JANUARY-JULY, 2009

Target Municipality	Baseline Year 2007 Lek (000)	Target Y (1) Lek (000)	Achieved Y(1)	Performance Y(1)	Target Y (2) Lek (000)	Total OSR January-July 2009 Lek (000)	Performance against Target Y(2) (%)	Control Municipality	Baseline Year 2007 Lek (000)	Achieved Y (1)	Total OSR January-July 2009 Lek (000)
Fier	334,414	341,102	277,139	81.2%	351,135	169,810	48.4%	Berat	136,440	133,473	134,708
Fushë-Krujë	66,198	67,522	65,265	96.7%	69,508	36,863	53.0%	Bilisht	22,178	23,991	15,148
Gramsh	41,561	42,392	52,873	124.7%	43,639	23,619	54.1%	Durrës	827,374	779,988	634,676
Himarë	30,329	30,936	58,865	190.3%	31,845	36,013	113.1%	Gjirokastrë	119,675	105,707	70,700
Korçë	292,742	298,597	307,885	103.1%	307,379	192,203	62.5%	Kamëz	108,652	147,612	78,360
Kukës	46,066	46,987	34,075	72.5%	48,369	20,732	42.9%	Laç	42,489	36,473	33,174
Lezhë	89,375	91,163	101,281	111.1%	93,844	64,023	68.2%	Peshkopi	20,516	24,824	14,099
Librazhd	40,580	41,392	40,924	98.9%	42,609	23,030	54.0%	Prrenjas	45,006	43,930	17,549
Pogradec	122,506	124,956	220,196	176.2%	128,631	107,749	83.8%	Rrogozhinë	23,790	26,172	19,924
Shkodër	296,656	302,589	402,062	132.9%	311,489	232,505	74.6%	Sarandë	201,405	136,625	101,942
Total	1,360,427	1,387,636	1,560,565	112.5%	1,428,448	906,548	63.5%	Total	1,547,525	1,458,795	1,120,281

Data source: Ministry of Finance, September 2009.

The overall performance indicator is **63.5%**. Since LGPA only has 7 months of data, 63.5% fulfillment of this performance indicator is on track to achieve the target by the end of the 2009 GOA fiscal year.

Disaggregation by size of municipality:

65.6% of total OSR are collected by large municipalities (Fier, Korce, Shkoder);
27.9% of total OSR are collected by medium municipalities (Fushe-Kruje, Gramsh, Lezhe, Pogradec and Kukes);
6.5% of total OSR are collected by small municipalities (Himare and Librazhd).

However, for the three groups of municipalities: small, medium and large, there is a difference in the performance of OSR growth:

Large municipalities – **61.8%** performance
Medium municipalities – **60.4%** performance
Small municipalities – **83.6%** performance

The City of Himare shows the highest performance of OSR growth for this period.

Disaggregation by target and control municipalities:

Total Own Source Revenue (OSR) collected during the period January-July, 2009 is:

- 906,548 Lek (000), for target municipalities;
- 1,120,281 Lek (000), for control municipalities.

INDICATOR NO. 3: INCREASE IN MUNICIPAL DIRECT PRIVATE INVESTMENT (FOR ANALYTICAL PURPOSES, THIS IS ALSO COMPARED WITH CONTROL MUNICIPALITIES)

Baseline: 149,929 Lek (000).

Target Y(1): 152,928 Lek (000). Achieved: 420,187 Lek (000). Performance: 274.8%

Target Y(2): 157,265 Lek (000). Achieved through July 2009: 151,632.24 Lek (000). Performance through July 2009: 96.4%

Definition of indicator: Direct private investment by the private sector and citizenry is impossible to accurately capture and can only be estimated. We are using a proxy that provides municipalities with a mechanism they can use in the long term. Private direct investment can take many forms: new business entrants, building new buildings or improving existing ones, new equipment, investments in technology, etc. Without a survey (with candid responses) of every business and household the amount of “investment” cannot be captured. Therefore, as a proxy we utilize the tax on the impact of new construction on infrastructure to demonstrate an increase in investment. This tax is levied whether for business purposes or private residences. It is therefore an indirect measure of investment.

The most recent data available for this indicator is July 2009. Table 4 shows total revenues from tax on the impact of new construction collected during January-July, 2009 in target and control municipalities and actual performance of this indicator against target.

TABLE 4: TAX REVENUES FROM THE TAX ON THE IMPACT ON INFRASTRUCTURE OF NEW CONSTRUCTION, JANUARY-JULY 2009, DISAGGREGATED BY TARGET MUNICIPALITIES

Target Municipality	Baseline Year 2007 Lek (000)	Target Y(1) Lek (000)	Achieved Y(1) Lek (000)	Performance Against Target Y(1) (%)	Target Y(2) Lek (000)	Total Amount of Taxes for New Construction January-July, 2009 Lek (000)	Performance Against Target for the Period January-July 2009 (%)	Control Municipality	Baseline Year 2007 Lek (000)	Achieved Y(1) Lek (000)	Total Amount of Taxes for New Construction January-July, 2009 Lek (000)
Fier	0	0	1,313	100%	1,339	19,232	1436%	Berat	11,545	16,576	10,542
Fushë-Krujë	19,241	19,626	24,116	123%	20,011	15,577	78%	Bilisht	68	2,190	307
Gramsh	3,477	3,547	11,609	327%	3,616	3,680	102%	Durrës	157,983	188,745	167,453
Himarë	0	-	0	0	-	0	0	Gjirokastrë	166	1,201	1,438
Korçë	14,306	14,592	35,628	244%	14,878	14,209	96%	Kamëz	10,902	45,475	2,476
Kukës	3,416	3,484	678	19%	3,553	5,114	144%	Laç	7,379	2,902	3,666
Lezhë	24,745	25,240	45,104	179%	25,735	15,809	61%	Prrenjas	1,179	7,616	83
Librazhd	4,573	4,664	8,315	178%	4,756	664	14%	Peshkopi	0	0	0
Pogradec	22,245	22,690	124,618	549%	23,135	33,495	145%	Rrogozhinë	2,678	7,685	7,947
Shkodër	57,926	59,085	168,806	286%	60,243	43,852	73%	Sarandë	56,427	25,595	8,187
Total	149,929	152,928	420,187	274.8%	157,265	151,632.24	96.4%	Total	248,327	297,985	202,099.08

Data source: Ministry of Finance, September 2009.

The overall performance against target is **96.4%**. Since LGPA only has 7 months of data, and there is already very good performance against the target, it is certain that the annual target will be exceeded. More new construction permits were issued during the seven months of 2009 compared with 2008. This illustrates greater investment, in line with municipal policies, particularly in Fier, Kukës, Pogradec and Gramsh.

However, there is a strong likelihood that proposed legislative changes will have a negative impact on this indicator. New changes to the Law on Local Taxes are being considered by the Albanian Parliament and it is unclear whether the changes will be enacted in 2009 or 2010 thereby affecting either the 2009 or 2010 indicators.

Disaggregation by target and control municipalities:

Total amount of taxes from the impact on infrastructure of new construction collected during January-July, 2009 is:

- 151,632.24 Lek (000), for target municipalities;
- 202,099.08 Lek (000), for control municipalities.

INDICATOR NO. 4: INCREASE IN EMPLOYMENT (FOR ANALYTICAL PURPOSES, THIS WILL ALSO BE COMPARED WITH CONTROL MUNICIPALITIES)

Baseline: 76,162 employees

Target Y(1): 77,685 employees or 2% increase above the baseline. Achieved: 79,642 or 4.6% increase. Performance: 230%

Target Y(2): 79,208 employees or 4% increase above the baseline. Achieved through May 2009: 71,365 employees or 6.3% below the baseline. Performance through May 2009: 0%

Definition of indicator: Reliable employment figures, especially at the municipal level, are difficult if not impossible to obtain (there is a great incentive for under-reporting). Employment figures are kept by the General Directorate of Taxation. After discussion with GDT officials and municipalities it was concluded that the only source of data for this indicator remains the district level aggregated GDT records. Although this approach is problematic, LGPA will use this data as it is currently the only option. Although many of our target municipalities contribute the majority of employment in their respective district, and therefore an increase in district level employment can reasonably be assumed to indicate an increase in municipal employment, this is not the case for all target and control municipalities. Notable exceptions include Himarë Municipality in Vlore District and Kamëz Municipality in Tirana District. In this annual Performance Based Monitoring Report, LGPA is excluding data for Himarë (target municipality) and Kamëz (control municipality) from the calculation as it cannot be assumed that these small municipalities contribute a majority of new employment where there are larger municipalities in the respective district.

The latest data available for this indicator is May 2009 because the General Directorate of Taxation had a delay in collecting and compiling data.

Tables 5 shows the reported number of employees for both target and control municipalities for the period January-May 2009.

Table 6 shows the percentage of employees that work in the private sector. This provides an indication of the strength of the private sector and illustrates the source of job growth. An increase in the percentage of private sector employment demonstrates economic growth rather than just an expansion in the public sector.

TABLE 5: TOTAL NUMBER OF EMPLOYEES FOR TARGET AND CONTROL MUNICIPALITIES, JANUARY-MAY 2009

Target Municipality	Baseline Year 2007	Y(1) achieved	Target Y(2)	Total No. of Employees January-May 2009	Increase Employment (%) above the baseline January – May 2009	Difference among the same period 2009-2008 (%) for target cities	Control Municipality	Baseline Year 2007	Y(1) achieved	Total No. of Employees January-May 2009	Increase Employment (%) above the baseline January-May 2009	Difference among the same period 2009-2008 (%) for control cities
Fier	23,260	-1%	24,190	16,202	-30%	-29.96%	Berat	8,913	15.7%	10,356	16.2%	3.01%
Gramsh	2,021	3%	2,102	2,041	1%	-3.43%	Durrës	25,241	16.3%	27,727	9.9%	-4.26%
Korcë	13,727	2%	14,276	13,737	0%	-0.86%	Gjirokaster	7,259	7.5%	4,694	-35.3%	-19.75%
Kukës	4,062	2%	4,224	3,419	-16%	-17.99%	Sarandë	3,094	61.0%	4,980	61.0%	-3.04%
Lezha	6,307	-3%	6,559	5,110	-19%	-15.17%	Bilisht	1,905	6.0%	1,927	1.2%	-3.49%
Librazhd	3,366	-1%	3,500	2,890	-14%	-13.44%	Lac	3,085	1.9%	3,365	9.1%	4.15%
Pogradec	4,360	14%	4,534	5,029	15%	4.44%	Peshkopi	3,670	4.3%	3,950	7.6%	4.83%
Shkodër	14,623	15%	15,208	17,144	17%	5.44%	Prrenjas	3,336	0.1%	2,890	-13.4%	-13.44%
Fushë-Krujë	4,437	19%	4,614	5,793	31%	9.67%	Rrogozhinë	6,388	-15.7%	5,841	-8.6%	17.45%
Total	76,162	4.6% increase above the baseline	79,208	71,365	-6.3% change compared to the baseline	-6.81%	Total	62,889	11.6% increase above the baseline	65,730	4.5% increase above the baseline	-1.62% change compared to the baseline

TABLE 6: PROPORTION OF EMPLOYMENT IN PRIVATE SECTOR AGAINST TOTAL FOR TARGET AND CONTROL MUNICIPALITIES, JANUARY-MAY 2009

Target Municipality	% of Private Sectors Employees Against Total January-May 2008	% of Private Sectors Employees Against Total January-May 2009	Difference January - May 2009 - 2008	Control Municipality	% of Private Sectors Employees Against Total January-May 2008	% of Private Sectors Employees Against Total January-May 2009	Difference January - May 2009 - 2008
Fier	75%	58%	-23%	Berat	60%	62%	3%
Gramsh	49%	49%	0%	Durrës	77%	74%	-4%
Korce	63%	61%	-3%	Gjirokaster	64%	43%	-33%
Kukës	28%	16%	-43%	Sarandë	60%	72%	20%
Lezhë	51%	56%	10%	Bilisht	68%	67%	-1%
Librazhd	40%	39%	-3%	Lac	55%	54%	-2%
Pogradec	60%	56%	-7%	Peshkopi	21%	23%	10%
Shkodër	59%	59%	0%	Prrenjas	40%	39%	-3%
Fushë-Krujë	68%	66%	-3%	Rrogozhinë	60%	65%	8%
Total	62%	56%	-10%	Total	65%	63%	-3%

Data Source: General Directorate of Taxation, September 2009.

Analysis: As explained in the PBMP, the annual performance of this indicator will be reported based on the GOA fiscal year, and updated information on this performance indicator will be reported by the end of April, 2010.

Table 5 shows a decrease thus far in the number of employees in 2009 compared to the baseline. However, because the data is only available through May, and because the number of new businesses increased in 2009 (as shown in Indicator 7), LGPA anticipates that the Year 2 target will be met when full year data is available. In addition, two other factors affect the data available in 2009:

1. Starting from January-February 2009, all VIP Taxpayers who performed their business activity throughout Albania were put under the administration of the Regional Directory of Large Taxpayers, located in Tirana. All employees that previously were registered in the city that they worked are now registered in Tirana. This data, for the period January-May 2009 are not reflected in this report because the new reorganization of Regional Directory of Large Taxpayers has not provided the day. We will try to obtain this data through an alternate source and this data will be reflected in the revised version of the annual report in April 2009.

2. The privatization of two large companies, ARMO (Fier) and OSSH (with branches throughout Albania,) brought minor reductions in the number of employees and resulted in a decrease in the state sector and an increase in the private sector.

INDICATOR 5: INCREASE IN THE NUMBER OF ACTIVE BUSINESSES

Baseline: 8,174 businesses

Target Y(1): 8,337 businesses or 2% increase. Achieved: 10,588 businesses or 30% increase.

Performance 1500%

Target Y(2): 8,501 businesses or 4% above the baseline . Achieved Y(2): 12,300 businesses.

Performance Y(2): 1,250% or 50% above the baseline.

Definition of indicator: Number of active businesses is those registered with NRC.

Table 7 shows the total active businesses, by the end of August 2009, in target and control municipalities and performance against target for target municipalities.

TABLE 7: TOTAL ACTIVE BUSINESSES FOR TARGET AND CONTROL MUNICIPALITIES BY END OF AUGUST 2009

Target Municipality	Baseline Total Active Businesses by End of September 2007	Target Y(1)	Performance Against Target (%) Y(1)	Increase Number of Active Businesses Above the Baseline (Y1)	Target Y(2)	Total Active Businesses by End of August 2009	Increase Number of Active Businesses Above the Baseline (Y2)	Control Municipality	Total Active Businesses by End of September 2007	Increase Number of Active Businesses (Y1)	Total Active Businesses by End of August 2009	Increase Number of Active Businesses Above the Baseline (Y2)
Fier	1,726	1,761	1260%	25%	1,795	2,346	36%	Berat	1,123	12%	1,418	26%
Fushë-Krujë	450	459	962%	25%	468	696	55%	Bilisht	123	33%	188	53%
Gramsh	304	310	2954%	10%	316	366	20%	Durrës	3,458	28%	5,176	50%
Himarë	172	175	1256%	30%	179	295	72%	Gjirokastrë	845	20%	1,188	41%
Korçë	1,819	1,855	493%	19%	1,892	2,484	37%	Kamëz	480	54%	890	85%
Kukës	285	291	1439%	29%	296	411	44%	Laç	305	34%	476	56%
Lezhë	530	541	1302%	26%	551	815	54%	Perrenjas	172	12%	210	22%
Librazhd	295	301	1044%	16%	307	404	37%	Peshkopi	450	12%	558	24%
Pogradec	958	977	1512%	21%	996	1,339	40%	Rrogozhinë	142	26%	207	46%
Shkodër	1,635	1,668	814%	59%	1,700	3,144	92%	Sarandë	731	46%	1,341	83%
Total	8,174	8,337	1500%	30%	8,501 or 4% above the baseline	12,300	50%	Total	7,829	27%	11,652	49%

Data Source: National Registration Center, September 2009.

Disaggregation by size of municipality:

55% is the average growth of active businesses in large municipalities (Fier, Korçe, Shkodër)

43% is the average of growth of active businesses in medium municipalities (Fushë-Krujë, Gramsh, Lezhë, Pogradec and Kukës);

54% is the average of growth of active businesses in small municipalities (Himarë and Librazhd)

Analysis: During the year 2009, as in 2008, this indicator continued to have a very high performance (12.5 times the target). Control municipalities have almost the same growth percentage (49%).

Target municipalities:

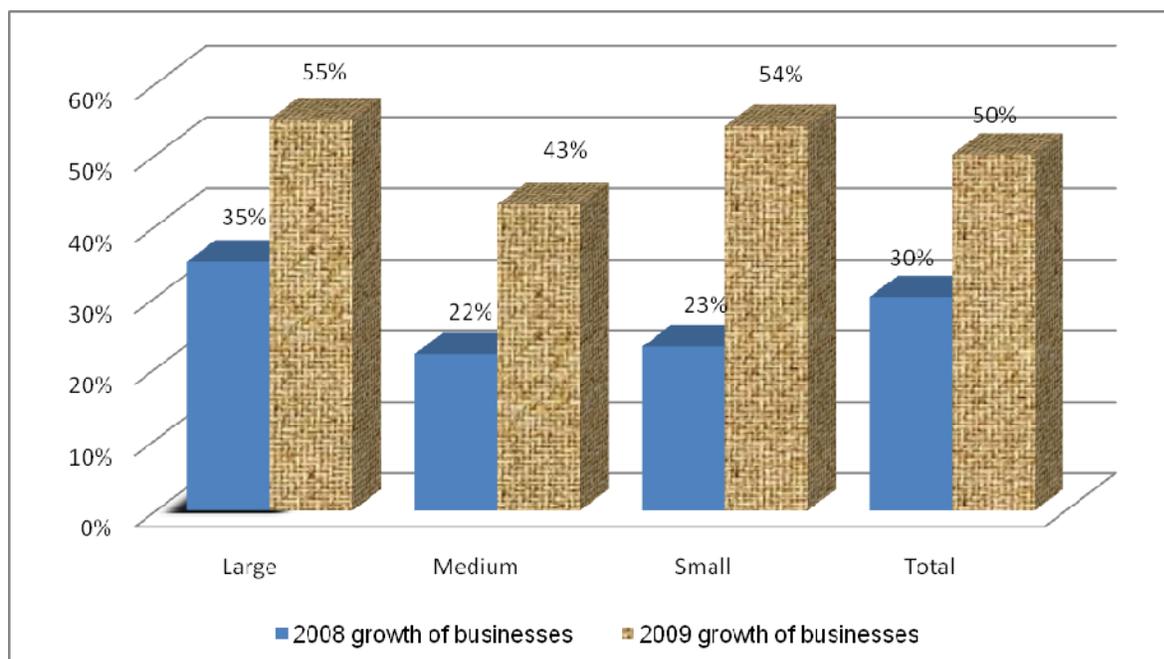
- 2008 Growth of active businesses is 30% above the baseline
- 2009 Growth of active businesses is 50% or above the baseline or 20% more than 2008

Control municipalities:

- 2008 Growth of active businesses is 27% above the baseline
- 2009 Growth of active businesses is 49% above the baseline or 22% more than 2008

In 2009, in comparison with 2008, there is a higher growth of businesses in small and medium target municipalities.

GRAPH 1. GROWTH OF BUSINESSES IN TARGET CITIES DURING YEAR 2008 VS. 2009



The main reasons for the high increase in active businesses in both target and control municipalities continue to be the same as in the previous year, namely: 1) high functionality of the NRC as a one-stop process for business registration and 2) reduction in the small business tax from 20% to 10% and better auditing of small businesses as a result of increased collaboration among GDT branch offices and local governments have encouraged the black/informal businesses, especially the small ones, to be legalized by registering their activities through the NRC.

INDICATOR NO. 6: NUMBER OF “BANKABLE” PROJECTS DEVELOPED THAT RECEIVE FINANCING FROM PUBLIC OR PRIVATE SOURCES

Baseline: 0.

Target (Y1) 0. Achieved Y(1): 0. Performance Y(1): N/A

Target Y(2): 3. Achieved Y(2): 2. Performance Y(2): 67%

Definition of indicator: As defined by the LGPA Task Order, a “bankable” project is one that receives funding “from public or private sources”. Public and private sources include loans, other partnership arrangements, sales/leases of municipal assets, central government grants, and grants from international sources, such as from WB, EU, bi-lateral sources.

Analysis:

1. One “bankable” project was developed and financed from a private source during this year to renovate two segments of the Fushe-Kruje Ring Road. Fushe-Kruje Municipality and the National Commercial Bank (BKT) signed loan documents for the first municipal loan in Albania in June, 2009.
2. Fushë-Krujë Municipality was also assisted by LGPA to develop a grant application and secure the grant from the central government to renovate a second segment of the Fushe-Kruje Ring Road. The grant was disbursed from the Central Government to the municipality in December 2008.

INDICATOR NO. 7: PERCENTAGE INCREASE IN PUBLIC PERCEPTION CONCERNING EFFECTIVENESS OF TARGET LOCAL GOVERNMENTS IN FUNCTIONAL AREAS {ADMINISTRATION, PROPERTY MANAGEMENT, TAX COLLECTION, PROCUREMENT, BUDGETING, ETC.}

Baseline: 46.5%.

Target Y(1) 0. Achieved: 0. Performance: N/A.

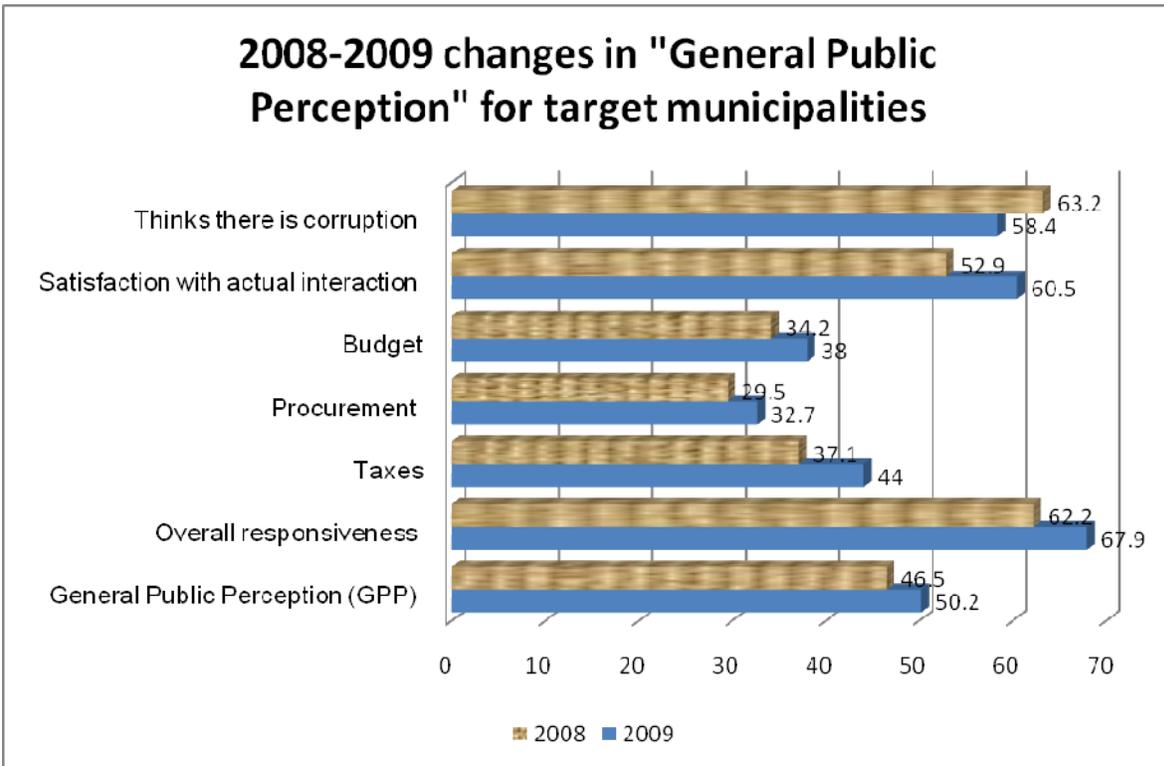
Target Y(2): 48.36% or 4% above the baseline. Achieved Y(2): 50.3% or 8.1% above the baseline. Performance Y(2): 202%

Definition of indicator: This indicator charts 6 factors: 1. Overall responsiveness, 2. Taxes, 3. Procurement, 4. Budget, 5. Satisfaction with actual interaction, 6. Thinks there is corruption. The percentage increases (or decreases) is averaged for the 6 factors for each municipality, for a General Public Perception score (GPP).

Analysis: Another survey was subcontracted to the local research organization IDRA to determine public perception concerning effectiveness of governments in selected functional areas. The second survey was conducted in March-May, 2009², and included 4,800 interviewees from both target and control municipalities and is used as baseline for this indicator. Results of the study measured changes in “General Public Perception” concerning the effectiveness of governments in functional areas over time by repeating the survey 18 months later. This survey established a figure of **50.3%** for a General Public Perception (GPP) from an average of the 6 factors for each municipality.

² The first survey was conducted during March-May 2008 and established the baseline figures for indicators No. 7&8

GRAPH 2. 2008-2009 CHANGES IN "GENERAL PUBLIC PERCEPTION" FOR TARGET MUNICIPALITIES



Disaggregation by 6 factors:

- ✓ Overall responsiveness: Baseline (62.2%): Target Y(2):64.6% or 4% above the baseline. Achieved Y(2): 67.9% or 9.1% above the baseline. Performance Y(2): 227%

Overall, the majority of citizens in target cities have evaluated local administration performance in response to their needs as 'very good' or 'good'. Himarë scores the lowest satisfaction rate with only 42.8% of citizens expressing satisfaction, while the highest is found in Kukës. When comparing the performance of local government administration to one year ago, cities of Fier, Gramsh, Kukës and Shkodër report an increase in this respect, while Fushë Krujë and Lezhë show a significant decrease.

On average, target cities report a higher satisfaction rate than control cities, 67.9% for the former compared to 61.1% for the latter.

- ✓ Taxes; Baseline (37.1%); Target Y(2): 38.5% or 4% above the baseline. Achieved Y(2): 44% or 18.5% above the baseline. Performance Y(2): 462%

Overall, the majority of citizens in target cities have evaluated the way the city administers taxes and tariffs applied by local government as 'very good' or 'good'. Himarë scores the lowest satisfaction rate with only 21% of citizens expressing satisfaction, while the highest is found in Kukës (82.3%). When comparing the performance of local tax administration to one year ago, cities of Fier, Gramsh, Fushe-Kruje, Kukës, Gramsh, Korçë and Shkodër report an increase in this respect, while Himare, Lezhë, Librazhd, and Pogradec show a significant decrease.

On average, target municipalities report a higher satisfaction rate than control cities, 44% for the former compared to 33.3% for the latter.

- ✓ Procurement: Baseline (29.5%); Target Y(2): 28.3% or 4% above the baseline. Achieved Y(2): 32.7% or 10.8% above the baseline. Performance Y(2): 270%

56.5% of citizens in Kukës agree that local government acts in proper and transparent way when giving out contracts. In all other target cities the majority of citizens think the opposite. There is a respective increase of 7, 20.7, 15.8, 9.7 and 7.7 percentage points in Gramsh, Korçë, Kukës, Pogradec and Shkodër compared to one year ago.

Nevertheless, on average, target cities are doing better than control cities in this respect.

- ✓ Budget: Baseline (34.2%); Target Y(2): 35.5% or 4% above the baseline. Achieved Y(2); 38.4% or 12.2% above the baseline. Performance Y(2): 305%

In most target municipalities fewer than half the residents agree that local government makes decisions about local financial matters that reflect residents' priorities. A different situation is shown in Kukës where the majority of the respondents (72.3%) agreed on the above statement.

On average, the proportion of respondents in target municipalities that think that residents priorities/needs are reflected in local government financial decision making is higher compared to control municipalities; 38.4% in target municipalities vs. 25.8% in control municipalities.

- ✓ Satisfaction with actual interaction: Baseline (52.9%). Target Y(2): 55% or 4% above the baseline. Achieved Y(2): 60.5% or 14.3% above the baseline. Performance Y(2): 357%

Based on the citizens' satisfaction rate for actual interaction, all target municipalities, except Fushë-Krujë, show a very good performance in local government administration operations. In Fushë - Krujë there is a decrease of satisfaction regarding actual interactions in 2009 compare to 2008; 71.2% in 2008 vs. 57% in 2009.

On average, the perceived satisfaction rate in target municipalities is better than that of control municipalities.

- ✓ Thinks there is corruption: Baseline (63.2%). Target Y(2): 60.6% or 4% below the baseline. Achieved Y(2): 58.4% 7.5% below the baseline. Performance Y(2): 187%

According to residents' perceptions in Lezhë, Librazhd and Gramsh, corruption among local government officials is less widespread compared to other target municipalities; in Lezhë, Librazhd and Gramsh respectively, only 45.8%, 45.8% and 48.8% of the respondents think that corruption is an issue in their local government.

By contrast in Pogradec and Fier, as many as 74.3% and 71.6% of the respondents, respectively, think that corruption is widespread in their municipalities. The average percentage of residents in target municipalities (58.4%) that think of corruption as a common phenomenon in their municipalities is statistically less than in the control municipalities (63.9%).

In Fushë-Krujë and Himarë, there is an increase in the proportion of respondents who perceive corruption in their municipality as widespread (14.1 and 13 percentage points higher when compared to 2008 figures). By contrast, Fier, Gramsh, Korçë, Kukës, Lezhë and Shkodër report a respective decrease of 5.2, 8.8, 13.9, 12.7, 22.4 and 16.3 percentage points compared to a year ago.

INDICATOR NO. 8: PERCENTAGE PERCEIVED IMPROVEMENT IN SERVICE DELIVERY (FOR ANALYTICAL PURPOSES, THIS WILL BE COMPARED WITH CONTROL MUNICIPALITIES)

Baseline: 58.4%

Target Y(1) 0. Achieved: 0. Performance: N/A

Target Y(2): 61.3% or 5% above the baseline. Achieved Y(2):64.5% or 10.4% above the baseline.

Performance Y(2): 208%

Definition of indicator: Measuring service delivery will focus on the key services (when in place) of water, sewage, garbage/solid waste, road maintenance and street lighting, and will measure public perception through the question: have public services improved in comparison with 12 months ago (only those that answered “improved much” and “somewhat improved”) will be used to measure the indicator.

The Local Governance Survey established a figure of **64.5%** for this indicator in target municipalities for 2009. This is the percentage of survey respondents in target municipalities that have the perception that public services are improved in comparison with the first survey (only those that answered “improved much” and “somewhat improved”).

TABLE 8: PERCENTAGE PERCEIVED IMPROVEMENT IN SERVICE DELIVERY FOR TARGET AND CONTROL CITIES

Year	Perception											
	Control Cities (%)	All Target Cities (%)	Fier (%)	Fushë Krujë (%)	Gramsh (%)	Himarë (%)	Korçë (%)	Kukës (%)	Lezhë (%)	Librazhd (%)	Pogradec (%)	Shkodër (%)
2008	45.1	58.4	49.8	69.2	46.4	36.8	56.8	77.5	63.4	43.6	62.3	78.3
2009	47.5	64.5	55.8	59.8	71.3	45.8	62.3	85.3	61.8	53.3	69.8	75.3
Perceived Improved	2.4	6.1	6	-9.4	24.9	9	5.5	7.8	-1.6	9.7	7.5	-3

6.1% is the average of perceived improvement in all target cities. Disaggregation by large, medium, and small municipalities is shown below:

2.8% is the average of perceived improvement in large municipalities (Fier, Korce, Shkoder);

5.3% is the average of perceived improvement in medium municipalities (Fushë-Krujë, Gramsh, Lezhë, Pogradec and Kukës);

9.4% is the average of perceived improvement in small municipalities (Himarë and Librazhd).

Disaggregation by type of service, satisfaction levels in target municipalities are shown below:

- ✓ Satisfaction with maintenance of roads within the municipality: Baseline (56.4%). Target Y(2): 59.2% or 5% above the baseline. Achieved Y(2): 55.6% or 1.4% below the baseline. Performance Y(2): 0%

According to the 2009 survey results, Kukës residents continue to be the most satisfied with the maintenance of roads within municipality boundaries. 83.5% of citizens claim to be ‘Very satisfied’ or ‘Satisfied’ with the maintenance of roads within city boundaries. The second and the third highest rates of satisfaction toward road infrastructure are found in Shkodër and Gramsh, with 72.5% and 61.8% of satisfied respondents respectively. By contrast, the city with the lowest rate of satisfied

respondents (34%) is Librazhd followed by Lezhë with a satisfaction rate of 42.5%. Results in each city worsened in 2009 compared to 2008.

On average however, target municipalities appear to have higher satisfaction rates with “road maintenance” than control municipalities. Librazhd respondents are less satisfied with road maintenance compared to control municipalities. Even though Himarë presents a lower rate of satisfaction compared to control municipalities, it reports an improvement of 13.8 percentage points from 2008 in this aspect. Other target municipalities that report an increase in the rate of satisfied respondents with this service are Korçë (from 41.8% to 51.1%) and Shkodër (from 64.2% to 72.5%).

- ✓ Satisfaction with drinking water supply: Baseline (80.1%). Target Y(2): 84.1% or 5% above the baseline. Achieved Y(2): 74% or 7.6% below the baseline. Performance Y(2): 0%

Based on the citizens' satisfaction rates for the drinking water supply, the municipalities of Gramsh, Librazhd, Pogradec and Korçë show a very good performance in supplying the service mentioned above, where almost all citizens express satisfaction. The least satisfied citizens with the drinking water supply appear to be in Himarë where only 19.3% of respondents satisfied with this service.

When compared to control cities (54.9%), respondents in most target cities appear to be more satisfied in this regard. However, it should be noted that there is no difference when comparing the citizens' satisfaction rates of Lezhë and Fushë-Krujë with control cities.

There is a worsening in the cities of Fushë-Krujë, Himarë, Kukës and Lezhë with a decline of 17.6, 18, 20.4, 9.6 percentage points respectively in satisfaction with the provision of water compared to 2008 results.

- ✓ Satisfaction with sewage service: Baseline (57.1%). Target Y(2): 60% or 5% above the baseline. Achieved Y(2): 58.7% or 2.8% above the baseline. Performance Y(2): 56%

The cities of Kukës (79.3%), Korçë (75.8%) and Gramsh (75.8%) have the highest rates of satisfaction with sewage service. Pogradec (62.3%), Librazhd (62%) and Fushe-Kruje(61.8%) appear to be the next most successful cities. Citizens of Himarë (27%) and Lezhë (38%) continue to be the less satisfied with the sewage service. Even when compared to control municipalities (35.5%), the citizens' satisfaction rate in Himarë is lower.

An improvement from 2008 in regard to sewage service is noted in Korçë, Kukës and Pogradec.

- ✓ Satisfaction with street lighting: Baseline (67.8%): Target Y(2): 71.2% or 5% above the baseline. Achieved Y(2): 64.5% or 4.8% below the baseline. Performance Y(2): 0%

In all target municipalities, excluding Himarë and Lezhë, the majority of citizens are satisfied with street lighting in their cities. Gramsh reported the highest score of satisfaction with 80.8% of citizens claiming to be ‘very satisfied’ or ‘satisfied’ with this service. The next 2 municipalities in ranking are: Shkodër (77%) and Pogradec (76%). Himarë and Lezhë satisfaction rates with street lighting are worse than that of control cities.

Citizens of Fier report a higher satisfaction rate regarding street lighting in the city when compared to 2008. There is a decrease in Fushë-Krujë (from 79.9% to 60.3%), Himarë (from 44% to 36.8%), Lezhë (from 65.7% to 46.1%) and Librazhd (from 65% to 56.3%) in the proportion of satisfied citizens with street lighting from 2008.

- ✓ Satisfaction with cleaning service; Baseline (58.9%). Target Y(2): 61.8% or 5% above the baseline. Achieved Y(2): 59.6% or 1.1% above the baseline. Performance Y(2): 22%

Citizens of Kukës and Gramsh continue to be the most satisfied with the cleaning service when compared to other target cities with satisfaction rates of 87.5% and 79.8%. Korçë and Fier follow with satisfaction rates of 68.8% and 60.8% respectively. Himarë and Fushë Krujë have the lowest rates of satisfaction, where 27.6% and 46.1% of citizens state they are satisfied with this service.

On average, the satisfaction rate of target municipalities is better than that of control municipalities. Fier, Kukës and Shkodër report an improvement from 2008, whereas Himarë, Fushë-Krujë and Librazhd report a decrease.

- ✓ Satisfaction with the maintenance of pre-university school buildings; Baseline (62.6%). Target Y(2) 65.7% or 5% above the baseline. Achieved Y(2): 68.9% or 10.7% above the baseline. Performance Y(2): 214%

Except Himarë, in all target municipalities the majority of citizens are satisfied with maintenance of pre-university school buildings. The highest rates of satisfaction are reported in Kukës and Gramsh, with 86% and 81.3% of citizens stating they are satisfied. On average, there is an increase in citizens' satisfaction rate of 6.3 percentage points in target cities when compared to 2008, while in control cities there is only a 1 percentage point increase.

The cities of Gramsh, Librazhd, Kukës, Lezhë and Pogradec report an increase in the citizens' satisfaction rate concerning this service respectively with 16.6, 15.3, 13.6, 10.4, 8.5 percentage points from 2008 to 2009.

INDICATOR NO. 9: NUMBER OF CIVIC OR PRIVATE SECTOR GROUPS THAT HAVE PARTNERED WITH MUNICIPAL AUTHORITIES IN THEIR JURISDICTIONS ON LOCAL DEVELOPMENT INITIATIVES

Baseline: 0.

Target (Y1): 10. Achieved Y(1): 14. Performance Y(1): 140%

Target (Y2): 16. Achieved Y(2): 30. Performance Y(2): 187%

Definition of Indicator: For municipalities to be responsive and transparent, they need to create forums to discuss issues with the civic and private stakeholders. This indicator will count instances where LG and civic/private sector create mechanisms to communicate on local issues. This indicator counts: LEGCs, collaboration between LG and private/civic sector undertaken with the support of LGPA grants and subcontracts as well as other partnerships.

Analysis: The overall performance against target is 187%. 16 **new** collaborations/partnerships between LG and private/civic organizations with the support of LGPA grants and subcontractors were conducted during the second year of the LGPA program and 14 were achieved during the first year. These new collaborations/ partnerships during year two occurred in almost all LGPA target cities including: Librazhd, Gramsh, Pogradec, Fushë-Krujë, Fier, Himarë, Kukës, and Lezhë.

These new partnerships demonstrate more responsive government and include:

- ✓ Missionaries for Social Rights (MSR) in Kucove worked with Librazhd and Gramsh municipal Government to do the calculation of the total cost of cleaning service (and other services) according to modern methods provided mainly by USAID projects. This process did make possible for municipality of Librazhd to know the cost of cleaning service thus calculating the cleaning fee for all consumers and in long term to try to cover the total cost of this service. This process also served for purposes of planning the municipal budget for the cleaning service but also other municipal services (two partnerships).

- ✓ Value-Add assisted the Fier Water Supply and Sewerage Company to develop a 5-year Business Plan, applying the methodology and guidelines of the Model Business plan that has been prepared by DPUK and accepted as the standard for Albanian water utilities.
- ✓ The Institute for Rural Research in collaboration with Fushë-Krujë Municipality worked to design a general feasibility study for the establishment of a Fushë-Krujë agriculture wholesale market. This consisted in a broad data collection about the actual situation for: market conditions, actual productions, number of users, etc. Data collected gave a better picture of the possible location of the agriculture market, the opinion of the traders and buyers about these possible locations, the reflection of these categories about their willingness to pay a higher fee, for getting better conditions, the calculation of economic profit, etc.
- ✓ The Institute of Rural Research in collaboration with Gramsh Municipality worked to design the general feasibility study for the establishment of a Gramsh slaughter house This consisted in a broad data collection about the actual situation for: market conditions, actual productions, number of users, etc. At the same time IRR collected data about production capacities of the area.
- ✓ CSDC Korçë published the yearly statistical bulletin of the Municipality of Korçë.
- ✓ NVS (Net Vision Studio) designed a visual improvement plan for the city of Fier highlighting the history, heritage, social and urban development of the town.
- ✓ Partners Albania worked with Lezhë Municipality to build a model of transparency and to stimulate broadening civic participation in governance.
- ✓ Democratic Integration and Development Center (DIDC) Kukes built an efficient monitoring system for the municipal budget of Kukës.
- ✓ Intellectual Women's Association of Pogradec Municipality to strengthen its partnership with the private sector, represented by most successful business community in the project area.
- ✓ RDA Fier worked with the municipality to develop a procedure to measure the performance of the services offered by Himarë local government.
- ✓ Lorenzo & Co conducted asset registration with the municipalities of Lezhë, Korçë and Pogradec (three partnerships).
- ✓ Albanian Socio Economic Think Tank (ASET) worked to establish a Public Information Office in Fushë-Krujë.
- ✓ Community Development Centre (CDC) in Korçë worked to organize a Job Fair in Korçë City.

INDICATOR NO. 10: NUMBER OF PUBLIC-PRIVATE PARTNERSHIPS IN TARGET MUNICIPALITIES

Baseline: 0.

Target Y(1): 0. Achieved Y (1): 0. Performance Y(1): N/A

Target Y(2): 2. Achieved Y (2): 3. Performance Y(2): 150%

Definition of Indicator: Government and the private sector implement a project in both their interests or in the public interest in which both parties have contributed resources (cash, in-kind, physical assets, etc.).

Analysis: In total **three** Public Private Partnerships were realized during the second year of the program. Partnerships, in Pogradec, Korçë and Shkoder, are based on cooperation between the LGPA, the municipalities of Pogradec and Shkoder, and Celesi sh.p.k and between Korçë municipality and Gulliver to implement a Public Private Partnership (PPP) for the establishment of a Tourism Information Office (TIO). The TIO will provide essential services to tourists visiting and foster economic development through generating public and private investments in the tourism sector. This demonstrates an improved relationship between LG and the private sector.

In addition, LGPA contracted Co-Plan to develop underlying plans for PPPs in Kukës (industrial market relocation), and Fier (transport center development study), and URI to do the same in Korçë (a social housing and commercial development). These PPPs are agreed with local authorities, but await firm agreements with private sector partners. LGPA will work with the target municipalities in Years 3 and 4 to attempt to finalize these three PPPs.

INDICATOR NO. 11: NUMBER OF URBAN DEVELOPMENT STUDIES/PLANS DEVELOPED WITH TARGET MUNICIPALITIES

Baseline: 0.

Target Y(1): 1. Achieved Y(1): 1. Performance Y(1): 100%

Target Y(2): 4. Achieved Y(2): 5. Performance Y(2): 125%

Definition of indicator: Municipal urban development studies or plans including regulatory plans, partial urban studies, physical feasibility studies, etc.

Analysis: **Four new** Urban Development Studies/ Plans are developed during year 2009.

- ✓ One feasibility study was conducted on financing the construction of the northern ringroad in Fushe-Kruje. Using these products, Fushe-Kruje solicited potential financial institutions on this project.
- ✓ The Kukës (industrial market relocation) study was completed.
- ✓ Transport Center Development study was completed in Fier.
- ✓ Social Housing and Commercial Development in Korçë.

The three first studies were formally presented to the respective City Councils and approved by them. In addition, the study of Kukës and Fier are presented as best practices during the "Best Practices Conference" organized in Tirana, September 17-18, 2009. These actions demonstrate increased effectiveness and efficiency of local government.

INDICATOR NO. 12: NUMBER OF CIVIC OR PRIVATE SECTOR GROUPS THAT CONDUCT PETS OR REPORT CARDS ON LOCAL GOVERNMENT OPERATIONS (GENERAL OR SERVICES) TO TRACK CORRUPTION

Baseline: 0.

Target Y (1): 1. Achieved Y(1): 0. Performance Y(1): 0%

Target Y (2): 3. Achieved Y(2): 1 Performance: 33%

Definition of indicator:

The purpose of this indicator is to track the instances in which civil society (civic organizations or business associations) undertake formal activities to examine the quality of governance. This may take the form of PETS (looking at budget-expenditure-services) or citizen report cards on the quality of services (to be compared to budgets or service charges), in order to promote transparency, reduce corruption, or to improve services (quantity, quality or value for money). It may also take the form of efficiency studies (by the private sector). The indicator is measured by the number of CSOs that conduct such studies. For the indicator to be fulfilled, the CSO conducting the PETS or report card (or other anti-corruption or transparency study) must deliver the report to the municipality and LGPA, and where malfeasance is indicated, delivery to the Albanian Coalition Against Corruption or the Citizens Advocacy Office.

Analysis: **1 new** report was completed during this year:

- CSDC Korça published the annual statistical bulletin of the Municipality of Korca. The Statistical Bulletin included the statistics of the city and spending allocations, as well as the 2008 participatory budgeting results. The bulletin was distributed to all stakeholders in Korca City. The bulletin examined the projected 2008 budget allocations vs. the actual budget allocations. One month later, a survey was conducted to measure residents' understanding of the Municipality's activities and expenditures. 78% of the interviewees from this survey stated that they are satisfied with the presentation and quality of the bulletin and they have improved their understanding of transparent governance, including municipal revenues, expenditures, actions, activities and should feel encouraged to participate in the decision making process next year.

This indicator has proven problematic thus far because it is difficult to identify NGOs that are willing to develop PETS. LGPA has taken several measures in an effort to get NGOs to conduct PETS including solicitation of grants to conduct PETS through annual RFAs, training workshops for NGOs to discuss development of grant proposals with an emphasis on PETS, and one-on-one discussions with NGOs to develop PETS.

NGOs located in municipalities are reluctant to implement PETS as they are concerned about how it will affect their relationship with the municipal government. Because of the relatively small size of our municipalities, the close relationships between NGOs and municipalities, and the highly politicized environment in Albania, NGOs fear angering municipal governments. LGPA is working to mitigate against these problems in Year 3.

FACTS REPORTING INDICATORS

These indicators are those in accordance with Governing Justly and Democratically and Good Governance in the area of decentralization.

TABLE 9: SUMMARY OF FACTS INDICATORS

No.	FACTS Indicator	Baseline (September 2007)	Target Y (1)	Achieved Year (1)	Performance Y(1)	Target Y(2)	Achieved Y(2)	Performance Year (2)
F1	Number of sub-national governments receiving USG assistance to increase their annual own-source revenues	0	10	10	100%	10	10	100%
F2	Number of sub-national government entities receiving USG assistance to improve their performance	0	10	10	100%	10	10	100%
F3	Number of local mechanisms supported with USG assistance for citizens to engage their sub-national government	0	10	10	100%	20	25	125%
F4	Number of local non-governmental and public sector associations supported with USG assistance (registered and unregistered organizations)	0	3	3	100%	12	20	166%
F5	Number of individuals who received USG-assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization	0	50	191	382%	100	759	759%

INDICATOR F1: NUMBER OF SUB-NATIONAL GOVERNMENTS RECEIVING USG ASSISTANCE TO INCREASE THEIR ANNUAL OWN-SOURCE REVENUES

*Target Y (1): 10. Achieved Y(1): 10. Performance Y(1) 100%.
Target Y(2): 10 Achieved Y(2):10. Performance Y(2): 100%*

Analysis: 10 municipalities are assisted by LGPA to increase their annual own-source revenues.

INDICATOR F2: NUMBER OF SUB-NATIONAL GOVERNMENT ENTITIES RECEIVING USG ASSISTANCE TO IMPROVE THEIR PERFORMANCE

*Target Y(1): 10. Achieved Y(1): 10. Performance Y (1): 100%
Target Y(2): 10 Achieved Y(2): 10. Performance Y(2): 100%*

Analysis: 10 municipalities are receiving assistance from LGPA to improve their performance.

INDICATOR F3: NUMBER OF LOCAL MECHANISMS SUPPORTED WITH USG ASSISTANCE FOR CITIZENS TO ENGAGE THEIR SUB-NATIONAL GOVERNMENT

*Target Y (1): 10. Achieved Y(1): 10. Performance Y(1): 100%.
Target Y(2): 20 Achieved Y(2): 25. Performance Y(2):125%*

Analysis: 15 new local mechanisms supported with USG assistance for citizens to engage their sub-national government or 50% more than the first year are launched during the second year of the LGPA program. These mechanisms covered all target and control cities. Each mechanism is customized to the unique circumstances for each municipality. These mechanisms are:

- ✓ The Kukës (industrial market relocation) urban development study was completed, and was formally presented to the City Council.
- ✓ Transport Center Development study in Fier was completed and formally presented to the City Council.
- ✓ One feasibility study was conducted on financing the construction of the northern ring road in Fushë-Krujë. Using these products, Fushë-Krujë municipality obtained a commercial loan to further develop the road.
- ✓ RDA/Tirana conducted performance budgeting in Librazhd and delivered the report to the municipality and LGPA.
- ✓ RDA/Tirana conducted performance budgeting in Fushë-Krujë and delivered the report to the municipality and LGPA.
- ✓ Urban Research Institute (URI) and the Municipality of Pogradec completed the Municipal Capital Investment Plan (CIP) and made a public presentation to the citizens of Pogradec during this year.
- ✓ Urban Research Institute (URI) designed a PPP Feasibility and Strategy for Korca.
- ✓ MSR conducted a Librazhd Cleaning Service Improvement project. The Grantee completed the Cost Analyses and the proposed Action Plan. The Grantee and the municipality presented the cost analyses and proposed interventions to the Municipal Council. This

resulted in the approval by the Municipal Council of the new cleaning fees as part of the 2009 fiscal package.

- ✓ Four business attitude surveys in Fushë-Krujë, Shkodër, Kukës and Pogradec were conducted in conjunction with the Local Economic Growth Committees. LGPA's surveys of local businesses were designed to explore matters of concern to local businesses; to identify ways the municipality can respond to improve conditions for existing businesses, and to encourage new business development.
- ✓ CSDC in Korçë published the Statistical Bulletin of Korçë Municipality.
- ✓ NVS in Fier conducted a visual improvement study of the city. The study determined the appropriate locations for status and memorials and defined the technical specifications of each. This initiative included meetings with interest groups including historians, archeologists, painters, teachers, students, sculptors, writers, businessmen and members of the Chamber of Commerce as well as town citizens.
- ✓ IDRA conducted the 2009 citizens' perception survey regarding local government services, accountability and local economic growth.

INDICATOR F4: NUMBER OF LOCAL NON-GOVERNMENTAL AND PUBLIC SECTOR ASSOCIATIONS SUPPORTED WITH USG ASSISTANCE (REGISTERED AND UNREGISTERED ORGANIZATIONS)

Target Y(1): 3. Achieved: 4. Performance: 100%
Target Y(2): 12 Achieved Y(2): 20. Performance Y(2): 166%.

Analysis: 16 new local NGOs are supported by LGPA through a grants process during the second year of the project:

1. Missionaries of Social Rights in Kucovë worked with the Librazhd Municipality to do the calculation of the total cost of cleaning service (and other services) according to modern methods provided mainly by USAID projects.
2. Valu-Add assisted the Fier Water Supply and Sewerage Company to develop a 5-year Business Plan, applying the methodology and guidelines of the Model Business plan that has been prepared by DPUK and accepted as the standard for Albanian water utilities.
3. The Institute for Rural Research developed a general feasibility studies for the establishment of a Gramsh slaughter house and the Fushë-Krujë agriculture wholesale market.
4. The Albanian Association of Municipalities (AAM) assisted with the organization of the Best Practices Conference.
5. CSDC Korçë worked to publish the annual statistical bulletin of the Municipality of Korçë. The Statistical Bulletin included the statistics of the city and spending allocations, 2008 participatory budgeting results and civil society organizations.
6. NVS worked to design a visual improvement plan for the city of Fier highlighting the history, heritage, social, and urban development of the town.
7. The Albania-EU Energy Efficiency Centre (EEC) worked under an LGPA grant to provide technical support to the LGPA municipalities participating in the Municipal Energy Efficiency Planning (MEEP) program - Kukës, Lezhë, Korçë and Gramsh.

8. Partners Albania worked with Lezhë Municipality to build a model of transparency and to stimulate broadening civic participation in governance.
9. The Democratic Integration and Development Center (DIDC) of Kukës developed an efficient monitoring system of the municipal budget of Kukës.
10. The Intellectual Women of Pogradec (IWP) assisted Pogradec Municipality to strengthen its partnership with the private sector, represented by successful businesses in the project area.
11. RDA/Fier worked to: 1) measure the performance of services offered by the Himarë local government; 2) identify tourist potentials and ways to use these potentials for economic development; 3) assist in the establishment of a public information office; 4) prepare a prioritized list of projects identified by tourists, citizens, and the Municipality; and 5) help the Municipality to reflect the above activities in its annual budget.
12. The Albanian Socio Economic Think Tank (ASET) is working to establish a Public Information Office in Fushë-Krujë.
13. The Community Development Centre (CDC) in Korçë organized a Job Fair in Korçë.
14. Missionaries of Social Rights, an NGO from Kucovë, worked to do the Cost Analyses of Public Services, to develop a Public Services Improvement Plan, and to develop a Capital Investment Guiding Plan in Gramsh.
15. Water Supply and Sewerage Association of Albania (WSSAA) is currently working to train the 10 LGPA partner municipalities and the water/sewage companies in these cities on customer Service issues.
16. Common Actions Against Poverty (CAAP) is working to establish a business incubator in Fier.

INDICATOR F5: NUMBER OF INDIVIDUALS WHO RECEIVED USG-ASSISTED TRAINING, INCLUDING MANAGEMENT SKILLS AND FISCAL MANAGEMENT, TO STRENGTHEN LOCAL GOVERNMENT AND/OR DECENTRALIZATION

Target Y(1): 50. Achieved Y(1): 191. Performance Y(1): 382%
Target Y(2): 100. Achieved Y(2): 759. Performance Y(2): 759%

568 new individuals received USG-assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization during the second year.

Disaggregation details:

- ✓ representatives of local governance – **342 people**
- ✓ representatives of non-governmental institutions – **79 people**
- ✓ Representatives of business community – **122 people**
- ✓ Representatives of community – **25 people**

- ✓ Male – **282 people**
- ✓ Female – **286 people**

Municipality	Number of People Trained
Fier	50
Fushë-Krujë	25
Gramsh	27
Himarë	13
Korçë	66
Kukës	153
Lezhë	53
Librazhd	41
Pogradec	32
Shkodër	45
Kucovë	8
Lushnje	15
Rrëshen	9
Pukë	1
Burrel	1
Koplik	1
Bajram Curri	1
Elbasan	1
Vlorë	1
Patos	1
Kavajë	1
Klos	2
Durrës	2
Përmet	2
Corovode	1
Tiranë	16

Analysis: **33** training programs were conducted during Year 2 with LGPA support. The training topics were based on the needs of target municipalities' staff and aimed at building their capacities on these issues. The large number of beneficiaries from these trainings was municipality staff as well as representatives of the business community of the target cities, especially in the field of public procurement. From January 1, 2009, based on a decision of the Council of Ministers, all public procurements must be done electronically. LGPA partner municipalities requested training in order to increase the capacities of the procurement unit members and offer evaluation committees in this field. The municipalities also requested training to increase the capacities of the economic operators since the number and quality of offers received in the past was very low.

The main topics and number of participants of each training program are:

- Public Procurement on the Job Training – **7 people**
- E-Procurement Training with Municipal staff – **31 people**
- E-Procurement Trainings for economic operators of two target municipalities (Pogradec and Korce) – **122 people**
- Participatory Budget – **24 people**

- Project Cycle Management – **79 people**
- Preparation of the Monitoring Plan for Development Strategy of Fier City – **18 people**
- Training on Local Taxes and Tariffs – **22 people**
- Training on the Basic Principles of Asset Evaluation – **6 people**
- Asset Management – **22 people**
- Energy Efficiency for Albanian Municipalities Trainings – **50 people**
- Internal Study Tours hosted by two municipalities (Lezhe and Vore) – **14 people**
- One Municipal Budget Training for Albanian Municipalities and NGOs – **39 people**
- Trainings on the Introduction and Basic Principles of CAD&GIS and Asset Evaluation – **16 people**
- Local Budgeting Monitoring System in Kukës Municipality – **30 people**
- Internal Audit (Kukës Municipality) – **30 people**
- Effective Communication and Local Government (Kukës Municipality) – **20 people**
- Strategic and Budget Planning at the Local Level (Kukës Municipality) – **28 people**
- Tax Software Training program (Lezhë and Fushë-Krujë Municipality) – **10 people**

CONCLUSIONS

1. The LGPA program exceeded, usually by large margins, several of the Year 2 program targets. Achievements under indicators 5, 7, 8, 9 and 10 are most notable. Data show an impressive increase in active businesses as a result of continuation of strong functionality of NRC, reduction of small business tax, etc. On Indicator 9, partnerships between local government and the civic/private sector, not only did LGPA develop Local Economic Growth Committees in ten target municipalities, but a large number of new collaborations/partnerships between LG and private/civic organizations with the support of LGPA grants and subcontractors were conducted during the second year of the LGPA program. These new partnerships demonstrate more responsive government.
2. More effective services delivered from the target municipalities to their constituencies are demonstrated through the good performance of indicator No.8.
3. An improved relationship between local government and the private sector is demonstrated through good performance of indicator No. 10 (number of public-private partnerships).
4. Large numbers of target municipalities' staff, people from the business community, local NGO's staff benefited from the training programs conducted by LGPA experts in specific fields. 50.3% of attendees were female.
5. Large numbers of local mechanisms supported with USG assistance for citizens to engage their sub-national government were developed during the second year of the program. Each mechanism is customized to the unique circumstances of each municipality.
6. Large number of both officially registered CSOs and unregistered citizens groups are supported by LGPA through the grants component.
7. On September 17-18, 2009 representatives from 65 municipalities, communes, NGOs, central government officials, international donors, and other interested parties assembled for the Best Practices Conference 2009 to recognize and learn from best practices already employed by Albanian local government units. **256** participants, **104** Female and **152** Male attended this conference. The Best Practices Conference allowed Albanian local

government units to highlight their recent achievements and to disseminate their improved techniques, thereby encouraging other local governments to implement similar practices in their own territories and to improve the quality of local governance. Through presentations and panel discussions held during the two day Conference participants explored important issues like trends in local government revenues, urban planning, and asset management, as well as the results of the annual USAID funded Local Government Survey. The Conference not only showcased municipal best practices, but also resulted in a set of recommendations and next steps needed to enable LGUs to continue improving. In addition to the panel discussions, the Conference hosted an exhibition of municipal booths highlighting 24 municipalities' best practices

ANNEX C: SUCCESS STORIES

SUCCESS STORY

E-Procurement Reduces Corruption and Increases Efficiency in Albanian Municipalities

e-Procurement Trainings organized for both procurement officials of Pogradec Municipality and local private sector businesses, brought about an increase in the number of offers, encouraged more competitiveness and provided an opportunity to obtain offers at the best possible price



Erjon Vesho, Deputy Mayor of Pogradec Municipality and Elvana Gadeshi, LGPA e-procurement specialist, discussing an electronic tender issued by Pogradec Municipality



Shpresa Hamolli, economist of N.E.F Company, Pogradec, supported by Mr. Melsi Beli, AmCham procurement training specialist, demonstrating an online tender application.

The period from January to March 2009 was a difficult one for Pogradec Municipality's procurement unit. Four tenders issued by the Municipality failed to be completed. The major reason was that members of the procurement unit and the offer evaluation committee faced serious obstacles in uploading the tender documentation into the requisite electronic platform within the prescribed timeframes, and in downloading the offerors' subsequent documentation. Another reason for the failure was the limited number of offers received: many potential private bidders simply lacked the necessary capacity to file an acceptable online application. The Municipality's inability to successfully carry out the electronic tender process caused blockage in the flow of needed funds that had been programmed by the state authorities for local investments and public expenses.

With the support of USAID's Local Governance Program in Albania (LGPA), Pogradec Municipality's e-procurement processes have improved. In the beginning of March 2009, in response to the municipalities' requests, LGPA organized a series of trainings on e-procurement procedures in four cities: Lezhe, Pogradec, Korce and Kukes. The trainings were delivered in cooperation with training specialists from the American Chamber of Commerce/Tirana (AmCham).

Training participants in Pogradec included members of the procurement unit and offer evaluation committee at the Municipality, as well as representatives of local private sector businesses. In addition, following the trainings, counseling sessions and 'hands on' technical assistance for all tenders issued by Pogradec Municipality, were provided by LGPA.

Erjon Vesho, Deputy Mayor of Pogradec Municipality, noted with appreciation the significant changes that the strengthening of capacities for municipal staff and firms brought to the city: "The trainings organized by the LGPA Project were very successful and since then the Municipality has conducted five successful electronic procurements with the winners published in the Public Procurement Agency's bulletin. Another success as a result of these trainings is the increase by about 50% in the number of offers received in response to the Municipality's tenders. The increase in offers," continued Mr. Vesho, "improved transparency and helped us get better priced offers. This is a very important achievement in an effort to fight corruption, and to keep the Municipality's expenses under control."

Mimoza Shuli, administrator of the local private sector "Perla" Company, described the remarkable changes these training programs brought to her work. "The training programs have been extremely valuable to us for a number of reasons. *First*, we are dealing with new e-procurement procedures, recently entered into force, that have never been applied before. *Second*, the LGPA trainers and their colleagues from AmCham were highly effective, and so was their training methodology. After learning all about the e-procurement procedures, I now feel confident that I can apply online for all tenders"



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SUCCESS STORY

Increased Municipal Tax Revenue Collection Achieved Through Better Awareness of NRC Service Window Functions and Outputs



Mr. Eduart Koca, Tax inspector at the Lezhë Municipality, one of the participants at the training organized by the LGPA Project on how local governments can maximize the use of information from the NRC Service Windows.

USAID's Local Governance Program in Albania (LGPA) encourages and facilitates local economic growth, through activities that increase investment, create jobs, raise incomes, and ultimately, expand the municipalities' tax base.

"Now that I've learned about the new business registration procedures at NRC, my job has become much easier. I now understand better my relation with the National Registration Center and I've been able to use its system to improve the accuracy of our local tax registry and to increase our tax collection rate," says Mr. Eduart Koca, tax inspector with the Lezhë Municipality tax department.

Eduart was a participant in the training organized by the LGPA Project in June 2008 in Lezhë. The training, conducted in cooperation with senior staff from the National Registration Center (NRC), advised local government tax administrators on ways to better use the information compiled by the NRC in order to improve tax administration and increase revenues from local business taxes and fees. The NRC's successful 'one-stop-shop' for business registration includes simultaneous registration with relevant tax authorities, the labor inspectorate, as well as for social and health insurance.

The NRC training was delivered in all ten LGPA target municipalities, targeting staff in the tax, finance and legal departments, as well as the Deputy Mayor most involved with those functions. In total, 86 officials participated in the trainings.

The positive impact of improved tax administration can be seen from the example of Lezhë. The NRC Service Window (one of three funded by the LGPA) opened in Lezhë in April 2008. Compared to the prior year, small business registrations have increased by 20%. Some of these were new businesses, but most were existing businesses that had not previously been part of the 'formal' economy. Income generated from taxes and tariffs has also increased by 20%, as the municipal tax registry is updated and made more accurate.

By imparting a better understanding of NRC operations, the LGPA training has enabled local tax inspectors to take advantage of the wealth of business registration data NRC system can provide, thus increasing administrative efficiency and effectiveness of tax collection efforts.

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SUCCESS STORY

Business Attitude Survey in Fushë-Krujë a Positive Step in Improving Communication Between Businesses and Local Government



Mrs. Arjola Bushi, representative of "BABASICOO" firm, expressing her opinions regarding Fushë-Krujë's economy, assisted by LEGC member Bardhyl Sala.

Survey results indicate that Fushë-Krujë is seen as a good place to do business: the location, abundance of natural resources (including limestone and clay materials), and the availability of skilled workers are key factors. Most of the businesses (64%) plan to expand in the near future. Businesses believe that agribusiness, agro-processing, heavy industry and wood processing are local growth sectors.

The Fushë-Krujë Local Economic Growth Committee (LEGC), established with LGPA assistance, consists of twenty members, including staff of the municipality and representatives of the business community and civil society. In February 2008, the Committee evaluated local development strengths and weaknesses, identified opportunities for economic growth, and defined policies to be implemented in order to stimulate local economic growth, and encourage a "business friendly" environment.

An Action Plan was formulated to guide the LGPA's interventions in support of Fushë-Krujë's development objectives. Within this framework, the desire to involve the private sector in improving the local business climate was realized through a business attitude survey.

With LGPA support, representatives from the LEGC, led by Committee member Mr. Bardhyl Sala, selected 28 businesses operating in Fushë-Krujë to participate in the survey, representing a broad spectrum of businesses in terms of size and business activity. Survey participants explained their concerns and suggested ways to improve Fushë-Krujë's business climate.

Concrete improvement suggestions included: extension of infrastructure; creating a parking system for the city; achieving a cleaner city; and encouraging better coordination and collaboration among businesses. Municipal staff should also show more awareness of business concerns and become more familiar with business problems; limit the informal trade/market in the city; and prepare a city-wide master plan as a basis for making decisions on providing location permission for new businesses.

As noted by Mr. Sala, "The survey's results will enable the Municipality, the Local Economic Growth Committee, and the LGPA project to better understand how local business people view the city's economy and possible ways to improve it. Through this survey, the municipality and the Local Economic Growth Committee now have good information regarding the local business climate and the plans and expectations of the business community. This is exactly what we wanted! It has already supported positive change in the city."

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SUCCESS STORY

EXPO-REAL Fair – Another Opportunity for the Municipality of Korçe to Withdraw Investors

USAID Local Governance Program in Albania funded an urban design study for the renovation and expansion of the city's sports complex.



Niko Peleshi, Mayor of Korçe Municipality and Rajmonda Nase, GTZ representative, discussing on the opinions of Expo Real fair visitors on how to improve the city's sports complex project.

Every year EXPO-REAL fair in Munich brings together businesses, potential investors, and central and local governments from around the world. In 2007, EXPO-REAL attracted 1,823 exhibitions from 43 countries and 23,800 visitors from 77 countries. The Municipality of Korçe was represented in 2007's fair with a project for the establishment of a private university in the city. Even though major efforts were put by the municipality's staff into this project, it wasn't a high level representation. Thereby, visitors visiting Korçe Municipality's stand of did not show any type of interest in this project.

With the support of USAID's Local Governance Program in Albania (LGPA), the Municipality of Korçe had the opportunity to do a dignifying presentation in October 6-8, 2008's fair which increased the chances for funding.

LGPA funded an urban design study for the renovation and expansion of the city's sports complex, the only one of its size in the country, which was constructed during 1975 – 1980, but which currently is non-functional. The city will obtain ownership of the sports complex from the central government as a result of the asset transfer process, currently underway. The proposal to revitalize this complex and bring it to modern levels has come from the Municipality of Korçe in cooperation with the Albanian Sports Federation. This initiative is consistent with the long term vision of the municipality to make Korçe an important urban center of southeastern Albania. The promotional materials prepared with LGPA support included a conceptual design report, an initial financial feasibility report, and an animated 3-D tour of the sports complex site.

Sofjola Kotelli, Specialist at the Department of Economic Development in the Municipality of Korçe, said that unlike 2007's fair, EXPO-REAL's 2008 fair was visited by 40 visitors, of whom at least 10 showed further interest in knowing details of the project. The visitors also gave their opinions on how to improve the feasibility study and the business plan aiming at increasing funding opportunities for 2009.

The idea of learning by doing and the optimistic feeling we got from the visitors who showed interest in our project, said Mr. Sotirajq Filo, Vice Mayor of Korçe Municipality, made the Municipality's management think on how to improve 2009's fair presentation. Following this, the municipality's staff established a new communication strategy for 2009's fair potential investors, sending them in advance the catalogue with the improved project. In addition, considering the high importance of EXPO-REAL fair, the Municipality of Korçe decided to increase its budget by 4,000 Euros for 2009, amount that will be used to promote this project in the forthcoming fair.



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SUCCESS STORY

The First Commercial Loan Signed in Albanian Local Government

The ability of local governments to borrow the necessary funds for investment projects will allow municipalities to provide better services to the population and to effectively promote local economic growth.



The Director of BKT Mr. Pekhan Isipek and Mayor of Fushe-Kruje Municipality Mr. Ismet Mavriqi signing the first commercial loan to a local government unit in Albania.

USAID's four-year \$7.3 million Local Governance Program in Albania (LGPA) improves governance in select municipalities and builds public-private partnerships to create a "business friendly" environment in which the local private sector can flourish. USAID activities seek to increase investment, create jobs, raise incomes, and ultimately, expand municipalities' tax revenues.

On June 4, 2009, Fushë-Krujë Municipality became the first Albanian local government to obtain a commercial loan. The loan, in the amount of 100 million Lek (approximately US\$1 million), will be used to complete the Northern Ring Road around the city, identified by the community as an essential investment project necessary to promote economic growth in the city and to improve safety (an estimated 500 heavy trucks circulate through the city per hour). The new road will divert both inter-city traffic and, more importantly, large, heavy goods vehicles around the city center.

The strong economic development of the municipality highlights the need to construct this road. Several existing factories (including a cement factory, a brick factory, and lime sites) use the existing road through the city center, causing congestion, safety hazards, and pollution. Bob Solomon, the Director of Corporate Development at the Fushë-Krujë Cement Factory, highlighted the importance of the road to businesses when he stated, "The construction of the Northern Ring Road will greatly improve our operations. When the road is completed, it will reduce operating costs for us and our partners and increase our efficiency."

The Northern Ring Road is a total of 2.8 km and consists of two segments: the existing national road (1.2 km) and the existing rural road (1.6 km). The first segment of the road is the responsibility of the central government which is improving this section. The second segment, unpaved and only 5-5.5 meters wide, is the responsibility of the Fushë-Krujë Municipality.

The municipal government, with the technical assistance of USAID's Local Governance Program in Albania (LGPA), prepared a medium-term Local Economic Growth Plan for the municipality using a participatory process. The top priority identified in this action plan was the construction of the Northern Ring Road. In order to implement this project, LGPA assisted the municipality to apply for and negotiate a loan with the National Commercial Bank (BKT). The loan was further supported by USAID's Development Credit Authority, which provides support to the banking sector through loan guarantees to encourage lending to municipalities.

The total cost of the project is estimated at 127 million Lek. In addition to the loan, the municipality will use 27 million Lek from its budget.

"The loan to Fushë-Krujë," said Mr. Pekhan Isipek, Director of BKT "was granted because it is a great project and one that is based on sound economic analysis and promotes economic growth in the city. We are confident that the municipality is a good partner and is in an excellent position to repay the loan. BKT is pleased to be a partner in the first municipal loan in Albania."



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**LOCAL GOVERNANCE
PROGRAM IN ALBANIA**

SUCCESS STORY

More Local Revenues through Better Assets Management

The municipal Assets Catalogue is an excellent introductory tool of the opportunities that the Municipality of Gramsh can offer in regard to finalization of public-private partnership.



Dhurata Cima, Head of Urban Department of Gramsh Municipality, updating GIS data with relevant information on the municipal assets' physical or legal status
USAID's new four-year \$7.3 million Local Governance Program in Albania (LGPA) aims to improve governance in select municipalities and build public-private partnerships to create a "business friendly" environment in which the local private sector can flourish. USAID activities will seek to increase investment, create jobs, raise incomes, and ultimately, expand municipalities' tax base revenues.

Before November 2008, Gramsh Municipality made a profit of 2,285,000 Lek or 5.2% worth of annual revenues from renting its assets. Moreover, the Municipality presented the municipal assets to domestic and foreign potential investors during meetings, discussions or field visits at site, in order to visit these assets close up. Several companies showed real interest in using Gramsh Municipal assets. But prior to entering into any agreement the Municipality was required by law to first register the properties. In addition, to assess the importance of the proper evaluation of the entity's assets it's necessary for the municipal staff to be able to assess the value of the assets they manage. Such information is essential to maximize the efficiency in the use of public resources. But unfortunately, at the time, municipal staff had little information regarding management of assets..

With the support of USAID's Local Governance Program in Albania (LGPA), much has changed for Gramsh Municipal staff. Not only they are now able to evaluate the municipal assets, but from November 2008 they possess the catalogue of municipal assets. In addition, LGPA worked with Gramsh municipality to create new revenue sources from leasing or selling municipal land and buildings, and to improve the efficiency and effectiveness of existing revenues and assets through training of the Municipal staff in Asset Management GIS application methods.

Dhurata Cimo, specialist of the Urban Department of Gramsh Municipality described the dramatic changes this assets' presentation through Municipal Assets Catalogue have brought to the municipality. "The registration of the municipal assets and the publication of all the information on these assets – said Mrs. Cimo - will be of great benefit to the business community by giving them the opportunity to explore investment opportunities and create a friendly environment for potential investors. The business and investors community is considered to be the primary beneficiary. In addition, a business friendly environment, increased investment opportunities and transparency will benefit the surrounding community through creation of new jobs, increased level of tax collection and municipal budget, resulting also in improved quality of life as the Municipality will have better resources to use in improving public services".

The municipal assets catalogue, said Mayor of Gramsh Municipality Mr. Kastriot Zera, is a first attempt toward a more effective management of the assets of Gramsh Municipality. We strongly believe that it will be an indispensable tool in promoting local economic opportunities, attracting the domestic and foreign investments in the territory we administer, generating and increasing the local revenues.

The Municipality of Gramsh is now on the edge of signing an agreement with a domestic investor that has showed interest in renting one of the municipality's assets to start a sewing place that would provide employment to 200 women in Gramsh.

Our goal, said Mr. Zera, is to increase the revenues from leasing of land and buildings from 5.2% in 2008 to 7% in 2009.



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LOCAL GOVERNANCE PROGRAM IN ALBANIA

SUCCESS STORY

Local Economic Growth Committees (LEGCs) provide a public-private forum for an open discussion and assessment of municipal economic growth strategies



Three members of the Fieri Local Economic Growth Committee drafting the economic growth action plan for their city.

The LEGCs in the LGPA's 10 target cities developed a strategic vision of future local economic growth potential in their municipality, and prioritized immediate actions within the context of a short-term local economic development action plan. This plan and subsequent implementation activities were a result of coordination between LGPA project staff, municipality staff, and other stakeholders active in the respective municipality.

The LEGC action plans have been successful in mobilizing resources for change: on average, five to six actions were implemented in each city during Year 1 of the LGPA.

USAID's Local Governance Program in Albania (LGPA) is using a participatory process based on involvement of the local business community and civil society groups, working jointly with municipal officials and staff, to foster local economic growth and improve the quality of local governance.

Following the signing in January 2008 of *Memoranda of Understanding* with the ten target cities involved in the LGPA (Shkodër, Kukës, Lezhë, Fushë-Krujë, Gramsh, Pogradec, Korçë, Librazhd, Fier and Himarë), each municipality established a bi-partisan and broadly representative Local Economic Growth Committee (LEGC) to work with the LGPA over the remaining three years of the project.

The LEGCs were convened in February 2008. As their initial task, the committees evaluated and identified key factors that need to be addressed in order to coordinate and encourage local economic growth. Considerations included the availability of human and natural resources, economic status of the municipality, the city's cultural and social environment, as well as priorities for infrastructure and public service improvements. In addition, administrative reforms in the area of tax collection, budgeting, asset and financial management, and public procurement that will help create a 'business friendly' environment and attract new investment were also addressed during the action planning workshops. The initial series of action plan workshops was completed in March, 2008.

The committees will reconvene periodically to review progress achieved and, as needed, to revise the initial action plan. Individual members of the committee are also expected to take on responsibility for implementing significant elements of the action plan. Principal areas of intervention defined in the action plans include: branding and imaging of cities, tourism development, urban planning, agribusiness, participatory budgeting, tax administration, asset management, and public service improvement.

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SUCCESS STORY

Korce Job Fair Improves the Labor Market and Results in 22 New Jobs

Korca's Job Fair, organized on 14 July 2009, gave businesses the opportunity to promote their activities and select the ideal candidate.



Niko Peleshi and Mikel Llogori during the interview process.



Ermal Xhixho, in his new position at Neptun Company, which he received through the Korcë Job Fair.

The labor market in Korcë City is very informal. There are no structured methods of announcing vacancies and in the majority of cases vacancy information never reaches the target group. Businesses have not identified appropriate information channels, and applicants have no way of finding vacancies except for word of mouth. Often, it is a matter of who you know rather than the quality of one's qualifications. As a result the demand and supply do not meet each other properly.

In order to improve the Korcë labor market, a Job Fair was conducted in the City of Korcë on July 14, 2009 with the support of the USAID Local Governance Program in Albania (LGPA) and organized through the collaboration of the Korcë Municipality, the Korcë Chamber of Commerce, Korcë University and the Community Development Center.

Prior to the Job Fair, the organizers contacted local businesses to identify those businesses that had vacancies. At the same time, the organizers advertized the event to job seekers including newly graduated university students and mid-career candidates. To ensure the effectiveness of the Job Fair a training on "How to be Successful in a Job Interview" was conducted in advance for potential applicants. For businesses, a training on "How to Prepare a Job Description" was conducted and information provided on how businesses should organize themselves for the Job Fair. In addition to giving businesses the opportunity to select qualified candidates, businesses also had the opportunity to promote their activities to Fair visitors. Throughout the day, participating businesses interviewed qualified job applicants.

The results of the Job Fair include: **17** participating businesses; **111** job applicants; **450** job interviews; and **22** people employed.

Ermal Xhixho is one of the 22 successful applicants that received a job as a result of the Job Fair. Ermal had just finished his studies at the Korcë University, faculty of economics, tourism branch and was looking for a job. As soon as he learned about the Job Fair, he registered and participated in the associated training on "How to be Successful in a Job Interview" and later in several interviews that took place during the Job Fair. Due to his good credentials, and his professional manner during the interview, Ermal was offered an advertising position at the Neptun Company

"At first I was very skeptical about my chances of success. Although I was doing the interview, I wasn't sure if I would get the job. But as I participated in the fair, I became more trustful and was surprised by the seriousness of the organizers and business representatives that participated in it," says Ermal. "My self confidence became stronger when I was offered the job position. It was a great feeling," he exclaimed.

ANNEX D: WEBSITE ACCESS STATISTICS

ANNEX D: WEBSITE ACCESS STATISTICS

The LGPA website (www.lgpa.al) has proven to be an effective tool for dissemination of information regarding the project, including copies of published reports, manuals and guidelines documents. The LGPA website is embedded with the web site of the Albanian Association of Municipalities (www.aam-al.com), which has been a benefit to both organizations. The statistics provided below cover the period from October 2008 – September 2009.

Month	Total hits	Total files downloaded	Total visits	Total MB downloaded
October 2008 ¹	–	–	–	–
November 2008	6,633	4,650	670	281
December 2008	8,377	5,486	527	370
January 2009	7,350	4,773	544	350
February 2009	12,788	7,856	588	366
March 2009	13,650	8,403	641	441
April 2009	10,839	8,069	550	443
May 2009	14,926	8,312	606	1,004
June 2009	20,105	12,416	611	1,233
July 2009	16,482	11,817	619	839
August 2009	12,391	8,930	657	639
September 2009	19,466	13,897	715	830

Website visitors come from²: Albania, US Commercial, US Educational, Greece, Spain, Non-profit organizations, US Government, Italy, Macedonia, Bosnia and Herzegovina, Sweden, Germany, Moldova, Canada, UK, Poland, Slovak Republic, Russia, Ukraine, Brazil, Colombia, Bulgaria, Israel, Germany, China, France, Czech Republic, Seychelles, Mexico, Netherlands, Singapore, Georgia, Romania, Austria, Croatia, Kyrgyzstan, Turkey, Finland, Vietnam, Japan, Poland, Armenia, Portugal, Switzerland, Peru, Luxembourg, India, Ivory Coast, Belgium, Bulgaria, Pakistan, Hungary, South Africa, Ghana, Norway, Mozambique, Ireland, Indonesia, Uganda, Australia.

Most downloaded documents: Guidelines on Administration of Local Taxes and Fees (both Albanian and English versions), 2008 LGPA Summary Survey Report (English version), Albanian Public Procurement Report for Local Governance (English version), LGPA Small Grants Manual, LGPA Grants Application Form, Law on Tax Procedures (Albanian version), Lezha Strategic Plan (English version), Municipal Asset Management Toolkit (English and Albanian versions), Law on Public Procurement (Albanian version), Fushe-Kruje Business Attitude Survey (English version), Shkodra Booklet (English version), Sports Planet Feasibility Study (English version), Overview of LG in Albania for Borrowing Purposes (English version), Guidelines on Municipal Borrowing (English version), Summary of Grants (English version)

¹ Data for October 2008 are not available because the Webalizer 2.01 software keeps the website usage and visitorship data only for the prior 10 months.

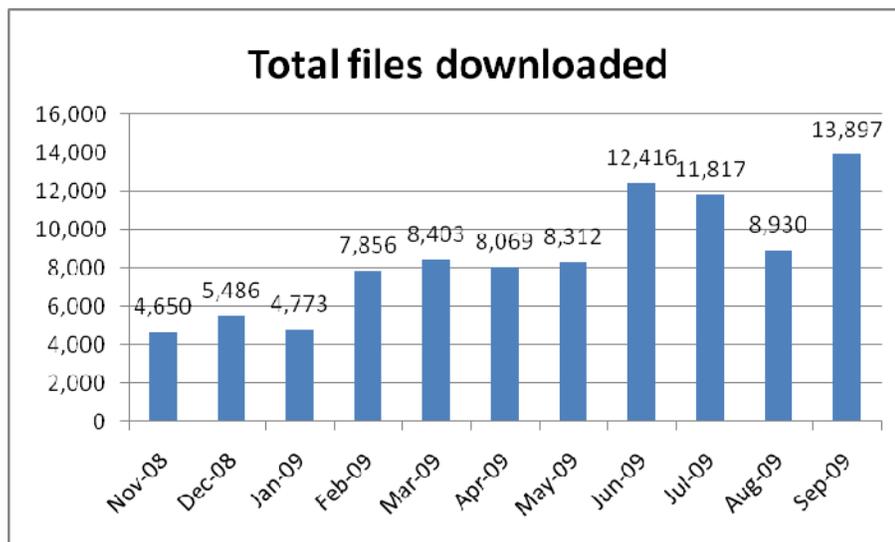
² Note that Webalizer 2.01 reports that about 60% of visitors come from 'Unresolved/Unknown' countries.

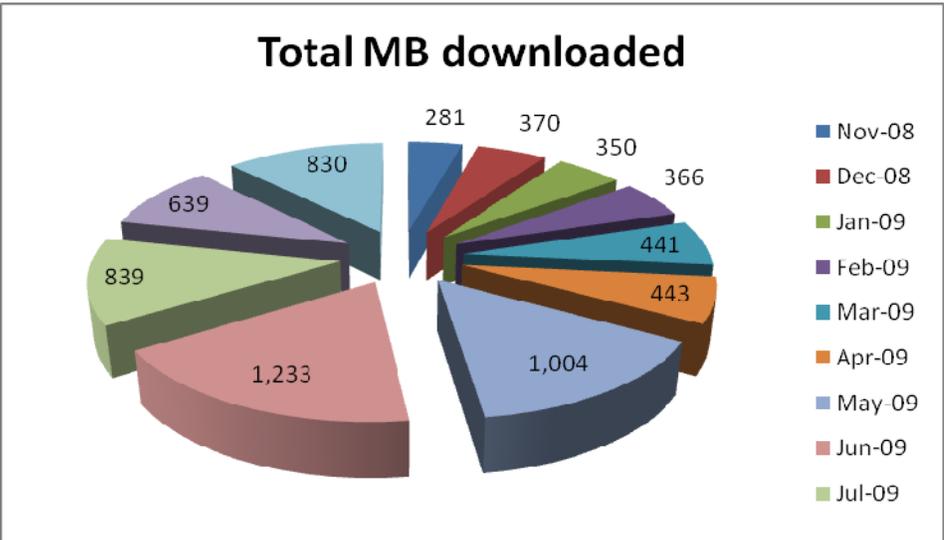
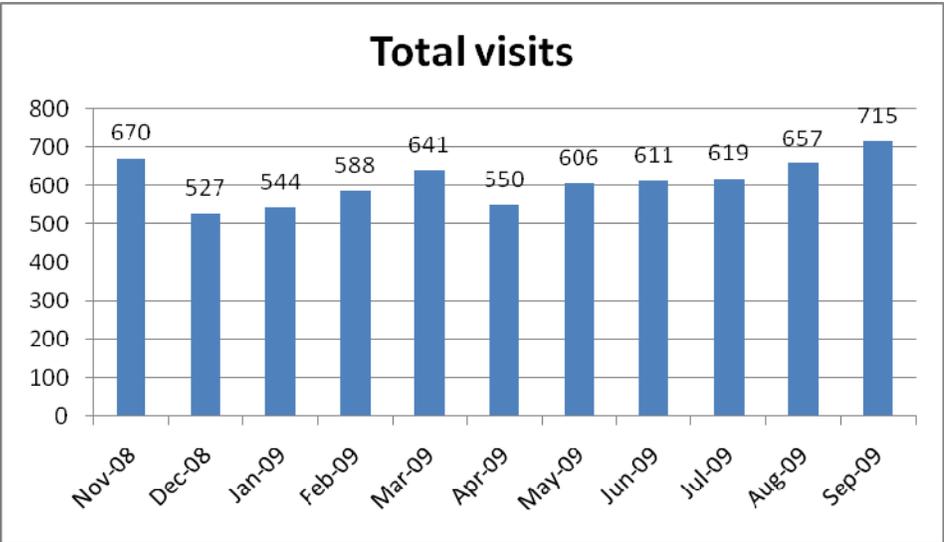
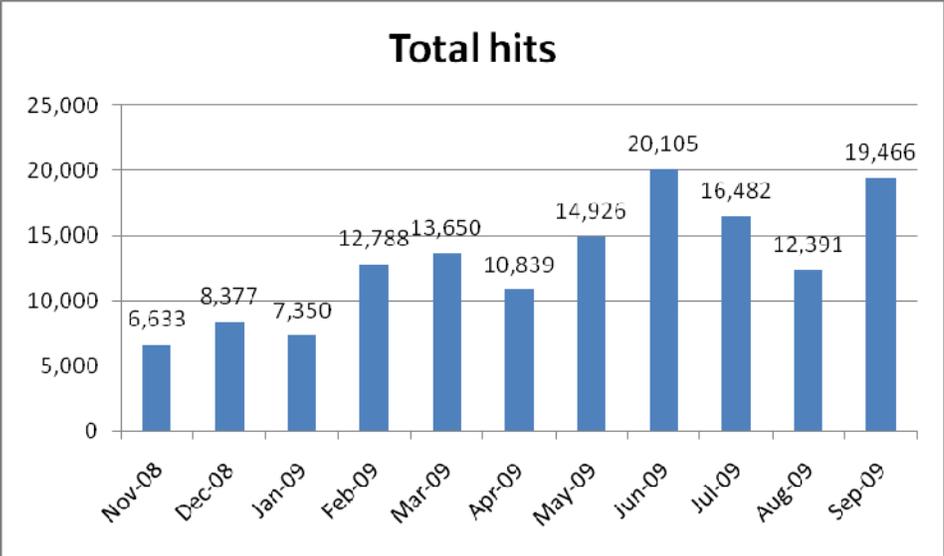
Most visited pages: Small Grants Program (both Albanian and English), Local Governance, Local Economic Growth, Contact, Program, Publications, Activities, Index, Partner Cities

Top referrers: Google Search (and Google Image Search) (about 45%), Yahoo Search (20%), Search Live (7%), <http://www.usaid.gov/cgi-bin/goodbye>, <http://www.caaht.com/grants.htm>, <http://aam-al.com/default.aspx>, <http://search.conduit.com/Results.aspx>, <http://search.msn.com/results.aspx>, <http://search.msn.fr/images/results.aspx>, <http://search.babylon.com/>, <http://www.bing.com/search>, <http://translate.google.com/translate>, <http://whois.domaintools.com/lgpa.al>, <http://search.mywebsearch.com/mywebsearch/GGmain.jhtml>,

Top search strings: LGPA ARD, LGPA Albania, bashkitë shqiptare, (Albanian municipalities), qeverisja vendore (local governance), local factors of economic growth, Albania local development, site:www.lgpa.al, Municipality of Fier, economic growth until now, Lezha municipality, LGPA in Albania, maps of Kukes, Shkodra, strengthening local urban planning and management handbook,

The above data are shown in tabular form in the following graphics:





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