

**QUARTERLY TASK ORDER
PROGRESS AND
COST REPORT**

**OCTOBER TO DECEMBER
2001**

**ALBANIA LOCAL
GOVERNMENT PROGRAM**

Prepared for



Albania Local Government Program
U.S. Agency for International Development
Contract No. EEU-I-00-99-00015-00, Task Order 810

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Task Order No.: EEU-I-00-99-00015-00, Task Order No. 810

Date of Issuance: September 6, 2000

Task Order Description

In September 2000, United States Agency for International Development (USAID) contracted the Urban Institute (UI) to implement a three-year local government project in Albania. This project will assist the Government of Albania (GoA) in implementation of its decentralization strategy and in building capacity of local government units to fulfill their newly mandated responsibilities. It will also support association development and focus on increasing citizen participation in targeted units of local government. The project builds on UI's two previous projects in Albania that fostered the environment for ongoing reforms.

Amount Obligated Under Task Order:	\$2,800,000
Total Potential Task Order Amount:	\$4,219,617
Dollars Expended To-date:	\$1,281,994

Progress of Major Activities

Primary activities for decentralization during the fourth quarter were the follow-on workshops to National Conference on Decentralization, completion of drafts on tax studies, and approval of a formula for distributing unconditional funds to local governments. For capacity building it was the initiation of the first series of leadership workshops, continuation of fee methodology training, and implementation of capital investment workshops. Coordination and cooperation with other projects continue at a high level.

Administration—During this quarter Ilir Marleka was hired as chief translator. He comes from OSCE and has an extensive background in translating for a variety of projects. Additional computers were secured and audiovisual equipment purchased. The primary administrative matter in this quarter was the planning and preliminary implementation for a revised employment agreement with staff. In addition, budget projections and revisions were made for the remaining two years of the project.

Decentralization Activities—(Legal Sustainability and Policy Framework), Follow-on Workshops to the National Conference on Decentralization.

The National Conference on decentralization in September was an attempt by the GoA to reaffirm its commitment to the decentralization process in place since 1999; to share with donors the projected work

plan on decentralization; to ask donors to implement activities in support of this workplan. In order to support the GoA's reaffirmation to Decentralization, UI played a critical role supporting three follow-on workshops. These were planned for November, but had to be delayed a month. This was due to an ongoing political debate within the majority party that resulted in new ministers being designated.

In mid-December workshops were held for technical staff of selected ministries and for key members of local government associations. They were held on consecutive days and were designed to raise the awareness of these respective institutions on the critical role they play in the implementation of the decentralization strategy. The workshops communicated a brief history of decentralization in Albania and demonstrated the process used to involve all stakeholders in formulating policy decisions on key issues prior to drafting legislation. While there is a continued effort drafting new legislation, the emphasis of project activities on decentralization has shifted to the implementation of laws already passed.

Formula to Distribute Unconditional Budget Funds—At the request of the MoF, the UI and its subcontractor ISB, in close cooperation with both the MoLG&D and MoF devised a formula for use in distributing unconditional funds to local governments. The MoF and MoLGD endorsed the formula during this quarter. Meetings were conducted in the 12 Regions of Albania to explain the composition and rationale of the formula, as well as to note the implications that increased unconditional funds will have for local governments in their budget process.

Juliana Pigey and Marilynne Davis prepared a program with the assistance of ISB and the Ministries. The Capacity Building arm of the project presented information on revenue projection, capital investment planning, fee setting and level of service decisions. These single day meetings reached almost half of the local government units in Albania. There were 51 municipalities and 147 communes, which had representatives at one of these meetings. The meetings were the result of the combined efforts of the Urban Institute, OSCE and the Ministry of Finance and the Ministry of Local Government and Decentralization. Over 400 persons attended these meetings.

Property Transfer Procedures—By the end of the quarter, a final draft document procedures for testing property transfer protocols was endorsed by the MoLG&D and participating pilot cities identified and contacted. This was primarily the result of work by Edlir Vokopolae who will begin field tests with the pilots next quarter. It is important to note there is the full cooperation of the agency charged with effecting property transfers.

Transfer of Water Responsibility to Local Governments—The Task Force held three meetings last quarter to examine this issues with all the stakeholders involved in the discussion in the transfer of water responsibility to local governments. A fourth and final meeting was held this quarter and a draft policy paper was completed based on discussions at Task Force meetings and regional meetings conducted in September. Completion and distribution of the policy paper is anticipated next quarter.

Decentralization Studies—In cooperation with ISB, the UI initiated two studies in support of decentralization. The first is a small business tax study, which will support the new local government law that gives municipalities and communes the right to collect and use taxes from small businesses. The second, which is being conducted through a subcontract with ISB in cooperation with UI, is a study of a



proposed reintroduction of the tax on agricultural land that the MoF is contemplating. Final drafts of these studies were completed in the quarter. They will be shared with the Decentralization GED early next quarter along with a paper outlining recommendations on changes to the tax code.

Municipal Development (*Democracy and Governance*)

Leadership Series—The Leadership and Governance Workshops were planned with the participating donors. UI has taken the lead role in coordinating these jointly delivered and sponsored workshops. The Workshops are designed to interactively present the basic premises of leadership, citizen involvement and communication, public/private partnerships, media relations in an open society, ethics and the governance process, and strategic thinking for leaders. There are five workshops planned in the series each to be delivered six times in various areas of the Country. The audience is municipal and commune mayors, council chairs, and council members. Seven Albanian trainers are participating as trainers in all parts of the series. Among the trainers are two former mayors, one commune mayor, a former deputy mayor, two NGO representatives and two field coordinators from GTZ. Participating donors include: Urban Institute, MSI, Kompas, Sida, NDI, Partners Albania, GTZ and Soros. The Urban Institute is coordinating the project and funding is from all donors either in cash or in kind. The first six workshops of the series was delivered during the first two weeks of December, the second is scheduled for the first quarter of next year.

The first of this series was delivered under the leadership of the Dutch Kompas project and focused on the structure, roles, and responsibilities of the first level of local government. Over 36 units of local government—28 municipalities and 14 communes—attended these workshops. Follow-up activities will take place during the first quarter of next year.

Training of Trainers—A third training of trainers was held. Fifteen new trainers were added to the roster of trainers for further development in delivering skills content to local government staff. Trainees included current and former finance directors, public service managers, an economic development manager, mayor of a commune, etc. The intent is to train as trainers, Albanians with experience in local government and a continuing interest to work with and improve local government in Albania.

This model will be refined during the coming year to give more focus to strategically targeting potential trainers in selected geographical areas of Albania. Specifically, the goal will be to have a cadre of persons who have completed the ToT in each of the 12 regional capitals and, as much as possible, in each of the 36 district "capitals". In addition, there will be a concerted effort in 2002 to institutionalize local government training capacity.

(*Financial Management*)

Budget Activities for Local Governments—Refinements to the budget manual and training were made during the quarter for use in follow-up activities with those cities participating in the initial budget training. In addition, Lindita Oshafi participated in budget needs assessment activity conducted by Kompas in December. Budget Roundtables scheduled for October were postponed to next year in order to conduct regional meetings on the budget formula. An improved and updated budget training package is being prepared for use with the 2003 budget.



Capital Improvement Planning (*Capital Budgeting*)—The Capital Investment Workshop materials were completed in October. The Workshop was built around a mythical Albanian City and used data/information that would have been generated by a typical Albanian municipality as part of its investment planning. Six Albanian trainers were involved in the development of the materials and then delivered the Workshop to municipal officials. The Workshop was delivered six times to a total of 105 participants during October, November and December representing 36 cities and 7 communes. Roundtables and follow-up visits will be held for participants to report results of implementing CIP procedures in their cities/communes. The entire Workshop process is a supported self-help model that relies heavily on the initiative of participants.

(Municipal Services and Assets)

Full Cost Fee Methodology for Public Services (Water and Sanitation)—The third set of roundtables on costs and fees was held. The participants in the solid waste workshops were walked through a set of basic assumptions on garbage and then used their own costs (generated through the use of the manual) to adjust the assumptions to their own municipality and to set a fee based on these assumptions and their costs. The next phase is to work closely with a group of these municipalities to refine their data, present it and the assumptions to their elected officials and to work with the citizen participants to devise an educational campaign to explain the increased fees. The final Workshop in this series is scheduled for roll out in the first quarter of 2002.

Cooperation and Coordination with Other Projects—UI decentralization and capacity building activities typically involve selected Ministries and other relevant organizations such as other donor local government projects. The Leadership series being conducted with seven different local government projects who are either providing cash or in-kind support or both in some cases. These are MSI, Kompas, GTZ, NDI, SIDA, Partners Albania and Soros. Also, during the Quarter UI provided technical advice to KFW on water transfer issues as it relates to their plans to fund the construction and operation of a waste water treatment facility in Pogradec. UNDP sought the input of UI on their plans to launch a local government initiative during 2002. And, finally, several meetings were held with Partners Albania to identify collaborative program opportunities.

Significant Findings and Delays

Project activities are fundamentally on schedule in spite of delays caused by changes in GoA. The impact has been to compress project activities when GoA that allows us to move forward finally makes a decision. The work gets done but with much greater effort and usually expense. A major factor that is impacting all of Albania is the lack of electricity that prevents office equipment from working. Currently, it appears that by this spring there will be a new Prime Minister and President and a new government coalition. There is a possibility that there may be yet another new MoLG&D in the spring. There is the potential that property transfers may be impacted because of some problems at the Land Registration offices. But thus far this has not been an issue significant enough to cause delays.



Work Planned Next Reporting Period

- Decentralization
 - Continued support of the Task Force on Decentralization
 - Completion and distribution of Small Business Tax and Land Tax studies
 - Pilot testing of immovable property transfer procedures
 - Regional meetings on property transfer and urban planning
 - Workshop on Decentralization for selected members of Parliament
 - Completion of water policy document for transfer to local authorities
 - GED meeting on package of decentralization studies
 - Draft of Intergovernmental Relations Law

- Capacity Building
 - Second series of Leadership meetings
 - Follow-up to CIP workshops
 - Revision of budget training manual
 - Continuation of budget roundtables
 - Final fee methodology Roundtables
 - Continuation of efforts with AAM

Specific Action Requested

None

Up-to-date Schedule of Work

On schedule

Key Personnel

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