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April 19, 2002

Mr. Andrew Holland  
Regional Contracting Officer  
USAID, American Embassy  
Department of State  
Washington, DC 20521-5720

RE: Contract No. EEU-I-00-99-00015-00, TO No. 810  
UI Project 06901-013, Albania Decentralization Initiative  
*Quarterly Task Order Progress and Cost Report, January to March 2002*

Dear Mr. Holland:

Please find enclosed *Quarterly Task Order Progress and Cost Report, January to March 2002, Albania Decentralization Initiative*. This report is required by Sections F.5 and F.6 of our Local Government Assistance Initiative Indefinite Quantity Contract.

Please direct any technical questions to Mr. Bart Kennedy (bartkennedy@yahoo.com). Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,



Maria C. Andrade-Stern

Enclosures

cc: Eric Richardson (CTO, USAID/Albania)  
Mike Keshishian (CTONV, USAIDNV)  
Riaina Napitupulu (USAID/Budapest)  
Orion Yeandel (USAID/Budapest)  
Bart Kennedy (CoP, UI/Tirana)  
USAID Development Clearinghouse  
IAC Deliverables File (06901-013)  
IAC Chron File

**QUARTERLY TASK ORDER  
PROGRESS AND  
COST REPORT**

**JANUARY TO MARCH 2002**

**ALBANIA LOCAL  
GOVERNMENT PROGRAM**

Prepared for



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

Prepared by

Mr. Bart Kennedy  
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March 2002  
UI Project 06901-013

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**QUARTERLY TASK ORDER PROGRESS AND  
COST REPORT**

**JANUARY TO MARCH 2002**

**ALBANIA LOCAL GOVERNMENT PROGRAM**

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

**Date of Issuance:** September 25, 2000

<b>Amount Obligated Under Task Order:</b>	\$2,800,000
<b>Total Potential Task Order Amount:</b>	\$4,219,617
<b>Dollars Expended To-date:</b>	\$1,762,840

**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 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.

**Summary of Progress on Major Activities**

The Government of Albania experienced yet another change of government. Ilir Meta resigned and Pandeli Majko was appointed as the new Prime Minister. Ministers have been appointed and the number of Ministries reduced slightly. During the last month of the quarter the change of government required intensive work with the Ministry of Local Government and Decentralization (MoLGD) in support of the Prime Minister's initiative to reinvigorate the implementation of the decentralization strategy. Activity began in seven pilot areas to develop procedures and forms for property transfers to be implemented nationally. Capacity Building activities continued with revisions to budget training materials and initiated follow-up to the Capital Budget training conducted last quarter. The second topic—citizen participation with municipal committees—in the leadership series was completed in six regions. Focus group development continues. Coordination and cooperation with other projects continues at a high level.

## ADMINISTRATION

In January the project vehicle was involved in a wreck that made it inoperable for a number of weeks. Fortunately, there were no personal injuries in either vehicle. By the end of the quarter the vehicle was repaired and operating normally because of the direct efforts of our driver Kujtim Cuku. The process of Court registration continues. This is now a requirement in order to make contributions to social taxes on behalf of employees. It has proven to be a tedious process with new information being required at various steps. Bardha Ylli has played a critical role in expediting this process. A search for another translator is underway as our junior translator took a job with a British company. And our key staff on decentralization is the proud mother of a baby boy. She is expected to return to work next quarter on a part-time basis.

### **Decentralization Activities** *(Legal Sustainability and Policy Framework)*

## CHANGE OF MINISTERS

As a result of ongoing debate within the majority party, there was a change of government during the quarter. This resulted in new ministers for the two key ministries with which LGAD routinely interacts. Minister Ethan Ruka replaced Arben Imami at the MoLGD. USAID and UI met with him and reconfirmed their support. He in turn requested continued support of UI and, if possible, additional support. Kastriot Islami replaced Mr. Angjeli at the Ministry of Finance (MoF). Meetings with Minister Islami will occur next quarter. The Ministry of Public Works changed its name to the Ministry of Urban Development and Tourism.

## WORKSHOP FOR PARLIAMENT ON DECENTRALIZATION

This was the last of three follow-on workshops to the National Conference on Decentralization held last September. In January UI assisted the MoLGD in conducting a workshop for heads and key members of selected Commissions of Parliament. Minister of **Local** Government and Decentralization, Mr. Imami then chaired the workshop. The American Ambassador, Howard Sumka and the Speaker of Parliament [Namik Dokle] made opening remarks. Francis Conway discussed the concepts and lessons of decentralization, followed by a presentation by Artan Hoxha (ISB) on the forthcoming legislative agenda for local functions. The presentation by Juliana Pigey and Genc Ruli focused on the key local fiscal and budget issues on Parliament's agenda. Taulant Dedja, Chair of the Sub-Commission on Local Government and Decentralization in Parliament, recounted the history of decentralization in Albania. The single day workshop concluded with a luncheon at which the leaders of the Parliament groupings of the two major political parties made remarks in support of decentralization.<sup>1</sup> A key message of the workshop was to make clear for the participants the key oversight role of Parliament in the implementation of decentralization. This was reinforced by the substantive technical information presented during the main working sessions.

## **FORMULA TO DISTRIBUTE UNCONDITIONAL FUNDS TO LOCAL GOVERNMENTS**

With the 2002 State Budget, Parliament adopted for the first time in Albania an allocation of the unconditional transfers to local governments (municipalities, communes and regions) with a formula based on objective, measurable criteria. The annex to the budget included the amounts allocated to each individual local government unit, based on the formula result. The total amount of the pool for unconditional transfers was considerably increased, to account for the exclusive functions of local governments, per the Law on Local Government. By the end of the quarter all local governments had approved their budgets with funds from this allocation. Use of the formula has resulted in a significant increase in the share of their budgets over which local governments have discretion, and this right from the beginning of the year. There seems to be widespread acceptance of the formula but many remarks concerning the accuracy of population figures. However, it should be noted that the population data used in the formula are derived directly from the results of the official population census carried out in Albania in April 2001 and published by the Albanian statistics agency, INSTAT<sup>1</sup>. The criteria and formula were a very first attempt and the experience has led to suggestions for refining the variables of the formula. The experience of 2002 will be used in further development and analysis of the formula as the MoF prepares the budget instructions for FY 2003. It should also be noted that forthcoming reforms of local taxes (particularly the re-introduction of the agriculture land tax and transfer of the small business tax) would have a considerable impact on the formula and lead to the need for greater equalization for localities with lower fiscal capacity.

## **PROPERTY TRANSFER PROCEDURES**

The field testing of forms and procedures began with seven pilot units of local government—five municipalities and two communes. Preliminary results indicate the wide variation in degree of completion of the first registration of property at the Registration offices. The process of obtaining necessary information for the transfer of State immovable public property is turning out to be laborious even in the more advanced pilots. Edlir Vokopola leads the effort with support from Katherine Kelm. He is involving and mentoring staff of the agency within the MoLGD, which has responsibility for the property transfers.

## **TRANSFER OF WATER RESPONSIBILITY TO LOCAL GOVERNMENTS**

The policy paper on water transfer responsibility to local governments is completed. It is expected to be discussed under the reconstituted Task Force. Currently, it has been distributed to various ministries and local governments for comment.

## **FISCAL REFORM STUDIES**

In cooperation with ISB, the UI completed three studies on local fiscal reform issues:

- General reform of local taxes and fees

- Transfer of the small business tax
- Reintroduction of the agriculture land tax

In mid-January, an expanded meeting of the Task Force was held to present the results of the three studies. Members of the individual study teams made the key presentations, with overall guidance and direction provided by Juliana Pigey and Artan Hoxha. During the second quarter, work will begin on drafting a unified law on local taxes and fees, taking into account the options and reforms, which have been proposed.

#### **ALBANIAN ASSOCIATION OF MUNICIPALITIES**

In March the AAM exercised its first major demand-side initiative and the President of the Association became pro-actively visible for the Association. In early March the Association had a meeting with the Prime Minister to ask the GoA to implement the local government law in reality and not just on paper. The Prime Minister noted that the AAM has not been active in the Task Force process of decentralization and encouraged it to do so. In addition, he tasked the MoLGD to present a plan to implement "decentralization in fact". Edi Joxhe and Edlir Vokopola, and UI contractor **ISB**, assisted the MoLGD staff draft a plan to recommend to the Prime Minister. The plan was based on some earlier work of Francis Conway in monitoring the implementation of decentralization. The GoA approach for implementing decentralization was presented and accepted by the Prime Minister in a meeting on March **20**. The AAM also held a meeting with the Albanian National Chamber of Commerce and proposed that the two organizations cooperate on future activities. March appears to be the beginnings of demand-side force taking shape in the process of decentralization.

#### **REGIONS**

During the quarter the subcommittee on regions for the Task Force became active. It held the first meeting since being organized in March of last year, and then had two subsequent meetings at UNDP, which has begun a regional development project. In all meetings the topic was the role and function of the regions. There is a great deal of confusion as to what the Regions should be about. This has resulted in two of the Chairs of the regions drafting papers that can become the basis of a draft law spelling out regional tasks. The Council of Europe is providing assistance to this subcommittee and has provided a copy of the European Charter on autonomous regions. In addition, materials on French and Italian regions have been obtained and are being studied. UI has presented the view at these meetings that the Albanian Constitution and local government law is not in violation with the European Charter and that local governments should be given time to shape their regional structures and functions in accordance with the Albanian legislation.



The Association of Regional Councils held a meeting in Durres to discuss the role of regions, especially as it relates to the assumption of urban planning responsibilities from the communes and smaller cities. This was attended by the Chair of the Regions Subcommittee of the Task Force and by the advisor to the Prime Minister. At the conclusion of the meeting, and after much discussion, there seems to be a growing consensus that the regions need time to develop their potential before consideration is given to drafting a law on regions. Edi Joxhe and Edlir Vokopola made cogent presentations at this meeting.

A meeting of the GED subcommittee was held on March 20. Ylli Buffi of the Institute for Cooperation and Development presented the results of their work in the pilot regions and shared his idea of a model for regional development. A very intense discussion ensued. It was concluded that regional development issues need additional discussion in advance of any proposed legislation.

### **Municipal Development** *(Democracy and Governance)*

#### **LEADERSHIP SERIES**

The Leadership and Governance Workshops were planned with participating contractors of donors. 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. Participating projects include: UI, MSI, Kompas, SIDA (Sweden), NDI, Partners Albania, GTZ and Soros. UI is coordinating the project and funding is from all donors either in cash or in-kind.

The second in this series—citizen involvement in municipal committees/commissions—was under the leadership of the Dutch Kompas project. Single day meetings were held in six regions and enjoyed enthusiastic participation with practical implementation plans from some of the participating cities. UI's Marilynne Davis devoted a week of her time structuring the meeting delivery. The draft of a Citizen's Advisory Handbook for Elected Officials was used as part of this workshop. All participants completed an outline of an action plan to introduce the idea of a citizen advisory committee to their local government.

#### **TRAINING OF TRAINERS**

A group of trainers were prepared this quarter in the delivery of budget training for local governments. They met for two days at the UI office in Tirana to prepare for the workshops aimed at the technical staff of local governments. The training is scheduled next quarter.

Orientation visits for all municipal governments and regions began this quarter. The purpose is to provide information about the workshop and motivation for a commitment on the part of the elected officials to support changes in the budget process as being presented in the workshop. The elected officials were encouraged to support their technical staff by sending them to the Workshop and round tables for training. Persons targeted for the orientation meetings are the mayor, council chair, secretary of the council, chair

and members of the council finance committee, deputy mayor and head of the finance department of each local government. Visits are scheduled to be completed by the end of the quarter. The orientation session for elected officials was delivered onsite to approximately 60 local governments in Albania.

## **FINANCIAL MANAGEMENT**

### **Budget Activities for Local Governments**

The budget training package for local governments was completed by the end of the quarter. This included an orientation package for elected officials, a technical manual for staff of the finance departments and a workshop delivery containing visuals and participatory exercises for participants. The workshop materials focus on increasing own source revenues, performance indicators, citizen involvement in the budgeting process, and balancing revenues and expenditures based on service levels that are set by the mayor and council.

### **Capital Improvement Planning (Capital Budgeting)**

Follow-up visits were made to **42** local governments to identify progress and provide support and additional training to the local governments that participated in the CIP Workshops last quarter. Primary among these are the establishment of a person/work group to implement CIP and the official acceptance of a calendar of key activities will guide the development of a CIP during the 2003 budget cycle. In addition, Roundtables were held in six regions to facilitate the sharing of information among cities and to identify items for future action. A sample kit of materials needed to implement the CIP process was produced and introduced at the on site technical assistance meetings and the round tables.

## **MUNICIPAL SERVICES AND ASSETS**

### **Full Cost Fee Methodology for Public Services (Water and Sanitation)**

Two important decisions were made during the quarter related to this activity. First, it was decided to restrict the focus of these activities predominantly on solid waste rather than water and sanitation. Because of the fluid nature of discussions related to the transfer of water responsibilities to local governments, it was decided that it would be more effective to wait until some critical decisions on water ownership and structure before developing additional materials and data. Secondly, a national conference scheduled for the quarter was rescheduled for next quarter and its focus narrowed to solid waste. This will be held in Tirana. The Cost and Fee Setting Manual for solid waste was completed.

Work was started with selected cities to encourage and support citizen participation and education about solid waste issues. Four of the cities had previously participated in the focus groups on solid waste and water. Two additional cities had expressed serious interest in citizen participation and were included as demonstration sites. The work included an initial organizational meeting with the Mayor, deputy mayor, and members of the council, public service department managers, and citizens and in some cases



journalists. By the end of the quarter, fifth communities have committed to forming citizen advisory committees to develop an education program and involve citizens in the issues of solid waste in their communities.

#### COOPERATION AND COORDINATION WITH OTHER PROJECTS

UI decentralization and capacity building activities typically involve selected ministries and municipalities and other relevant organizations such as other local government projects funded by donors. The Leadership series, referenced earlier in this report, is conducted with seven different donor contractors and is an excellent example of the UI approach to reaching out to include the talents and resources of others. These are MSI, Kompas, GTZ, NDI, SIDA, Partners Albania and Soros.

UI and World Learning designed a study tour on fees/taxes. Potential participants were identified, and an RFP was sent out by World Learning. The study tour is anticipated to take place next quarter in Hungary.

At the invitation of USAID, UI was instrumental in making presentations. The first occurred in Tirana and provided an overview of local government and decentralization in Albania for a European Council housing delegation. The second presentation was at a regional conference in Croatia where UI provided support to the Albania USAID CTO's presentation.

At the invitation of the Partners for Health Reform, a new USAID funded healthcare project, Bart Kennedy and Marilynne Davis made comments and a presentation to staff members on this project and selected persons from the Ministry of Health, including the Director of Primary Healthcare in the Ministry of Health (MoH), the Director of Policy and Planning, MoH, the Head of Ambulatory Care, MoH, and Head of the Budget Section, MoH.

UI held two meetings during the quarter with a World Bank delegation to discuss decentralization and World Bank conditionalities. The WB was encouraged to recognize and facilitate the process underway for implementing decentralization in Albania. In addition, meetings were held with the head of the UNDP (local government) region project to discuss issues related to the role of regions within the framework of decentralization. UI continues to play a facilitative role with OSCE and the AAM as it relates to decentralization.

Planning meetings were held for the third in the Leadership series. These included NDI and Kompas. This session is to be on involving citizens by seeking opinions in a variety of ways and responding to grass roots organizations.

There were a number of information meetings with various projects. These were with a representative of the Japanese Bank for International Development, U.S. Energy Association and Alliance to Save Energy-both knew of USAID's projects in the energy sector.

Staff assisted the PMP team in defining indicators for the Mission's Performance Monitoring Plan.

### **Significant Findings and Delays**

Project activities are fundamentally on schedule in spite of delays caused by changes in GoA. However, this may change if new elections are held in the third quarter. There is currently a possibility that this may happen because of the deep division within the majority party.

There is anecdotal information that local governments are beginning to stand up to organs of the central government whenever actions are contrary to the local government law. Elbasan, using its own funds, is forming a local police function, perhaps following the example of Tirana. And Elbasan and Korce have entered "twinning" agreements between the respective cities. This is a first for Albanian municipalities. A demand-side seems to be forming with the high profile meeting of the AAM with the Prime Minister. This must be strengthened and expanded in order for the gains made to date under decentralization to be sustained. There is still a great deal of control exercised by the MoF over local governments, however.

### **Work Planned for the Next Reporting Period**

- Administration
  - Requisition of project vehicle
  - Requisition of tour guide system (for interpretation)
- Decentralization
  - Continued support of the Task Force on Decentralization
  - Completion of pilot testing of immovable property transfer procedures and forms
  - Regional meetings on property transfer and urban planning
  - Workshop on Decentralization for Prefects
  - Study on ways to strengthen/expand the GED process of decentralization
  - Discussion and recommendations on water transfer responsibility to local authorities
  - Discussion and draft of Intergovernmental Relations Law
  - Support to MoF and MoLGD on the MTEF process
  - Continued cooperation with AAM
- Capacity Building
  - Third series of Leadership meetings
  - Follow-up Roundtable to CIP workshops
  - Final revisions of budget training manual
  - Continuation of budget roundtables
  - Start of Budget Workshops and technical assistance
  - Continuation of efforts with AAM
  - National Conference on Solid Waste
  - Start of Solid Waste Workshops on Costs and Fees



### **Specific Action Requested**

None

### **Up-to-date Schedule of Work**

On schedule

### **Key Personnel**

Mr. Bart Kennedy, UI, Albania, bartkennedy@yahoo.com, (355)4- 256-832 and Ms. Marilynne Davis, mbd@interalb.net, (355)4-256-833.

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<sup>1</sup> Workshops for local governments and selected ministries preceded the decentralization workshop for Parliament. 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.