

Final Report

FOR THE
LOCAL GOVERNMENT INITIATIVE
SOFIA, BULGARIA

OCTOBER 1, 1998 TO MARCH 28, 2001



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ACRONYMS

BKHF	British Know How Fund
CEE	Central and Eastern Europe
COLPI	Constitutional and Legal Policy Institute
CSP	Communications and Strategic Partnerships
EC	European Commission
ENI	Europe and New Independent States
EU	European Union
FDCS	Foundation for Development of Civil Society
FLAG	Firm Level Assistance Group
FLGR	Foundation for Local Government Reform
GFOA	Governmental Finance Officers Association
ICLEI	International Council for Local Environmental Initiatives
IFI	International Financial Institutions
IR	Intermediate Result
ISO	Intermediate Support Organization
LGI	Local Government Initiative
LOE	Level of Effort
MFDB	Municipal Finance Data Base
MOA	Memorandum of Agreement
MOF	Ministry of Finance
MSI	Management Systems International
NACS	National Association of City Secretaries
NALGLI	National Association for Local Government Legal Initiative
NAMRB	National Association of Municipalities in the Republic of Bulgaria
NAPFO	National Association of Public Finance Officers
NGO	Non-Governmental Organization
PLEDGE	Partners in Local Economic Development and Government Effectiveness
PME	Performance Monitoring and Evaluation
PR	Public Relations
RAM	Regional Association Of Municipalities
SBB	Service Based Budgeting
SO	Strategic Objective
STTA	Short-Term Technical Assistance
TA	Technical Assistance
TBD	To Be Determined
TOT	Training of Trainers
UN	United Nations
UNDP	United Nations Development Programme
U.S.	United States
USAID	United States Agency for International Development
YCIC	Youth Culture and Information Center

1. INTRODUCTION

1.1 Project Description/Goals

The Local Government Initiative (LGI) is a dynamic and mature United States Agency for International Development/Bulgaria (USAID/BG) project that has been successfully implemented over the 30 months, beginning 1 October 1998. Prior to that, there was another LGI project in Bulgaria, commencing in 1995, that was USAID funded. The 1998-2001 contract, funded under a Delivery Order for the Implementing Policy Change IQC, continued the previous work.

Throughout the LGI program, the goals, and focus on reaching them, have been directed toward the achievement of USAID Strategic Objective (SO) 2.3:

Local Governments are making responsive choices and acting on them effectively and accountably

Since its inception, LGI has made substantial gains toward achieving SO 2.3 by energizing local governments and non-governmental organizations (NGOs), toward democratic ideals and practices. The scope of LGI expanded dramatically, with the ten original pilot municipalities growing to 54 LGI Partners: 26 municipalities, a National Association of Municipalities in the Republic of Bulgaria (NAMRB), eight regional municipal associations (RAMs), five professional associations, six economic development oriented NGOs, the Foundation for Local Government Reform (FLGR), and seven other NGOs, working with either local governments or communities.

One goal was to achieve impact beyond the LGI Partners, to have in place practitioner networks that would disseminate best practices, share experiences, and assist one another toward sustainability. Another goal was to bolster the “client-service provider” relationship between intermediate support organizations (ISOs) and government bodies, and to increase LGI Partners’ involvement in planning, decision-making, and execution.

To accomplish these goals, the focus was on strengthening the capacities of the LGI Partners and the other local governments and ISOs, to improve operations, increase citizens’ awareness and participation, and create an effective national dialogue. The focus included institution building; along with improved service delivery, strengthened governance, and facilitating the local governments’ role in economic development. Introducing reform practices and progressively upgrading the capabilities of LGI’s Partners were also part of the LGI Scope of Work.

Focusing on these goals and considering the Scope of Work elements, LGI has taken significant steps and made substantial gains toward achieving SO 2.3. These accomplishments and lessons learned are detailed and highlighted in this Final Report.

1.2 Approach

The LGI approach has always incorporated certain operating principles that were defined in the Technical Proposal. These include:

- Carrying out activities that are supportive of and integrated into the programs of the LGI Partners;
- Providing technical assistance (TA) functions through institutional relationships;
- Using the Intermediate Result (IR) teams as the primary vehicles for planning and implementing LGI activities, with a Core Team of representative LGI Partner members providing oversight on policy decisions and resource allocation;
- Achieving Bulgarian leadership of the IR teams according to a planned schedule;
- Tailoring institutional development support to the respective needs of individual Partners; and
- Maximizing resources by collaborating with other USAID funded projects and donor programs.

Following these principles, LGI has developed and refined an approach that was multi-faceted, effective, and suited to the social, cultural, and political environment. Five key elements of the approach are detailed below.

1.2.1 Working through Partners

The first of a planned series of semi-annual Partner meetings was held in November 1997 (under the previous LGI contract), and concluded with a revised USAID SO and the outline of a results framework that served the new strategy. The third LGI Partners' meeting, in October 1998 (under this contract) established the structure for moving the Partner role from one of collaboration to one of program leadership. During the meeting, the Partners agreed on the key operational principles to make this happen, as stated above. This agreement was a significant step, and it established the parameters for involving Partners in the development of LGI's Work Plans and their implementation. The LGI Core Team was created, and it met quarterly to be briefed on LGI Work Plan development, progress, and activities; to discuss policy issues; and to provide advice and guidance to USAID/BG and the LGI Team. Intermediate Result Teams were formed for all four IRs, and they met monthly with LGI staff to plan and execute the respective IR activities.

This close relationship with LGI Partners became a major aspect of how LGI successfully approached the accomplishment of its goals culminating in the Seventh Partners' Meeting on 14 March 2001.

1.2.2 Strengthening the Intermediate Support Organizations

Institutionalization was a critical element for the success of USAID/BG's primary program objective "to help move Bulgaria far enough along the road to becoming a market-based democracy that Bulgaria can complete the journey once USAID departs." For local governments, this meant strengthening LGI Partner organizations to the point where they could continue to

play a vital role in enhancing democratic local self-government after LGI had concluded its work.

Institutionalization was defined at two levels. First, it encompassed the range of skills, competencies, and best practices necessary for Partner organizations to adapt in order to operate more effectively in the changing democratic and economic environment that characterizes Bulgaria. Second, it also encompassed a new set of relationships among Partner organizations that helped to sustain local government reform, democracy, and economic development. Institutionalization was viewed as a process that positively affects both the organizations themselves and the way in which they interact with others. The ISO's were seen as key counterparts in developing and sustaining the changes necessary for institutionalization of practices and relationships that would further the LGI program agenda.

Strengthening the ISOs, by building their competence within the structure of the SO 2.3 results framework, was a necessary approach for them to sustain themselves and the reform initiative.

1.2.3 Dissemination and Replication

During the early years of the LGI, efforts were spent primarily in providing direct technical assistance. This took many forms, including support for the development of the municipal association structures, skill building through training for municipal officials and staff, seminars to create awareness of new approaches in citizen service and participation, and direct process technical support. Additionally, pilot projects were set up to demonstrate the value of the new processes. These pilot projects included a budget process system, customer service centers, and regional associations.

The TA and pilot projects provided models from which other local governments and/or organizations would learn. Technical assistance was usually provided to a single municipality or organization, with the intent of establishing a replicable pilot model. When the model was established, it was ready for dissemination and replication. The LGI recognized a clear difference between dissemination and replication. Both are important, but they have different functions and therefore have different working elements. Dissemination is distributing information about a process for the purpose of alerting similar municipalities or organizations about the efficacy of the process. Replication is providing sufficient skills to implement a process. Dissemination seldom provides sufficient skills to put a process into practice without additional learning and support; replication provides these skills.

Just as the working elements are different, the results are different. Dissemination gives knowledge and information. It creates awareness and, more importantly, readiness to try something new. Dissemination sets the stage for replication. Replication is the actual implementation of a new process. It takes the information, process, and skills into the organization and uses it to provide new or increased service, access to information, etc. Replication establishes new practices, changes behaviors, and measurably improves capacity. In the case of the LGI activities, it also increased the awareness and participation of citizens in the governance process.

LGI used consultant deliverables, IR Team and staff innovations, and Partners' lessons learned to emphasize dissemination and replication of successful practices. This approach was quite viable and successful.

1.2.4 Collaboration and Integration

Early in the project, the staff recognized that it was time to bring the disparate elements of LGI together in a more practical sense. This meant bringing together the variety of programs, skills, and experiences to support the developing and broadening needs of the LGI Partners as they moved to sustainability. The ultimate goal was to have many of these practices and processes integrated into the Bulgarian local government practices so that they were sustainable after the LGI program finished. Such integration led to a more efficient use of resources and avoided duplication of activities.

Integration and collaboration of activities became a major consideration in LGI's Work Plans. An Integration Matrix was designed to demonstrate how crosscutting activities could be identified and coordinated for multi-IR implementation. The matrix was an integral part of the 1999-2000 LGI Work Plan, and it graphically showed how the different components worked together to strategically accomplish the respective Intermediate Results. Every activity in LGI's Work Plan underwent close scrutiny, not only from the lead IR team or component, but also from every other IR team/component.

Integration and collaboration became an inherent element as the Work Plans' activities were designed and implemented.

1.2.5 Lessons Learned

It became evident that many successes in the Partner municipalities, and by the FLGR, the NAMRB, the regional associations, and other Partners, were potentially the source of lessons learned for national and local application. The Plovdiv Municipality Fiscal Decentralization Project is one example. A series of analysis and design tasks completed in November 1998 had national policy relevance and produced prototype best practice models for local governments. The Plovdiv project analyzed the impact of recent changes to legislation affecting the structure and yield of local revenues. It also studied the adequacy of a new revenue structure and presented recommendations on how municipal governments could strengthen local revenue generation within the existing legislation. The LGI Plovdiv Project results had significant and far-reaching implications for all municipalities in Bulgaria, and offered lessons for national policy. These lessons had to be widely disseminated.

In cooperation with the FLGR and another USAID contractor, LGI worked with its Partners to document lessons learned. The FLGR began to collect and disseminate them on a regular basis as part of its participation in the USAID-funded LOGIN project. This became an integral part of LGI's approach in achieving SO 2.3. Many of the lessons learned are highlighted in this report in the individual sections on IR and component strategies.

2. INTERMEDIATE RESULT STRATEGIES: SUMMARIES OF ACTIVITIES

2.1 IR1 – “Local Government Has the Authority to....”

The national legal framework provides local governments with the authority to match the responsibilities devolved by the state and delegated by the citizens

Sub Intermediate Result Statement:

“Legal reform at central and local level is advanced”

Sub Intermediate Result Statement:

“Involvement of local government in the national policy-making process is increased”

2.1.1 Overview

The IR1 team focused on legal reform at both the central and local levels, with respect to local government, establishing and improving formal working relations between central executive and legislative bodies and local government institutions. Following the local elections in 1999, increased attention was devoted to strengthening the capacity of local governments to participate in the legislative process.

The IR1 Team operated under the assumption that national and local law making should focus on three main areas:

- Improving the quality and efficiency of local governments and local administration at lowest costs and under democratic control;
- Reconsidering the relations between local governments and citizens to recognize and accept that citizens are clients of local administration; and
- Adapting local government and local administration to the national and regional needs for economic development by seeking a balance between the public and private sector at the local level.

The Team goals were:

- To increase a transparent and participatory legislative process by developing and presenting policy change options in the legislative drafting process;
- To strengthen the legislative processes of local governments; enhance the capacity of the municipal councils as local legislatures for legislative regulation of local issues and relations, designed to create a favorable local environment, marked by stability, diversity, economic viability and administrative efficiency;
- To strengthen LGI partners and institutionalize LGI supported activities and transferring IR1 activities to LGI partners, particularly: The National Association of Municipalities of the Republic of Bulgaria (NAMRB), The Foundation for Local Government Reform

(FLGR) and the National Association Legal Initiative for Local Government (NALILG); and

- To strengthen the capacity of the NAMRB and local governments in assessing draft legislation by providing technical assistance in assessing current legislation drafts; designing and introducing a Draft Law Assessment Model and utilizing the model to prepare assessments of draft legislative acts for the NAMRB.

The IR1 Team stressed cooperation and coordination as an operating principle. Throughout the project, the team supported coordination through participation in the USAID Partners' Coordination Meetings to review USAID/Bulgaria's activities in the area of legal assistance. The Team supported and participated in follow-up round-table discussions on local practices and regulations for small and medium businesses and license regimes, a Legislative Drafting Workshop and round-table discussions with the SME Agency and the Agencies for Regional Economic Development and with NAMRB, FLGR, NALILG and representatives of Local Governments and MSI. These workshops and dialogues were particularly noteworthy, since they attracted participants from the national government, parliament and local governments, diverse political groups, regional governors, village Mayors, and NGO representatives. The participation of the diverse groups contributed to the dialogue's constructive spirit.

In cooperation with the NAMRB and the Parliamentary Commission on Local Self-government, Regional Development and Housing Policy, the IR1 Team organized the successful National Celebration of the Day of the Bulgarian Municipality in Pazardjik. This celebration and conference was officially opened by the President of the Republic of Bulgaria, and it was attended by mayors, municipal council chairpersons, and international experts.

2.1.2 Major Activities

IR1 engaged in a broad range of activities, usually in collaboration with Partners, associations and the other IR components of LGI. Active collaboration was an underlying working principle for IR1 as a means for institutionalizing processes, practices and reforms. IR1 Team carried out activities in the following major areas:

Increasing Transparency. To promote transparency in the legislative process the IR1 team introduced a "notice-and-comment" mechanism; citizen participation; public hearings of draft acts; assisted local governments in acquiring and utilizing capacities to conduct effective lobbying campaigns with the central government and with broad citizen participation; improved local regulatory process through the promotion and dissemination of information about the best practices of municipal councils.

Legislation Processes. IR1 assisted with preparing or drafting a number of specific pieces of legislation and regulations and with drafting improved national legislation relating to local government. This assistance included providing analyses and data regarding decisions needed to improve national legislation pertaining to local government and identifying the stages in the attainment of goals, the interested parties and the key figures for their implementation and assessing and redrafting the Draft Normative Acts Law

Legislative Drafting Capacities. One key area of IR1 activity was to help improve the competence of local governments in the legislative process at the local level, included preparing and publishing manuals; designing and delivering draft legislation training modules providing intensive training in legislative drafting; facilitating public-private partnerships; and developing and publishing a Plain Language Drafting Manual for use at the national and local levels. In addition, the IR1 Team undertook the development of a Draft Law Assessment Model as a tool for analyzing legislative initiatives and an opportunity for timely intervention in the legislative process by drafting reasoned comments and recommendations. This model was completed with the collaboration and support of the IR1 and a group of leaders from the central and local levels.

Institutionalizing a Formal Impartial Assessment of Draft Laws. The IR1 Team worked to support legislation that would make the assessment of draft laws a necessary and binding prerequisite in the legislative initiatives of the government and the MPs. The institutionalization of this phase in the legislative process in Bulgaria is expected to help produce stable legislation, reduce public costs resulting from faulty legislative decisions, and ensure transparency of actions of policy-makers. As part of the effort to institutionalize the assessment of draft laws, the IR1 team assisted in publicizing the Draft Law Assessment Model among the government and NGOs in Bulgaria and involving all interested parties in the institutionalization of draft law assessment practices. The model presented expert opinion in defense of transparency and openness in the legislative process and public administration activities through specialized publications and participation in public discussions of the Access to Public Information Acts.

Reports. The IR1 team prepared reports on possible secondary legislation by the municipal councils for the implementation of the Public Procurement Act, the Concessions Act, and the State Protocol Law, in conformity with local conditions.

2.1.3 Significant Accomplishments and Impacts

2.1.3.1 General Achievements

General achievements include:

- 170 Lawyers participating as members of the Legal Initiative Association
- 9 resource materials prepared and published
- 8 Regulations drafted
- 5 Draft Laws assessed

Resource Materials Developed. Resource materials include:

- Manual on the Legislative Process;
- Evaluation Report Concerning the Legislative Practices in Bulgaria;
- Draft Law Assessment Model;
- Report on the Role of Local Authorities in the Process of Accession to EU;
- Report on Effective Public Communication of NGOs in the Sphere of Local Government in the Defense of Public Interest;
- Comparative Analysis of Election Systems and Procedures of Local Government in the EU Member Countries;

- Drafting Legislation Manual;
- Training Module on Lobbying;
- Evaluation Report Concerning the Practice of the Courts Concerning Administrative Acts of Local Government Officials in Bulgaria;
- Legal Analysis of all the Special Acts Concerning Local Government in Bulgaria;
- Legal Analysis of all the Statutory Acts Concerning Local Government in Bulgaria.

Rules, Regulations, Ordinances Reviewed:

- Regulation on Transformation and Privatization of Health Clinics; Regulation on Municipal Property;
- Regulation on Municipal Markets and Trade Activities;
- Rules and Regulations of the Municipal Council and Municipal Administration;
- Regulation on the Municipal Concessions;
- Regulations on Advertising Activities;
- Regulation on Implementing the State Protocol, Code of Ethics.

Draft Law Assessments Made:

- Urban Development Act;
- Black Sea Coast Act;
- Mountain Regions Act;
- Law on Normative Acts;
- Local Fees and Taxes Act.

2.1.3.2 Legislative Drafting

Legislative Priorities Identified on Annual Basis. The IR1 Team successfully assisted its partners in identifying legislative priorities and establishing this process and practice as an annual event.

Library of Draft Laws. The Team developed, maintained and updated a library of all draft laws included in the legislative program of the Council of Ministers and the National Assembly and made them available to interested ISO.

Influenced Substance of Final Laws. Common Statements, with assistance and support from IR1, were prepared and presented by the NAMRB to the Commission on Local Self-government. Many of the proposed changes recommended were adopted and included in subsequent laws. The Common Statements related to issues of significance to local governments, e.g., Tax Procedure Code, Public Procurement Act Local Taxes and Fees Law, Urban Development Law, and Local Self Government and Local Administration Law.

Developed and Applied Draft Law Assessment. Draft Law Assessment Model was developed by IR1 and utilized on a pilot basis in an analysis and evaluation of the Draft Urban Development and Planning Act. The results from the analysis, presented at a Public Hearing of the Draft Bill in the National Assembly, provoked a serious discussion among the local government representatives and the guilds of architects, civil engineers and entrepreneurs.

Influenced The Revision of Proposed Licensing Procedures. With IR1 assistance, analysis and information regarding the proposed procedures were presented in the mass media and incorporated in the position of the participants in the discussion the Commission for Local Self-government, Regional Development and Public Works.

Conducted Assessments of the Black Sea Coast Draft Law and of the Mountain Regions Draft Law and of the Draft Law on Normative Acts. These assessments were undertaken in response to requests from the Ministry of Regional Development and Public Works and the Minister of Justice.

Initiated and Supported the Formation and Function of a Legislative Drafting Team. IR1 encouraged and supported the formation of a Legislation Drafting Team, including individuals from national and local levels of government and NGOs and other experts. The purpose of the team was to support the implementation of the Strategy of the Legislative Task Force of Local Government Initiative, USAID/Bulgaria. The Team was formed after its members participated in a Study Tour in the U.S., which included a two-week seminar at the International Legislative Drafting Institute, Tulane and Loyola Law Schools, New Orleans, Louisiana. The team assists local governments and the central government on legislative drafting issues and processes. The Legislative Drafting Team's accomplishments include:

- Preparing an analysis of existing legislation affecting local governments in Bulgaria and recommendations and proposal for amendments and changes.
- Identifying pending and adopted legislation affecting local government.
- Identifying, preparing and publishing an analysis of the interrelationship or contradiction among existing laws regulating local government.
- Prioritizing local government related laws needing amendments and new legislation to be drafted.

Developed and Utilized a Training Module on Drafting Legislation. To further enhance legislative drafting capabilities in Bulgaria, IR1 developed a Legislation Drafting Training Module. This module is having far-reaching effects, since it has been approved and incorporated in the Program of the Public Administration Institute, which provides training for the Legal Departments of ministries and civil service staff of the Central and Local Governments. The Team is working to adapt and adopt the Legislative Training Module for the curricula of the Master's Program on European Studies at Sofia University and for the law students of Plovdiv University Law School.

2.1.3.3 Support to Institutions

Supported the Successful Formation of the National Association for Legal Initiative for Local Government (NALILG). IR1 and its partners supported the establishment of the National Association Legal Initiative for Local Government (LILG). This Association was formed in response to a need to share law enforcement experience in the field of local government legislation. The Association members are lawyers working in the field of local government. There are currently 170 members from more than 20 regions in Bulgaria.

Strengthened the Ability of the NAMRB in Exercising its Powers According Article 9 of the Local Government and Local Administration Act. Provided information on current legislative changes and drafting related statements and proposals, the improvement of procedures for the election of the Managing Board of the association, and the further development of the Lobbying component of their Strategic Plan for the next four years.

Encouraged and Supported Continued Cooperation between the National Assembly and the Local Government Commission. Sought new forms of cooperation and coordination and the institutionalization of these relationships.

Supported the Publication, by NAMRB and NALGLI, of Guidebooks with Sample Rules and Regulations.

Strengthened Regional and Other Associations and Organizations. Contributed to the strengthening of various Regional Associations of Municipalities by providing timely and relevant technical assistance. Provided local technical experts and contributed to substantive discussions in which the team had expertise.

2.1.3.4 Transparency of the Legislative Process: Lobbying

Increased Transparency with Respect to Legislative Processes. In April 1999, the IR1 Team organized and jointly held the Parliamentary and Modern Local Government Conference with the National Assembly for the first time in Bulgaria. Local government representatives, Members of Parliament and members of the executive authorities gathered to discuss local government issues. The MPs and local government representatives expressed a serious need for and interest in establishing dialogue and agreed to make the conference an annual event.

Supported the Formation of an NGO Coalition. IR1 and IR4 supported the initiative of the LGI strategic partner, The Foundation for Local Government Reform, in forming a coalition of non-governmental organizations to join efforts for better and more effective local government legislation. To improve the interaction of NGOs in local government, IR1 prepared a draft Memorandum of Understanding defining the main areas of cooperation between the partners, NAMRB, the Association of Rhodopi Municipalities. The Association of Municipal Secretaries signed the Memorandum.

Developed A Draft Code of Ethics for Municipal Councilors. In cooperation with the Customer Service Team and the CSP of LGI, the IR1 Team drafted and assisted in the dissemination through IR3 training modules of a draft code of ethics for Municipal Councilors.

Training Module Developed. IR1, in collaboration with IR3 and IR4, developed the framework of a Training Module on Lobbying with input by NAMRB, the Local Government Legal Initiative (LGLI), the Foundation for Local Government Reform (FLGR), and other LGI Partners. Pilot workshops were conducted on lobbying for over 40 participants, including the executive directors of NAMRB and FLGR.

2.1.3.5 Municipal Elections in Bulgaria

Post Election Seminars. In cooperation with the Center for Study of Democracy, the IR1 Team organized three post-election seminars for diplomats on behalf of USAID. Some of the best sociologists and political scientists in Bulgaria analyzed the results from the Local Elections and made political forecasts for the future. The speakers presented the level of electoral participation and the electoral support for the main political parties and party candidates. A comparison between the local election results from 1995 and 1999 was made. The typology of municipalities and regions, ethnicity and political vote was discussed.

2.1.4 Lessons Learned

Coordinate Activities with Those of Other Donors/Programs. Added benefits can be gained through the coordination of activities in legal and policy reform with projects of other programs/donors (USAID/ABA CEELI/ World Bank/UNDP/Delegation of the EU Commission/Bulgarian NGOs).

Stable Working Relationships are Important. Identification, establishment and maintenance of an efficient and relatively stable working relationship with governmental and political decision-makers has been the biggest challenge for effective project implementation in the policy area.

Establish and Maintain Early Warning Systems. There is a need to establish and maintain good and proactive early warning systems which enable the NAMRB to alert local governments with respect to policy and legal changes.

Define Objectives Clearly. A clear definition of objectives in the legislative sphere is a prerequisite for all legal reform issues dealing with the powers of local governments and their institutions.

The Bulgarian Government Needs Higher-Level Support for Policy Issues. Central Government in support of project implementation (National Assembly, Council of Ministers, Ministry of Finance, Ministry of Regional Development, etc.) plays an important role in promoting and implementing policy change. Providing specialized training in implementing policy change, policy dialogue, public policy, citizen participation, and transparency issues could enhance this role. Many reforms of the Bulgarian governments for the last ten years failed because the roles of public dialogue and citizen participation were not properly understood.

Local Government Training is Advanced. Skills and competence building are more advanced than those of the central government; many times this is an obstacle for dialogue. In most of the cases, Central and Local Governments do not speak the same language or share the same values.

2.2 IR2 – “Local Government Has the Resources to....”

The financial tools, resources and practices of local governments to fulfill their responsibilities and improve the local revenue base are in place.

Sub Intermediate Result Statement:

National government policies and practices support increased fiscal decentralization.

Sub Intermediate Result Statement:

Local government policies and practices support increased fiscal decentralization.

2.2.1 Overview

The mission of IR2 has been to seek additional autonomy over both revenues and expenditures of Bulgarian municipalities, to strengthen the financial management practice of municipalities, and to use both improvements in the legal framework and local practice to strengthen and stabilize the financial condition of the municipalities. Within the framework of the program design for the current LGI program, focusing on strengthening the capacity and sustainability of our institutional NGO partners to conduct this mission, IR2 has worked to strengthen the capacity of municipal NGOs generally, and specifically the statutorily recognized municipal advocate National Association of Municipalities of the Republic of Bulgaria.

When work began in October 1998, there was no recognized agenda for the reform of municipal finances in Bulgaria. In the team’s initial review of the performance measures by which IR2 performance would be judged, it became clear that within the existing legal framework there was little room for substantial improvements in municipal revenues, nor for substantial decentralization of authority to make decisions on the expenditure side of municipal budgets. Under these conditions there is little local accountability for service delivery results, hence incentives for meaningful citizen involvement in local resource allocation decisions. It is also true that when municipal officials have very limited control over their budget decisions, there are few incentives for them to invest in improved financial management procedures and systems. When municipal financial management performance is weak, central authorities observe that there is substantial risk in devolving more decision making authority to the municipalities.

Today, municipal finance policy reform in Bulgaria is well-recognized as a priority activity among the donor and IFI community, led by USAID’s commitment as the current LGI project developed, and as expressed in the priorities of next phase of LGI. The municipal sector has organized itself with increasing sophistication around this agenda. The private financial sector displays the capacity to act as a positive and productive stakeholder. The central government recognizes the need for reforms consistent with the basis tenets of the European Charter of Local Self-Government. The need for reform is widely acknowledged and the way forward is visible.

2.2.2 Major Activities

2.2.2.1 Finance Policy Reform

Policy Forum on Fiscal Decentralization. IR2 and IR4 partnered with FLGR to hold a policy forum on fiscal decentralization to call attention to the main features of decentralized systems and to point out the main directions for achieving fiscal decentralization in Bulgaria. The IR2 Team contributed technical papers on topics ranging from intergovernmental finance to municipal credit.

Policy Forum on Municipal Credit. IR2 joined with colleagues from the Urban Institute to produce an analytical report on the development of municipal credit in Bulgaria and to hold a policy forum attended by all the major Bulgarian and international stakeholder institutions, including leading representatives of the private financial sector of Bulgaria. The forum was cosponsored by FLGR, NAMRB and three private sector financial institutions.

National Conference on Local Tax and Fee Legislation. IR2 partnered with NAMRB to provide technical papers and presentations that placed Bulgarian local taxes and fees in the context of European practice. This conference was attended by the municipal sector with representation by the Ministry of Finance.

National Conference on Municipal Finance Policy Reform. IR2 prepared a comprehensive proposal for the reform of municipal finances in Bulgaria. In addition, the team prepared a series of workshops highlighting some of the specific “tools” highlighted below. The conference agenda was designed to maximize stakeholder participation (central government institutions, municipal sector, private finance sector and IFIs) in the dialogue on policy reform options, and then present “tools” for facilitating implementation of suggested policy reforms. On-going meetings with the MOF has delayed this conference which will probably be organized by the next USAID/BG local government program.

Quarterly Budget Status Monitoring Reports. For this activity, IR2 and a key NGO collaborator, Club Economika 2000, initiated a quarterly review of the financial condition of a sample of Bulgarian municipalities to call attention to the persistent revenue/expenditure imbalance in the year 2000 budgets. These reports were used by the NAMRB budget negotiating team in its meetings on budget issues with the Finance Minister and the Prime Minister. This activity was closely linked to the joint IR2/3 initiative to educate journalists on the basics of public finance, and to the development of a municipal budgets database, the latter activity also led by Club Economika 2000.

Fiscal Decentralization Policy Reform Working Group and Technical Support Reports. The IR2 Team constituted the Working Group and supported its deliberations on adjusting the municipal subsidy system to accommodate health expenditure cuts. Highlights of the TA support include the development of the Municipal Finance and Subsidy Model (see description below) and a series of reports defining the health expenditure changes and introducing and assessing a series of subsidy system changes.

2.2.2.2 Tools

IR2 developed and introduced a number of tools to assist both the municipalities and local governments in planning and managing financial and budgetary matters.

Municipal Finance and Subsidy Model. This tool is a large Excel-based spreadsheet with a Visual Basic user interface that simulates the operation of the subsidy system and supports testing of the impacts of alternative subsidy designs.

Municipal Financial Analysis Model. This is a large Excel-based spreadsheet model with a Visual Basic user interface that supports development and monitoring of budgets at the individual municipality level. Users can generate a budget according to the standard Uniform Budget Classification and monitor it quarterly. Users can also generate an “analytical budget” that incorporates the most significant budget making rules in a series of Excel algorithms. The model also supports elementary multiyear forecasting. The model “restates” budgetary balance by making necessary corrections to the current budget practice to conform to internationally recognized, sound financial management practice.

Municipal Creditworthiness Assessment Methodology. This technical report and a series of Excel spreadsheet routines describe analysis of the debt carrying capacity of a municipality. The model “restates” budgetary balance to arrive at calculations of the amount of debt a municipality could reasonably sustain over a forecast period. The report assesses debt-carrying capacity of four sample municipalities under continuation of the current budget policy framework and under the current standard official medium term macroeconomic forecast. The report demonstrates the impact of alternative macroeconomic scenarios and policy changes approximating those suggested in Comprehensive Municipal Finance Policy Reform Proposal cited above.

Service-Based Budgeting Procedures Manual and Reference Manual. These manuals define a budget development methodology that explicitly links the estimates of budget spending to measures of service need and production. The Procedures Manual is a step-by-step manual incorporating standard budget forms and budget instructions and procedures to be adapted by municipalities implementing the procedure. The Reference Manual explains why the SBB approach benefits the municipality, links practice to theory, and provides the technical basis for IR3’s training on this topic.

Budget Balancing Methodology. This methodology defines a series of adjustments in budget logic and practice that are necessary for Bulgarian municipalities to prepare and execute budgets that are balanced and sustainable according to internationally accepted good financial management practice. It also provides the technical basis for IR3 training on this topic.

Development of Municipal Finance Database. This database is constructed in a partnership between IR2, IR2 collaborator Club Economika 2000 and NAMRB to provide ready access to municipal sector budget data for monitoring and analytical studies. This task was incorporated in IR2 work plans to compensate for the suspension of access to official MOF data files, which occurred in late 1999.

Burden of the Mandates Study. This study provides a replicable methodology to determine the proportion of municipal expenditure which is driven by central government budget rules and is

therefore not locally determinable. There is no standard definition in Bulgaria of such “mandated” expenditures, despite the provisions of Municipal Budget Act that are framed in broad language to protect municipalities from “un-funded mandates”. This study provides a working definition of centrally mandated expenditure, based on analysis of the characteristics of expenditure of the municipality of Razgrad.

Finance Training of Bulgarian Journalists. IR2 provided content for the IR3 training curriculum on public finance.

Solid Waste Cost and Fee Methodology. IR2 identified the solid waste fee as the most significant municipal revenue raising opportunity under the current legislative framework, and supported the IR3 team in developing the detailed methodology.

2.2.3 Significant Accomplishments and Impacts

2.2.3.1 Finance Policy Reform

The *Fiscal Decentralization Policy Forum* stimulated the Ministry of Finance to request TA in reforming the subsidy formula to account for reductions in municipal health care spending due to implementation of the National Health Insurance Fund. The Policy Forum fostered the formation of the *Fiscal Decentralization Policy Reform Working Group*, a consultative body of municipal sector and central government representatives organized by IR2 to consider reforms in the subsidy system.

The *Municipal Credit Policy Forum* stimulated participation of private financial sector institutions in policy dialogue on municipal finance. These institutions participate on a pragmatic and non-ideological basis and have commercial interest in encouraging a financially healthy municipal sector. This policy forum also stimulated the interest of the World Bank and the EBRD in the development of a municipal credit market, and encouraged the Bank to attend to larger issues of municipal finance and decentralization.

The *National Conference on Local Taxes and Fees* introduced OECD norms for determining the degree of local autonomy over a revenue source into the Bulgarian policy dialogue on local taxes and fees. This is significant because conventional Bulgarian usage regards as municipal “own source revenue” shared taxes over which municipalities have no control. The Conference led to a NAMRB legislative proposal on local taxes and fees.

The deferral of the *National Conference on Municipal Finance Policy Reform* has delayed progress on finance policy reform within the current LGI program. It appears unlikely that this conference can be held within the remaining term of the current LGI program, and the timing may not be appropriate to hold the conference during the active campaigning for the parliamentary elections scheduled for June. Thus, the first opportunity for such a conference may be Fall 2000, which will be too late to affect the main dimensions of the municipal finance policy framework for the 2002 budget cycle. Despite this, preparations for the conference have yielded significant intellectual capital on both finance policy reform and financial management tools to be transferred to the next LGI program, which will focus on these topics.

Through the increased competence of IR3-trained journalists, the *Quarterly Budget Status Monitoring Reports* led to a substantial increase in the quality, balance, and quantity of press coverage on municipal budget issues, and contributed directly to the recognition by the central government that the year 2000 municipal budgets incorporated a structural deficit. Previously, the central authorities' public characterization of municipal budget problems focused heavily on the alleged prevalence of incompetent budget management at the municipal level.

The *Fiscal Decentralization Policy Reform Working Group and Technical Support Reports* led to a consensus accepted by municipal sector representatives and central government bodies on an acceptable modification of the subsidy formula to be introduced in the year 2000 budget. In response to the successful application of the *Subsidy Model*, the Ministry of Finance requested development of a second model to replicate the development and execution of municipal budgets.

2.2.3.2 Tools

Municipal Finance and Subsidy Model. This tool and its documentation (a User's Manual and a Technical Manual) contributed to dialogue on intergovernmental finance by making available to all participants the means to analyze and understand the complex workings of the MOF subsidy allocation methodology. Previously, this capability was held only by Ministry of Finance.

Municipal Financial Analysis Model. This model's primary purpose is to support municipal self-assessment of budget performance and financial condition, and to support the oversight of the municipal financial condition by key stakeholders, such as MOF. This should increase the level of understanding and dialogue within municipal governments and between municipalities and stakeholders.

Municipal Creditworthiness Assessment Methodology. This methodology directly supports municipal self-assessment for credit purposes and is intended as a tool to facilitate improved decision-making by municipal borrowers and potential end users.

Service-Based Budgeting Procedures Manual and Reference Manual. These manuals will improve the quality of budget decision-making, and they will increase informed citizen participation in budget decisions by making clear and transparent the relationship between resource allocation choices and service outcomes, such as the quantity and quality of service.

Budget Balancing Methodology. This methodology contributes to the development of budget practices which support sustainable budgetary balance without resort to "on paper" balance practices, such as deferring payment of bills and booking financing transactions as a substitute for true operating revenue.

Development of Municipal Finance Database. This database democratizes access to information on the status of municipal budgets by installing within NAMRB a database covering enacted municipal budgets and quarterly budget execution data. This data provides the raw material for thorough budget analysis and informed advocacy on budget issues.

Burden of the Mandates Study. This study provides a working definition of centrally mandated municipal expenditures and provides an operational link between the broad mandate protection

provisions of the Municipal Budgets Act and annual budget practice. Municipalities may use this methodology to determine the degree of mandated expenditures within their budgets and, as appropriate, to invoke the protections available under the Act.

Finance Training of Bulgarian Journalists. This training resulted in a substantial increase in the quantity, quality, and balance of press coverage on municipal budget topics. Previously coverage was limited and frequently consisted of uncritical repetition of press materials prepared by central authorities.

Solid Waste Cost and Fee Methodology. This training yielded methodology that can be implemented by any municipality to examine the potential for increasing solid waste fee revenue to fully cover all costs of service.

2.2.3.3 Other

Institutional Capacity Building. NAMRB has developed the capacity to articulate and advocate for significant reforms in municipal finance.

Revenue Performance. The proportion of municipal revenues over which municipalities have exclusive or predominant control has changed from 20.5% in 1998, to 17.5% in 1999, to 19.8% in 2000. It was at 12.1% in 1997). There is broad agreement that a steady increase trend should be reinforced under future reforms such as those suggested in the Comprehensive Municipal Finance Reform Proposal.

Progress Made in the Year 2001 State Budget. The 2001 State Budget Act ended the practice of imposing expenditure priorities on municipal budgets and authorized the municipal councils to take these decisions. Recent studies of the Audit Chamber showed that local governments' revenues cover 92 to 93% of the legally imposed expenditure priorities. The mix of the structural deficits and the expenditure priorities has led to substantive deterioration of the financial situation of the Bulgarian municipalities.

A new subsidy formula logic was implemented in 2001 that consists of an attempt to get closer to the idea that the central government should provide the resources for the expenditure mandates. The sum of shared taxes and the subsidy should cover the expenditures required by the regulatory framework. Further improvements are needed in the following areas:

- The local taxes should be excluded from the formula in order to provide local governments incentives for increasing their yield.
- The operating expenses (excluding the labor costs) should have greater weight in the subsidy calculation.
- An objective and stable methodology for the assessment of the expenditure mandates is needed (see Burden of the Mandates Study).

The 2001 State Budget Act implemented a new budget policy, which levies the total of the tax revenues and the subsidy (paragraph 22). This provision requires the MOF to increase the subsidy allocations in cases where the tax revenues are below planned levels. And vice versa: the subsidy will be decreased if the tax revenues exceed the planned level. Unfortunately, the

presence of unbalances in the municipal finances (estimated at BGN 250 mln) will not allow a stable improvement in the municipal budgets. Thus, the only source for additional revenues is the non-tax revenues (6 to 7% of total municipal budget revenues).

Recognition of Finance Policy Reform. There is wide recognition of the need for substantial reform. Most noteworthy is the Prime Minister's report accompanying the proposed State Budget Act 2001, which cites reform principles entirely consistent with LGI's reform proposals. Also noteworthy at the central government level are the PM's repeated endorsement of a Constitutional amendment to authorize municipalities to set their local tax rates independently and the recent opening of Parliamentary debate on this issue. The donor and IFI community are now aware, as is witnessed by the UNDP year 2000 report on Bulgarian municipalities, of the increasing attention paid to sub-national finance by IMF, and the strengthened interest of the World Bank. The Bulgarian private financial sector has become an important and capable stakeholder as pension funds seek municipal securities to diversify investment portfolios, the stock exchange eagerly awaits the issuance of publicly traded municipal securities, and commercial banks seek municipal customers for investment loans. In a May 2000 audit report, the National Audit Office recognized that municipal budgets incorporate a structural deficit. This report contributed substantially to building recognition for the need for fundamental reform in the intergovernmental finance relationship and for strengthening municipal management capability.

2.2.4 Lessons Learned

An Integrative Perspective is Important. In order to foster progress on both finance policy reforms and use of financial management tools, it is important to build on synergies between "technical" work in finance and the broader objectives of democratization and empowerment. Transparent budget procedures empower citizens to become real stakeholders. Tools that de-mystify arcane and complex resource allocation procedures level the playing field for participatory decision-making. An educated press can be a powerfully democratizing influence in fostering dialogue on finance reform.

Persistence is Important. Change is not easy for most institutions. A clear sense of direction is important, but persistent effort is equally important, as is a recognition that obstacles and setbacks are embedded in the process of change.

Policy Reform and Tools are Mutually Reinforcing. It is essential to recognize that both are necessary to achieve improvement in either the policy framework or in municipal financial management capability. Central authorities will not yield control over resource allocation to municipalities without a meaningful prospect of capable local management; municipal leaders will have few incentives to strengthen practice without relaxation of centrally imposed controls.

Dialogue is Critical to Success. The quality and durability of dialogue with central government authorities is critical to the success of municipal finance policy reforms. The current LGI project has enjoyed a period of productive dialog, and is currently embarked on a renewed dialogue that will build a solid foundation for the next phase of LGI reform efforts.

Elections Matter, and Partisanship Compromises Reform Dialogue. LGI experienced a lapse of municipal finance policy reform dialogue at the time of the municipal elections in Fall 1999. Bulgarian elections are partisan, and care will be needed at the time of future elections to avoid similar lapses in dialog. Central authorities and municipal sector stakeholders appear reluctant to engage in productive public dialogue on finance policy reforms during the weeks proceeding the Parliamentary elections in June. Nevertheless, efforts should be made to continue the dialogue.

Municipal Competence Building is Critical. There is a small cadre of highly capable municipal finance practitioners now in Bulgaria. It is very important to “scale up” – to find reliable and cost-effective ways not only to disseminate good practices information, but also to foster replication of good practice in the municipalities.

Foster Recognition of Diversity of Municipal Capabilities. Bulgarian municipalities vary widely in their financial condition, management capacity, and prospects for capable exercise of expanded financial decision-making. Policy reform proposals should recognize this diversity such that the progress of the strongest, most capable and innovative municipalities is not held hostage to the pace of the weakest. One way to advance this approach would be to provide expanded decision-making autonomy on a pilot basis to municipalities who commit to develop and maintain appropriately high standards of financial management, and to use the experience of successful pilot municipalities as a laboratory of progress for others to emulate.

2.3 IR3 – “Local Government Competence is....”

Local Government competence is improved, participatory practices are strengthened, and local partnerships are in place.

Sub-Intermediate Result Statement:

Local Government officials and citizens have increased skills, knowledge and experience in local self-government.

Sub-Intermediate Result Statement:

Local Governments have working partnerships with private profit and nonprofit organizations to support local government.”

2.3.1 Overview

The focus and priorities of IR3 were based on the recognition that at the foundation of democratic governance are competent elected and appointed government officials. IR3 addressed two major areas:

- Strengthening the competency and capacity of local governments to deal with the transitions that face them.
- Developing a capacity to continue and expand competency development programs for current and future government officials by providing training activities in a broad range of subjects and areas.

To achieve these objectives, IR3 focused on:

- Building competency through training and development of tools for local government.
- Creating a market demand for training from the local governments.
- Institutionalizing training capacity by creating a supply of trainers who could function independently as trainers and consultants.
- Disseminating information and providing the skills for replication of pilot projects from the other LGI result areas.
- Utilizing changing political and governmental to provide focused training and capacity development activities.

2.3.2 Major Activities

2.3.2.1 Creating a Market Demand for Training from the Local Governments

To encourage a marketing environment for training, it was necessary for municipalities and Regional Associations of Municipalities (RAMs) to recognize and accept that training was not a free commodity and that it should be the norm to pay for training and other competency development services and assistance.

To help establish a demand for training and related services, LGI implemented a policy of paying for the cost of the trainers and training materials, and the sponsoring organizations and clients assumed responsibility for all other costs.

The principal sponsors for delivering training were the Regional Associations of Municipalities (RAMs) and the National Association of Municipalities in the Republic of Bulgaria (NAMRB.). These organizations were developed and were being supported specifically to provide assistance to municipalities and municipal officials. Thus, it was logical for them to market training through their newsletters and meetings and to provide the necessary training venue, equipment, study materials, and logistics.

This LGI policy and partnership with the associations helped to create a market situation that supports both the demand and supply sides of training in the public sector. Participants and municipalities are becoming accustomed to paying for training and sponsoring organizations are developing new revenue sources through the provision of training.

On the supply side, trainers have been encouraged to market their skills and services privately, and they are being hired independently by individual municipalities, NGOs and other donor agencies, those training organizations that utilize materials and skills developed through LGI to provide training and consulting services include:

- The Danube River Training Center, a private, not for profit organization, that has developed partnerships with several LGI trainers to deliver training through the Center.
- Club Economika 2000, that delivers training and offers private consultancies to municipalities, primarily in the areas of strategic planning and municipal fiscal policy.

- The National City Secretaries Association (NCSA), that provides training in setting up customer service centers and customer friendly service in association with LGI’s Innovative Practices Team.
- The National Association “Legal Initiative for Local Government” (NALILG), that has provided training in legislative drafting.
- Geopond Consult, a private corporation, that offers training in environmental and fee setting topics.

2.3.2.2 Institutionalizing Training Capacity For Municipalities

To institutionalize training capacity for municipalities, IR3 focused on the development of a cadre of independent trainer/consultants with the skills necessary to:

- Develop and provide training within a free market and an independent consulting framework.
- Convert such “raw” material as best practices, new legislation, innovative approaches into interesting, practical, and useful workshops for local governments with little or no external assistance.

The process of trainer development encompassed:

- Training opportunities focused on developing the framework of a workshop; identifying and focusing the target audience; developing the goals of a training program; and identifying the skills and information that trainees would need as professional practitioners.
- Skill clinics providing opportunities for trainers to sharpen their skills and confidence and to increase their professionalism. These clinics emphasized advanced facilitation skills, presentation methods, effective utilization of exercises for increased learning, marketing training products, managing the training cycle, and conducting needs assessment using appreciative inquiry for positive results and creative thinking.

A smaller cadre of trainers was taught to teach adult learning training skills, and they ultimately conducted Train-the-Trainer Workshops for all of the RAMs, the NAMRB, and other private organizations and NGOs.

2.3.2.3 Competency Building: Training And Tools For Local Government

A broad range of competency building workshops and related materials in both municipal management and specialized functional areas and issues were developed and conducted by IR3 in response to current conditions and developments within Bulgaria.

Fee Setting Methodology. IR3 developed and introduced a fee setting methodology to assist municipalities in obtaining the skills and information required to set fees for cleaning settlements and setting water rates. The methodology was developed through work with six pilot municipalities, reflecting Bulgarian costs and local conditions. To introduce the methodologies, two manuals were produced and training provided for the pilot municipalities. The experience gained from pilot municipalities’ work to implement the methodologies was shared in a

conference attended by representatives from other interested municipalities. Follow up workshops were held after the conference to train municipal technical experts in how to implement the methodologies. This work helped address two major municipal problems, and assisted in developing the institutional capacity to manage these on a continuing basis. The introduction of the manuals and related training and their use with pilot projects contributed to introducing a broader audience to this process, also leaving behind the capacity to assist additional municipalities.

Impact Study for Vidin Bridge Project. Competency building was a significant focus and outcome of a study conducted by IR3, in cooperation with local and provincial officials. The study was undertaken to determine the impact on solid waste of the construction of a proposed bridge across the Danube in Vidin. Through collaboration, local and provincial officials gained valuable experience in conducting and using impact analysis. The study identified the impacts of the bridge construction and presented recommended issues that could be raised during negotiations by the province and municipality with contractors and the national government.

Newly Elected Officials Workshops. Following the local elections, LGI, in concert with the National Association of Municipalities and the Foundation for Local Government Reform, conducted a series of workshops for newly elected local government officials. The workshops, designed to raise the issues of leadership, ethics, teamwork and personnel management, were conducted over a four-month period immediately following the local government elections. The workshop topics were identified through interviews with existing mayors and discussions with the staff of FLGR and NAMRB. Sessions ranged from strategic planning for the staffs of the regional governor's offices, to human resource management and building effective teams.

2.3.2.4 Replication Of Pilot Projects From The Other Result Areas

The replication of pilot projects was another approach utilized by LGI for a competency building. The replication process built on information previously disseminated to alert officials and the public about available alternatives. Information and related processes and skills were introduced into an organization and used to provide new or increased service. The major replication activities that LGI provided include:

Drafting Legislation. IR1 developed a multi-faceted program to increase skills in Legislative Drafting. IR1 selected and trained a Legislative Training Team skilled in the process of drafting legislation. This expert team, with guidance from an expert external team, provides training to a broad range of individuals and groups, including municipalities and related associations.

Lobbying. IR1 developed a workshop to increase skills in lobbying practices and processes. An initial lobbying workshop was converted into training modules by IR3 Bulgarian trainers and the IR1 experts. This workshop can now be replicated as requested.

Service Based Budgeting. IR2 developed a model for Service Based Budgeting (SBB) in Razgrad. This model was a financial tool designed to strengthen municipal financial management. Following introductory work, including a workshop, IR3 replicated the SBB process and conducted workshops in 12 municipalities.

Budget Balancing Practices. To make the specialized SBB more broadly available and relevant, a group of IR3 financial trainers revised and refined the module. As a result, they created a Budget Balancing Practices module, presented in a series of workshops conducted with teams from 36 municipalities. One significant element of this module was that follow on technical assistance was available and provided, upon request, by the trainers. This technical assistance contributed to the adoption and implementation of many budget balancing practices in the participating municipalities.

Fee Methodology. As noted earlier, IR3 used a replication process, with team training and follow on technical assistance, for the Fee Methodology project.

2.3.3 Significant Accomplishments and Impacts

- 82 Workshops held
- 1,534 Participants attending workshops
- 184 Municipalities attending workshops
- 18 Modules created and/or revised includes modules created during LGI 1 and substantially revised and refined during LGI 2.
- 145 Trainers trained
- 14 Bulgarian organizations sponsoring training
- 72 Municipalities implementing a financial reform

Trainers Trained and Utilized. Overall 145 individuals received some training as trainers. Of these, 40 received extended training and were utilized by LGI and its Partners as trainers. A cadre of these trainers increased their capacity to manage the entire training process, beginning with information specific to a situation and using it to develop a relevant training program.

Geographic Distribution of Training Capacity. The scope of training resources and opportunities has expanded throughout Bulgaria. Thus, there are now both trainers and training centers available in different regions of the country, rather than their being focused primarily in Sofia. This dispersion of training capacity is part of a major shift that is occurring, thanks in large part to LGI's activities.

Training Modules and Materials Developed and Available. For each of the training modules, a comprehensive set of materials, training exercises, and handouts were developed and revised as necessary. These materials, used by competent trainers, represent a valuable competency building resource for several municipalities and they are being disseminated broadly throughout Bulgaria.

Increased Emphasis on Training and Competency Building by Municipalities. With the encouragement of RAMs and the NAMRB, municipalities are devoting increased attention to training and competency building in a variety of areas.

Adoption of Improved Practices. Following activities such as workshops in Strategic Planning, financial management, or fee methodology, municipalities are beginning to implement improved municipal management processes and procedures. There are indications that nearly half of the municipalities involved with the financial management or fee methodology activities are

adopting or reforming some administrative practices and processes. For example, the fee methodology was introduced to almost half of the Bulgarian municipalities, and 60 municipalities received technical training needed for implementation of the methodology. Of these, virtually all are making some reform in their fee setting approach based on the new methodology. In addition, the Ministry of Environment is requiring use of the manual to develop cost data as the basis for calculating municipality's ability to repay loans and the will of officials to raise fees to cover the cost of loan repayment. The National Audit Agency endorsed the method as the first auditable accounting for expenses and revenues.

Training Centers/Institutions. During the LGI project, a number of training centers and institutions were established and are providing capacity development services and assistance to municipalities and other organizations and clients within Bulgaria. The strengthening of these institutions has resulted in part from the cooperation and collaboration of the trainers with IR3 and the other results components.

Newly Elected Officials Workshop. Over 255 newly elected officials, representing over one third of the municipalities in Bulgaria, participated in LGI workshops designed to raise the issues of leadership, ethics, and teamwork and personnel management.

Workshops on Municipal Financial Situation for Journalists. Over 50 journalists participated in two workshops where issues of local government finance were presented. Subsequent to these workshops, the NAMRB reported increased and more informed attention in the press devoted to issues of municipal finance.

2.3.4 Lessons Learned

Bulgarian Experts Trained as Trainers Increased Effectiveness. The use of Bulgarian experts and trainers in place of or in addition to external technical assistance significantly increases the credibility necessary for implementation. Of particular value in the workshops were the Bulgarian experts who were able to say: "I've tried this, I know it works" and who were able to design workshops based on Bulgarian experience and knowledge and knowledge of a new process.

Training of Teams Increases Support for Change. Training a team of experts rather than a single individual from a municipality significantly increases the subsequent support for change within the municipality. In addition, action plans prepared during the workshops are more likely to be realistic and supported.

Replication Workshops with Follow on Technical Assistance Increases Effectiveness. Follow-on technical assistance increases the effectiveness of the replication workshops and increases the likelihood that new or revised practices will be adopted or implemented within municipalities.

Training and Supporting Individual Trainers Supports Institutionalization. The development of skilled, confident individual trainers, while requiring time and commitment is worth the investment in terms of institutionalizing training capacity.

Careful Selection of Trainers Increases Effectiveness: The careful and systematic selection and use of trainers who combine substantive knowledge and training skills increases the value and effectiveness of training programs and workshops.

2.4 IR4 – “ISOs are Assisting Local Government”

Intermediate Support Organizations Are a Significant Source of Assistance to Local Governments.

**Sub-Intermediate Result Statement:
Intermediate Support Organizations Have Sustainable Capacity to Support Local Government.**

**Sub-Intermediate Result Statement:
Intermediate Support Organizations Promote Regional and Trans-Border Links Responding to Local Government Development Priorities.**

2.4.1 Overview

The main focus for the IR4 Team in the period between October 1998 and March 2001 was on promoting sustainability within the network of organizations working in support of strong, efficient, and responsive local government in Bulgaria. These organizations had to have adequate resources, capacity, and competence to serve local government and support its structures.

IR4 worked with a variety of organizations that had many features in common but also differed substantially in their goals, functioning capacity, and degree of development. IR4 also worked with and for all official LGI partner organizations, focusing its efforts and resources on the intermediate support organizations such as regional associations of municipalities, professional associations, FLGR, NAMRB, municipal centers and regional development agencies.

The IR4 Team worked in a complex and dynamic environment and responded to the needs of newly-established organizations, while continuing to support and assist organizations that had already gained substantial capacity and had their own distinctive identities and specific features.

The IR4 partner team provided individual TA for specific organizations through partnership, mutual assistance, and sharing of experience and skills. The challenge was to meet these needs in a way that would encourage sustainability and independence. Working in support of a strong, efficient, and responsive local government in Bulgaria, the institutions had to be capable of doing so while assisting each other and their members. This was made possible through LGI's work with the institutions, building on the institutional base already in place, and continuing to reinforce the network of Partner organizations.

2.4.2 Major Activities

2.4.2.1 Research and Assessment of the Technical Assistance Needs of the Partner NGOs

In its overall activities, the IR4 team focused primarily on carrying out a survey to determine the individual needs for technical assistance for each of the partner NGOs. The Team developed a system for period repetition of the survey and on-going identification of the Partner organizations' needs in order to react to constantly changing environment. This system yielded regular updates on organizational status and level of institutional development. Through these activities, the IR4 team followed the development of any LGI Partner organization and identify its strengths and weaknesses. In turn, this allowed long term planning and effective actions to be carried out on a day-to-day basis to enhance strengths and eliminate weaknesses.

Needs assessments and identification of areas needing to be developed were part of a recurring process that facilitated the implementation of other activities within the IR4 plans. These activities were carried out in response to delivering individualized TA, taking into account the dynamics of a constantly changing external environment.

2.4.2.2 Enhance the Capability of ISO's to Build Partnerships and Enlist Supporters

The LGI Partner organizations have become more efficient by working in partnership and sharing duties and responsibilities. These organizations have begun to rely on broad-based coalition building to defend policy positions on techniques and practices of their establishment, and on creating Memoranda of Agreement (MOA) between associations for joint positions and to work on common issues.

Monthly meetings to exchange experience and ideas and to undertake common actions were received positively by all Partners as a first step towards the construction of an effective Partner network of organizations working in support of local government. Several organizations initiated their own programs and activities following the exchange of experience and information shared during the monthly meetings. They can be illustrated by the following examples:

- Youth programs were initiated in a number of regional associations for young people in the municipalities.
- The regional associations, with the Danube Center for Training and Development, Club Economica 2000, NALILG and NAMS, initiated activities in such areas as training and delivery of specific services.
- Common programs were developed by the regional associations and NAMRB for twinning with the National League of Cities, and some state associations in the United States.
- An agreement on training fees collection was entered into by several RAMs, municipalities and the NGOs delivering training.

IR4 developed a program for the continuation of these meetings and improved communication among the Partner network through the use of new information technologies.

The MOA was a step in the development of a Partner community. Some areas of common activities, and the activities themselves, were formalized – settled on the basis of a signed MOA. Besides coordinating individual activities, this formalization of relations ensured distinction of responsibilities and common implementation. This increased the efficiency of the organizations, especially in the area of representation of the interests of local governments and legislative changes, while significantly reducing costs.

The MOA among the RAMs and NAMRB was signed by several organizations. For for several months, a working group of the association has worked to develop a refined draft, which is expected to be approved at a joint meeting of the management boards of the NAMRB and the regional associations.

2.4.2.3 Enhance the ISOs Capacity for More Efficient and Strongly Supported Local Government.

The IR4 Team has continued to enhance the Partners’ capacity through TA, distribution of materials, sharing information and experience, and training based on ongoing research of needs.

IR4 has provided technical support to enhance the knowledge and skills of the staff members of associations of municipalities, FLGR, the agencies for local economic development and the LGI partner municipal centers.

The TA, and other support provided to the ISOs, has always been based on their level of development, capabilities and specific features. IR4’s plans and activities targeted:

- Organizations providing direct support to local government, such as associations of municipalities, professional associations, and FLGR.
- Organizations working in local economic development, such as agencies, municipal centers, and others.

The IR4 team made a distinction between Partners who have considerable knowledge and capacity and newly established organizations. IR4 offers support to the latter within the framework of the network of Partners.

The Partner organizations received assistance in the following areas:

- Organizational structure and team building.
- Development of project proposals and management.
- Services to members: support and encouragement in coalition and partnership building.
- Lobbying techniques and practices.
- Recruitment and retention of members.
- Development long-term strategies to achieve sustainability.
- Strategic and work planning.
- Communication strategies.
- Publications.
- Enhancing the administrative skills of RAM leaders.

- Strengthening the management skills of top elected and appointed officials working for the regional associations and NAMRB.
- Improving services provided by the associations to their members.
- Conducting effective meetings.
- Financial management and budget development.
- Improving services provided by the centers and economic development agencies.
- Technical assistance for initial institutional building of newly established associations, centers and agencies (including assistance to newly launched centers under DRI and PLEDGE).
- Tools for joint organizational status assessment and planning of the organizations' institutional development.
- Research and assessment of needs.

2.4.2.4 Promote Sustainability of Membership Organizations

This activity originates in the specific features and characteristics of the environment in Bulgaria. Local elections are normally followed by significant changes affecting the representatives of the associations' member municipalities. IR4 spent considerable efforts promoting the working relationships among elected officials representing the member municipalities in the associations and their staff members.

Newly-elected representatives of member municipalities of the associations received technical assistance to build skills and knowledge about the nature of associations, the associations' role in defending and representing the interests of local government, and the services offered to their members. IR4's aim was to familiarize new staff members with the achievements of the associations in the past years, with their bodies and management structures, rules and management practices in order to achieve continuity and easier involvement in their work.

Resource materials were developed and distributed among new staff in the associations of municipalities to facilitate their adaptation and familiarity with work.

2.4.2.5 Support for ISOs for the Establishment of Effective Trans-Border Relationships

A number of associations and other organizations, responding to requests of municipalities, have started specific activities aimed at supporting them in the area of trans-border cooperation and establishment of Euro Regions. IR4 has developed and distributed two manuals to assist the organizations and municipalities in the above two fields. In addition, specific technical assistance was provided to some organizations in their efforts to establish Euro Regions.

2.4.3 Significant Accomplishments and Impacts

- Conducted 16 workshops for elected and appointed officials in the Partner organizations.
- Provided technical support to organizations in over 180 areas and topics.
- Created an informal Partner network, involved in exchanging experience and undertaking joint actions in support of the organizations working in the field of local government.
- Developed a formal network of regional associations of municipalities and NAMRB.
- Developed and distributed five manuals:

“Trans-Border Cooperation between Local and Regional Authorities in European Neighbor Countries,” “Trans-Border Cooperation and Euro Region Bodies,” “Collection of Needs Research Materials,” “Strategy Framework for Long Term Sustainability,” and “Establishment, Development and Management of Regional Development Agencies.”

An important accomplishment of IR4 and LGI was there is now a significant number of strong organizations with considerable capacity to assist and support local government. Nine Regional Associations of Municipalities, with over 150 members, are registered. The NAMRB unites all 262 municipalities in Bulgaria. The FLGR has an excellent reputation, and the capacity to deliver services to local governments, centers, and agencies.

2.4.4 Lessons Learned

Work In Support of Membership Organizations to Ensure Continuity and Involvement of Newly Elected Leaders is of Critical Importance.

Training for Newly Elected officials is Paramount.

Working in a Partner Network While Maintaining One’s Own Identity and Specificity is Difficult and Sensitive.

With Encouragement and TA, Individuals and Local Government Entities Can Work Together Toward Common Goals.

Ongoing Training for Local Government and NGO Staff is Necessary.

3. OTHER COMPONENTS

3.1 Communication and Strategic Partnerships

To contribute to sustainable partnerships among municipalities, non-governmental organizations, and other organizations working with and for local governments in Bulgaria.

3.1.1 Overview

The Communication and Strategic Partnerships (CSP) Team developed its mission on the basis of Partners’ needs and in support of LGI IR Teams. To contribute to Bulgaria partnerships of sustainable organizations, supporting local government, and Partner municipalities that:

- Have the capacity to design, implement and monitor their own communication strategies.
- Have functioning communication systems among themselves.
- Are able to communicate successfully on a national and international level .

One LGI principle is that communication is the shared responsibility of all LGI teams and Partners, therefore the CSP team contributed in achieving the following goals:

- Improved communication within LGI, among Partners, and with citizens.
- Increased citizen participation in local government decision-making and problem solving.

LGI's participatory structure has made it possible to reflect Partners' needs and perspectives. The same is true about the CSP Team, which discussed communication problems and opportunities in the preplanning period. One of the basic conclusions was that the efficient flow of information and improved communication among partners and with key groups such as Central Government bodies, citizens and media are still identified by Partners as critical to achieving their goals.

3.1.2 Major Activities

The CSP Team actively supported a National Publicity Campaign, that included radio talk shows, cable TV shows and journalist workshops that all contributed to a heightened awareness of the importance and credibility of local government. The Association of Municipal Communications Officials (AMCO) was formed and registered as an NGO, and new customer service initiatives were begun with the support of the volunteer Innovative Practices Team (IPT).

CSP worked to build on the program successes, to encourage and support the independence of the IPT and to assist the AMCO as it strove for sustainability and maintained the positive momentum of the national Publicity Campaign. Consistent with the goals of CSP, all activities encouraged and supported recognition of the importance and credibility of local governments and promoted understanding of local government functions and responsibilities. Recognizing that the LGI program would be phasing out, sustainability of these organizations and their goals was of paramount importance. CSP contributed to the Partners' achieving their goals, and moving toward sustainability, by initiating and participating in several activities:

Facilitated the design and coordinated the implementation of a nationwide publicity campaign to promote understanding of local government functions and responsibilities. Public opinion surveys showed that Bulgarian citizens lacked awareness of local government specific responsibilities, services, and challenges. The wide network of Partner NGOs supporting local government provided a good opportunity to reach broad citizen groups in order to disseminate information about the functions and perspectives of local government. The public campaign focused on enhancing public support for local government and provoking citizens' participation. It was based on the premise that citizens should know their rights as taxpayers and consumers of public services. The campaign was tied to the needs and plans of the Partner organizations. The public campaign continued to focus on enhancing public support for local government by highlighting successful and innovative activities of local governments. The project provided a workshop for communication specialists and public relations specialists that focused on how to be a reporter in one's own city. The workshop examined case studies of good practices of Bulgarian municipalities. These stories formed the basis of the press packets that were prepared and offered to the media.

Provided technical assistance to improve Partner communication skills. TA was tailored to the specific needs of LGI's Partners, and it depended largely on their goals and level of institutional development. The key TA reflected the steps that the CSP team undertook in order to provide well-targeted assistance for improvement of Partners' communication skills.

Supported dissemination and adaptation of innovative practices in local government. CSP built on existing dissemination and replication systems, used by all Partners, which had proved to be effective during the previous period. Attention was focused mainly on the FLGR Innovative Practices Project, NAMRB and the Innovative Practices Team (formerly the Customer Service Team), whose mission is to test and introduce innovations contributing to a more effective and democratic local government. The role of the CSP Team was entirely supportive and the activities provided the FLGR and the Innovative Practices Team with resource materials.

Assisted in the continued development of the Citizen Participation training module and Training Team. The common perceptions of citizen participation changed at a rapid pace as Bulgarian experience grew. This required continual updating of the training module. The Bulgarian trainers had the basic responsibility for this but nevertheless relied on support of CSP.

Facilitated communication between LGI and Partners. Provided technical communication support to all LGI IR teams, Core Team, and Partners. Ensured the efficient flow of information between LGI and partners and contributed to the improvement of the LGI internal communication (sent reports, minutes, decisions, etc. on a regular basis).

Assisted AMCO in conducting a Citizen Awareness Campaign for Cleanliness of Settlements. The National Publicity Campaign has focused on using National media to bring greater awareness of local government to citizens. This project took the process to the municipal level by providing an example and tool for local governments to deal with an identified problem. The project was sponsored by the AMCO with technical support provided by the CSP Team and STTAs. Materials were developed and designed by a team from the AMCO as a kit for Bulgarian municipalities to use to conduct a local campaign to enlist the help and support of citizens in keeping the city clean. The benefits were threefold: 1) municipalities have a practical tool for developing a media campaign around a real problem, 2) municipal officials can see the practical uses of public relations campaigns, 3) the AMCO has the opportunity to demonstrate its skills and value as an organization and possibly attract new members.

Facilitated the continued development of the Association of Municipal Communication Officials. The AMCO is a new organization that is beginning to play an important role in increasing transparency in the work of local governments and their organizations. It has received a grant from the FLGR to assist in start up organizational activities, such as a newsletter and workshops. The CSP Team provided ongoing support to improve the organizational systems of the NGO and workshops for capacity building of its members. CSP assisted the organization in establishing and maintaining contact with the 3CMA organization in the U.S. and facilitated an ongoing exchange of information and sharing of experiences.

Supported the Continued Role of the Innovative Practices Team (IPT) as an informal organization (former Customer Service Team). The IPT is a volunteer team of individuals from municipalities that are dedicated to increasing the potential of local government through customer service oriented government and innovative practices. The role of the CSP was entirely supportive, and activities have been carried out only as they provided the IPT with resource materials. This Team, facilitated by CSP, carried out the customer service improvement project that led to the opening of four Customer Service Centers (CSC) in the period 1998-2000, and served as a resource for the DRI project of FLGR.

Supported Partners to improve their communication skills. CSP provided TA to RAMs to develop communication strategies and monitored the progress on the implementation of these strategies. CSP continued to provide technical support for ongoing implementation and for the newly established associations to write and implement their communication strategies. This included support to review and improve the newsletters of the RAMs. A workshop was delivered to newly established RAMs and AMCO on technical information, design practices, and helpful hints to producing and improving a Newsletter. Illustrations were provided from successful practices of Bulgarian and American Newsletters. Ongoing support was offered to organizations through site visits and discussions with the editorial teams.

3.1.3 Significant Accomplishments and Impacts

CSP continued to support the Innovative Practices Team. The original five cities, committed to customer service improvement, opened customer service centers (Stara Zagora, Gabrovo, Haskovo and Blagoevgrad in the period 1998-2000; Dobrich will open a CSC in 2001). This project brought to the Bulgarian municipalities the new notion of “customer friendly, open and transparent” local government. The team wrote case studies and produced educational films on how to create a CSC. The knowledge was widely spread and several municipalities opened their centers with technical support and training from the Team. The Team incorporated the four Danube River Cities that won grants from the FLGR for customer service improvement. They transferred their know-how and offered advice and training to Rousse, Silistra, Svishtov and Vidin. The four new centers were opened in September-November 2000. The Team also provided support and training in customer friendly non-member cities, committed to opening CS Centers.

In May 2000, the Association of Municipal Communication Officials (AMCO) was established, with the facilitation and support of CSP and FLGR. AMCO is a voluntary non-profit, professional organization of local government public relation experts in Bulgaria. It joins the efforts of people and institutions willing to strengthen and enrich the profession of public relations.

CSP organized a task force to prepare a Campaign Tool Kit to educate mayors and municipal officials on how to conduct a “clean up your city” campaign. This toolkit was the result of focus group meetings, with input from over 75 citizen and municipal participants (of different age, income level, educational and professional background) from Borovo, Svishtov, Valcherdrum and Vidin, during the month of September 2000. The toolkit was designed for use by all municipalities to increase citizen’s awareness about solid waste management responsibilities and to achieve cleaner settlements by working together. The kit included 15 items that helped mayors and municipal administrations conduct successful clean-up campaigns. AMCO will monitor and summarize the results of the Campaign. Over 600 of the “Clean and Tidy Settlements” Campaign Kits were distributed to Bulgarian mayors at the General Assembly of the National Association of Municipalities in January 2001.

The CSP Team contributed to the improvement of the Partners’ communication skills with capacity building workshops for AMCOs members and representatives of RAMs. CSP organized training seminars on the following topics: “Building Institutional Capacity of an Organization,” “Communication Strategy,” “Effective Media Relations,” “Effective Presentations,,” “Effective

Local Government Publications,” “How to be a Reporter,” “Publicity Campaigns,” “Management and Marketing of Training,” as well as tailored trainings in preparing press-releases, issuing municipal newsletters and other topics of major importance to strengthening communicators’ professional skills. Most of the training modules were institutionalized.

3.1.4 Lessons Learned

Trailor the Models to the Need. “Ready made” models should not be transferred directly, but tailored to the specific needs of the customer, whether municipality, association, organization, NGO, etc.

Financial Resources Should not be an Obstacle. teach Partners to mobilize different funding sources.

Encourage Partnership. The organizations, institutions, etc. should network more and learn to use the benefit of working in partnerships.

Central Government is Slower in Customer Service Improvement. A better dialogue central – local government is needed on this and other issues.

“Citizen participation in Local Government” is Still Viewed by the Majority of the Officials as Informing the General Public About the Municipal Activities. More vehicles and tools should be provided for informing the public prior to decision making and including the citizens in the process.

Ensure Continuity. More effort should be put into finding better ways to ensure continuity of commitment when leadership is replaced after elections.

3.2 Grants Management

3.2.1 Overview

The LGI program that began in October 1998 included a component for providing TA in grants management to the Partners. A Grant Specialist started working in January 1999 to provide assistance to LGI Partner organizations for the entire grant process. Technical assistance to Partner organizations to provide efficient and proper grants administration was considered an important element of overall institutional development.

To contribute to the fulfillment of USAID/Bulgaria SO 2.3 and its Intermediate Results, and to support all LGI Partner organizations, their institutional structure and operational capability and capacity, the Grant Specialist concentrated efforts in three main areas:

- Providing help in proposal development.
- Assisting LGI Partner organizations in grants administration.
- Collecting and distributing information about national and international donors.

The TA provided to Partner organizations was based upon the following principles:

- Identification of the specific needs of the different groups of Partners.
- Development of an individual approach for the different groups, based on each Partner's level of development, goals, functions, and activities.
- Work in cooperation with other LGI components and Partner organizations.

During the first two years of the program, the Grant Specialist focused on developing Partners' skills in proposal preparation, project management, and participation in the whole application process.

In the second phase of the program, greater effort was made to study, collect, and disseminate information about grant opportunities and donors' programs in Bulgaria. During 1999 and 2000, European Union (EU) programs and initiatives became crucial for Bulgaria. Opportunities for financial and technical support in local and regional development were essentially increased. To help inform Partners about all opportunities provided by the EU, the Grant Specialist concentrated on studying and disseminating critical information.

3.2.2 Major Activities

Administered technical assistance to LGI Partners in proposal development and the whole application process. In the beginning of the program, most of the LGI Partner organizations were municipal associations. Their financial support came primarily from USAID direct grants. Although they had to prepare written proposals to apply for USAID funds, there was no open competition among them and they simply needed to respond to the specific requirements of the application.

To contribute to organizational strengthening and develop their skills in preparing and submitting successful proposals, technical assistance was provided in the following areas:

- Writing successful proposals.
- Budgeting and planning of funds.
- Successful presentation of proposals.
- Negotiating of grants.

The TA was provided through meetings and trainings and through the preparation of manuals and guidebooks.

During the last two years, the Direct Grant Program of USAID changed, and open competition for direct grants for all local government support organizations was announced. The municipal associations and the FLGR became more experienced in proposal development. Now, they are supported not only by USAID which is still their major donor, but also they successfully implement projects supported by other donors. At the same time, some new organizations and municipalities joined the LGI partnership and needed technical assistance in proposal writing. To answer the increased need for technical assistance, a training module was developed and delivered to trainers working for the organizations.

Administered technical assistance to LGI Partners in project administration. The Grant Specialist provided TA to Partner organizations to successfully manage their projects. This included assistance in:

- Managing grants.
- Reporting.
- Financial monitoring.
- Developing procedures for awarding and monitoring sub-grants.
- Budgeting and planning funds.
- Accountability and administration.

The assistance was provided through personal meetings with representatives of the executive staff of the organizations, joint meetings with and trainings for organizations, and consultations. With the help of consultants, guidebooks on project management were developed and distributed among Partners.

Collected and distributed information about donors' programs in Bulgaria. The Grant Specialist established a system to collect, update, and disseminate information and resource materials about national and international programs supporting local and regional development in Bulgaria. This included resource information and materials about USAID, other U.S. funding agencies, European Union programs and documents, programs of foreign governments in Bulgaria, programs of Bulgarian foundations, and government funds. Special attention was given to European Union pre-accession funds and programs. Several guidebooks were issued and distributed, and the information was updated on a regular basis

3.2.3 Significant Accomplishments and Impacts

A Manual on Assisting Bulgarian NGOs in Managing USAID Direct Grants was written and distributed to all USAID direct grantees. This was the first manual that explained in detail how to write a proposal, how to negotiate a grant, how to manage one, and how to develop internal policies and procedures for one's organization.

In cooperation with IR4, prepared and distributed a guidebook, "Proposal Development and Project Management." Delivered workshops on this same topic, for all LGI Partners. Having both manuals, the training, and the daily consultations provided by the Grant Specialist, the organizations significantly improved their abilities to develop proposals and manage grants.

Seven organizations, including the NAMRB, FLGR, RAMs Black Sea, Rodope, Danube, Trakia and Maritsa, *developed internal policies and procedures* that contributed to strengthening their organizations.

At the request of USAID/BG, the Grant Specialist coordinated a study and report on the demographic and economic profile of the various regions in Bulgaria. The results were used as the basis for a series of recommendations from LGI on the development of USAID/BG's new direct grants strategy. During the second year of the LGI program, the Direct Grant Program was changed. All the previous USAID grantees (six municipal associations and the FLGR) prepared successful proposals, and the TA provided by the LGI Grant Specialist contributed to their success.

To answer the increased need for training in proposal development as requested by organizations and municipalities in Bulgaria, the Grants Specialist, together with four Bulgarian experts, developed a training module, *“Preparation of Successful Proposals.”* The module was delivered to 13 trainers who have experience in proposal preparation and who work with regional municipal associations, the National Association and the FLGR. It was evaluated as a very successful tool because of its comprehensive sessions, written materials, and use of practical examples.

The Grant Specialist established a system to collect, update, and inform all LGI Partners about programs that provide financial and technical support in the field of local and regional development. Since this information constantly changes, lists of web page addresses, names of people responsible, and telephone numbers were distributed. Most of the organizations have now established their own contacts to collect this information.

In response to the need for information about European Union programs in Bulgaria, two guidebooks were prepared, with the TA from two Bulgarian consultants. The first book, *“European Union Pre-Accession Funds: Questions and Answers,”* contains answers to 50 questions which are of interest to those who want to know more about opportunities provided by EU pre-accession funds. The second book, *“Programs of the European Union in Support of Municipal and Regional Development in Bulgaria,”* contains information about EU programs in four areas: multi-country programs, programs supporting business, PHARE NGO support programs and programs in the area of science and education. The two books were distributed to all LGI Partner organizations and municipalities, and they were received with great interest. Some of the organizations have distributed them to their member municipalities and other interested organizations. In response to the interest expressed by the municipalities and organizations, a second booklet on pre-accession funds was prepared. This booklet, *“How to participate in the SAPARD Program.”* It provides answers to 110 questions related to the first four measures under the SAPARD program.

The guidebook “Evaluation of European Union Projects” was prepared. The booklet contains information on how to evaluate projects, types and techniques of evaluation, and how proposals are evaluated by the European Union. This guidebook increased organizations’ knowledge of and skills in preparing better projects.

3.2.4 Lessons Learned

The LGI Partner Organizations Strengthened Their Institutional Capacity When the USAID/BG Direct Grant Program Changed its Strategy. They had to compete for direct grants.

Donor Coordination is Needed. Donor organizations are working in various fields around Bulgaria and there is no coordination between them. There is no institution where one can receive valid and comprehensive information about donor programs and work.

Several Foreign and Bulgarian Programs that Provide Financial and Technical Support to Local Governments. Very often the local governments are not aware of these opportunities because information about them is not widely distributed; a clearing-house for such information would be very useful.

Many Representatives of Local Governments do not have the Required Skills to Apply Successfully for Financial Support. Capacity building in this area should continue.

4. STRATEGIC PARTNERSHIPS

4.1 Synergy

LGI recognized the need to strengthen relationships and synergy with other SO teams and donors. Collaborative efforts were initiated, moving beyond intermittent coordination and shared projects toward real synergy. These efforts were multi-faceted, with a goal of enhancing private-public sector partnerships, and another goal of supporting community economic development and national policy issues. The intent was to provide more avenues for these efforts to become integrated at the local level, and to help achieve the synergy and community level impact envisioned by USAID/BG.

A three-fold approach was adopted, building on existing practices and targeting strategic opportunities to foster complementary behavior toward complementary objectives. This approach included:

- Continuing the reinforcement and technical assistance for existing LGI Partner organizations' synergy efforts.
- Continuing to build synergy that promotes results.
- Focusing on the Department of Labor PLEDGE program as an initiative that offered an opportunity for achieving tangible results through a synergistic approach.

This approach yielded much success. In particular, one achievement demonstrates how all three elements were employed to accomplish synergy among LGI's strategic Partners.

In Spring 1999, the Kosovo conflict, involving Bulgaria's neighbors Serbia and Kosovo and NATO forces, captured the attention of the world, and that of the Balkans. At the conclusion of the conflict, considerable physical damage had been done to the countries directly involved, and there was significant economic damage to nearly all of the countries in the region. In Bulgaria, economic damage particularly impacted the communities along the Danube River. USAID/BG requested LGI, working with its Partners along the Danube, to provide information on the extent of adverse economic impact suffered by the communities in the region. The 23 members of the Association of Danube River Municipalities (ADRM) responded, gathering detailed empirical data that were collated and presented to USAID/BG. The data showed that revenues from trade-related services declined, unemployment increased, incomes decreased, and the pressures on the social safety net increased. Also, competition for capital and jobs in a declining market increased.

To offset the significant adverse economic impact, and to stimulate economic recovery and community spirit, USAID/BG created and funded the Danube River Initiative (DRI). The goal was to help mitigate the negative impact and build local capacities in communities to promote social and economic development. The effort involved seven implementing organizations (IOs) working in consortium to leverage sustainable positive impacts. The organizations were:

Catholic Relief Services (CRS)
Firm Level Assistance Group (FLAG)
Foundation for Local Government Reform (FLGR)
Partners in Local Economic Development and Government Effectiveness (PLEDGE)
Opportunity International, NACHALA (OI)
Solidarity Center/AFL-CIO (SC)
United Nations Development Programme (UNDP)

Appendix H provides a profile on each organization.

LGI, while not an official IO, was asked by USAID/BG to concentrate some of its program activities in the Danube River region and to coordinate the efforts of the IOs as they implemented the DRI program. USAID/BG advised the IOs and LGI that the objective was to work in a collaborative and synergistic fashion for the relatively short time frame (18 months) of the DRI program to make the greatest possible impact. A key expectation was to leverage the impact through a synergy of resources.

The DRI was conceived as more than just supplemental financial assistance. Another purpose was to encourage organizations, individuals, and municipalities to work together more actively to approach problems and situations from new or different perspectives; to learn from past experience and the experience of others; and to promote or encourage increased cooperation within and between communities, among the IOs, and between the organizations and the municipalities. These broader dimensions were expected to create a greater impact from the resources available through the organizations and to recognize the complexity and inter-relatedness of the problems confronting municipalities in the Danube River region.

The DRI program was officially launched in October 1999. Program coordination came out of a process that promoted regular information sharing about existing and emerging opportunities where business, government, and civic organizations could work together for community development. The IOs retained their decision-making responsibility for where and how they would operate, but the process of program coordination ensured that their decisions were made in a positive and collaborative manner. Monthly meetings of the IOs were held, coordinated by LGI. Several information tools were developed, including a key events calendar, updated on a monthly basis, and a matrix that showed all the communities and activities where one or more of the IOs were operating. To increase effectiveness, an office was opened in Pleven, in collaboration with PLEDGE, so the IOs would have a base from which to operate in the region.

The IOs and LGI quickly implemented the DRI program. By April 2000 there were activities in 52 communities in the Danube River region. Synergy was evident as eleven communities had ongoing activities being carried out by four or more of the IOs, and one municipality, Vidin, had an activity carried out by each of the IOs and the Local Government Initiative. The range of technical assistance provided included:

- Micro-credit for businesses, both existing and start-ups.
- Small grants programs.
- Management and leadership training in both the private and public sectors.
- Service delivery development for municipalities.

- Infrastructure improvements for communities.
- Labor counseling and negotiation training.
- Association building.
- Business incubator development.

4.2 Significant Accomplishments and Impacts

The Danube River Initiative showed that strategic partnerships can generate synergy, and in the process, leverage limited resources to increase impacts beyond individual efforts. Site visits has showed that the program generated economic development in the form of new businesses, support for existing ones, and the generation of employment. Because the IOs were already experienced and proven projects, DRI funds were spent entirely on activities with little or no administrative expenditures. Highlights from each IO's program demonstrate some of the positive and substantial impacts.

4.2.1 Catholic Relief Services

The CRS pilot project began in Vidin in Fall 1998 and continued under the DRI program. During the initial period, the lending methodology was refined to suit the Bulgarian context. Until March 2000, the lending program was implemented with the assistance of the Agency for Regional Development Business Center, Vidin. By the conclusion of the Vidin program, in August 2000, 81 loans had been extended with a total value of \$50,436 to micro entrepreneurs in Vidin. Clients came from the trade, service, and small production sectors, and they represented both the Bulgarian and Roma communities in Vidin.

Program implementation in the city of Pleven resulted in 206 active clients, through January 2001, organized in 20 groups. During January alone, six information meetings were conducted and four new groups were formed. The number of new clients rose by 31, and they received loans with a total value of \$9,200. The repayment rate is 100%; clients understand that their repayment is linked to opportunities to receive increased loan amounts, so they make sure that all members of the group are current with their loan installments. This opportunity was realized in January by 23 clients as they moved to the second loan cycle and made new loans with a 60% increase in value.

4.2.2 Firm Level Assistance Program

FLAG/DRI projects opened a total of 113 new jobs. The projects financed accounted for creating or retaining 360 jobs in assisted business ventures and integrated production, as a result of direct financing. The assisted businesses generated revenues of \$84,694 for the period of September to December 2000, following the receipt of a DRI grant. The beneficiaries will generate revenues of \$143,629 by the close of the program, bringing the total to \$228,323 for their first year of operations. All targets have been met and considerably exceeded, with jobs created in associated industry clusters. The total amount of financing approved or in disbursement (January 2001) is \$163,929 for direct grant clients.

The FLAG/DRI team continues to conduct on-site monitoring and financial performance evaluation of the projects on a monthly basis, and the final results are expected to increase significantly above the targets presented in the initial DRI proposal to USAID/Bulgaria.

4.2.3 Foundation for Local Government Reform

The FLGR/DRI team provided grants to assist the establishment of Citizen Service Centers in Rousse, Silistra, Vidin, and Svishtov. In addition to funding, the FLGR staff provided TA to all four of them. Onsite feedback was obtained and an assessment was made of equipment and networking capabilities.

Two significant infrastructure grants were made. In Belene, \$43,000 was provided for the construction of a new sewer system for Aleander Stambolisky Street, and for repaving the street. In Oryahovo, \$40,000 was granted for the construction of a new sewer system for two streets in the Roma neighborhood. Both projects were successfully completed in December 2000.

The optimization of DRI program funds has allowed the FLGR to provide additional grants for the small-scale infrastructure and Citizen Service Center development components of the program. In January 2001, the FLGR Board of Directors approved funding for the following projects:

- Municipality of Mizia – “Municipal Children Center”
- Municipality of Guliantsy – “Renovation of the City Park”
- Municipality of Nikopol – “Sport and Recreation Facility in Downtown Nikopol”
- Municipality of Tutrakan – “Renovation of the City Park”
- Municipality of Kozloduy – “Municipal Citizen Service Center”

The implementation of all these projects began in early February 2001, and they will be completed by April 2001.

4.2.4 Local Government Initiative

Six pilot municipalities were selected in the Danube River region to participate in the development of a Solid Waste Fee Setting Methodology Model building project. The communities of Vidin, Svishtov, Varshetz, Georgi Damianova, Borovo, and Vachedram worked with LGI’s staff and international experts for over a year to develop the model that provides the technology for determining actual costs, how to establish and collect fees based on local needs and ability to pay, how to design, operate, and manage a landfill, and how to conduct focus groups to involve local citizens. The model was disseminated at a workshop in September 2000. The workshop, co-sponsored by the Ministry of Environment and Waters and the National Association of Municipalities in the Republic of Bulgaria, was attended by representatives of 118 municipalities, and a manual was distributed that enhanced replication of the model.

A comprehensive study was done for Vidin on the impact on the municipality’s services during, and after, the construction of the new bridge across the Danube River to Kalafat, Romania. A Final Report was presented to the Mayor in January 2001 that provided a detailed analysis of the solid waste that will be generated and made recommendations on meeting the impact. The report

will be used by the municipality, the central government, and the eventual bridge contractor to prepare an Environmental Impact Assessment.

4.2.5 Partners in Local Economic Development and Government Effectiveness

During the early part of the DRI program, PLEDGE focused on assisting the DRI start-up phase, including implementing public forums and establishing the Pleven office. In March 2000, PLEDGE began the process for the first ten municipalities under the DRI program, concentrating in the northeast area of Bulgaria. Over 330 local experts have been trained in the target municipalities, representing the public, private, and NGO sectors. Another 35 Industrial Adjustment Specialists have been trained, to assist in the process for selecting community economic development projects.

Sample projects that PLEDGE/DRI seed money supports in these initial ten communities include:

- Dve Mogili: Development of a business center.
- Belene: Creation of a fodder production company.
- Svishtov: Reconstruction of the irrigation system.
- Sitovo: Center for information and services.
- Silistra: Expanding the apricot plantations located on school property.
- Rouse: Community collateral fund.

PLEDGE initiated the second phase of its DRI program by selecting ten municipalities in northwest Bulgaria. Proposals for local community economic development projects were prepared by the targeted cities, evaluated by the respective Action Teams, and funding decisions were made in February 2001. Because of the extensive citizen participation inherent in the PLEDGE process, it is anticipated that the DRI program will not be completed until late in 2001.

4.2.6 Opportunity International

The success of NACHALA Opportunity International can be illustrated by listing statistics for just two representative months. During April 2000, NACHALA cooperative supported family and small business development in the DRI region by issuing small credits, conducting training, and providing consultants to micro entrepreneurs. Altogether, 65 Loans totaling \$100,600 were approved and disbursed in northern Bulgaria. These helped create or sustain 215 jobs.

In January 2001, NACHALA's results in the DRI region included 64 disbursed loans totaling \$161,400. The regional office in Pleven supported 24 entrepreneurs with loans totaling \$41,700, and approved loans in the towns of Veliko Turnovo, Elena, and Lovech, and in the regions around Pleven and Rouse. More than 43 new jobs were created and nearly 150 sustained under the DRI program.

4.2.7 Solidarity Center

Through its Labor Education Programs, and the Podkrepa (labor union) Teachers Program, the Solidarity Center (SC) has recently delivered 13 different worker education and outreach events

on organizing, labor, and social codes; communications skills; strategic planning; civic education; human rights; and the financial management of the trade union sections. With the Teachers Program, SC is working to ensure that civil society and the trade unions are full participants in the implementation of the World Bank Education Modernization Project in Bulgaria. The Podkrepa Teachers are the leaders in advocating for and developing a modern Civic Education component of the public school curriculum (including the role of the education system in preparing students for the labor market). 252 unionists/workers/social partners participated in these events.

The Labor Counseling Centers in Vratza, Pleven, and Rousse are fighting for and securing participation in their respective economic development councils, unemployment councils, and in the work of the regional labor inspectorates to monitor the health and pension system contributions and the working conditions at the enterprises in their regions.

The SC conducted a workshop with PLEDGE to train unionists on peer counseling. This progressive program has been effective in the United States Trade Unions and the U.S. Department of Labor have extensive experience in training workers to support other workers in times of transition and economic restructuring. The workshop took place in Pleven in February 2001, and all SC partners were represented, as well as industrial and regional unions facing the most severe restructuring. These were examples of the recent collaborations with PLEDGE where the two IOs' resources were leveraged under the DRI program.

4.2.8 United Nations Development Programme

The UNDP's project was to develop a business incubator in Vidin. The project, instituted in October 1999, provided direct technical assistance, institutional capacity building, and financial assistance. It serves a vital role in the revitalization of Vidin's economic and social fabric. The project offers to its tenants the appropriate physical premises in which to run a micro or small business at affordable prices, the opportunity to lease necessary equipment to run the business, training programs on a variety of business related topics, and hands on advisory services. The project not only created immediate temporary jobs, but it also provided an environment in which long-term sustainable jobs are being created in Vidin. It currently serves as a model for other municipalities throughout Bulgaria that are undergoing similar processes of closures or downsizing in state-owned companies.

In September 2000, the incubator was officially opened by the Mayor of Vidin, and attended by representatives of many of the DRI implementing organizations. Incentives to occupy the 14 available sites include reduced rent, attractive lease terms, limited start-up funding, a central receptionist/administration office, and ongoing business consulting. Nine of the spaces are occupied (as of February 2001), with negotiations underway to fill the vacancies. Six tenants are production companies, and three are service oriented.

5. CONTRACT DELIVERABLES

5.1 Requirements

The IPC2 contract for USAID project number AEP 5470-1-00-5034-00 requires the following Contract Deliverables:

1. Work Plans.
2. Monthly Reports.
3. Verbal briefings when requested by USAID.
4. Quarterly Progress Reports.
5. Final Report.

These requirements were being met in the following manner:

1. Two annual Work Plans and one six-month Work Plan were submitted at the appropriate times, subsequently approved by USAID/BG, and then used to guide the activities of the project. Hard copies are attached as Appendixes A, B, and C; they are also provided on an accompanying CD, labeled appropriately. The formats of the CD files are in Microsoft Word, Times New Roman, Font 12.
2. The Monthly Reports are attached, as Appendix D, and are provided on a compact disk.
3. Verbal briefings were provided to USAID/BG on a regular basis, often daily.
4. Quarterly Progress Reports provided information on project accomplishments and progress toward achievement of the goals.
5. The Final Report is submitted herewith, in hard copy and on a compact disk.

5.2 Additional Material Delivered

Additional material provided includes:

1. Matrix showing performance monitoring and evaluation indicators, presented in hard copy and on CD (Appendix E).
2. Representative and significant reports and manuals delivered by consultants, presented on CD only.
3. Training modules developed and delivered and roster of trainers, presented on CD only.
4. Exit Reports prepared by international consultants upon completion of Scopes of Work, presented on CD only.
5. List of LGI Partners, presented in hard copy and on CD (Appendix F).
6. Inventory of physical assets handed off to the successor contractor, presented in hard copy and on CD (Appendix G).

6. LIST OF APPENDIXES

- A. Work Plan, October 1998 through September 1999
- B. Work Plan, October 1999 through September 2000
- C. Work Plan, October 2000 through March 2001
- D. Monthly Reports
- E. Performance Monitoring and Evaluation Matrix
- F. List of Local Government Initiative Partners
- G. Inventory of Physical Assets
- H. List of Danube River Initiative Implementing Organizations