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October 15, 2002

Mr. Andrew Holland  
Regional Contracting Officer  
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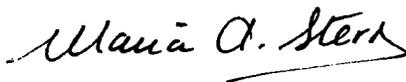
RE: Contract No. EEU-I-00-99-00015-00, TO No. 808  
UI Project 06901-011, Croatia Local Government Reform Project  
*Quarterly Task Order Progress and Cost Report July to September 2002*

Dear Mr. Holland:

Please find enclosed the *Quarterly Task Order Progress and Cost Report, July to September 2002, Croatia Local Government Reform Project*. 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 Maris Mikelsons at (385-1) 485-4794 or e-mail at mikelsons@aol.com. Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,



Maria C. Andrade-Stern

Enclosures

cc: Tom Rogers (CTO/USAID/Croatia)  
Mike Keshishian (USAID/W)  
Maris Mikelsons (CoP/UI/Zagreb)  
USAID Development Clearinghouse  
IAC Deliverables File (06901-011)  
IAC Chron File

**QUARTERLY TASK ORDER  
PROGRESS AND  
COST REPORT**

**CROATIA LOCAL  
GOVERNMENT REFORM  
PROGRAM**

**JULY TO SEPTEMBER 2002**

Prepared for



Croatia Local Government Reform Program  
United States Agency for International Development  
Contract No. EEU-I-00-99-00015-00, Task Order No. 808

Prepared by

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October 2002  
UI Project 06901-011

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### Attachment

Cost Report

## QUARTERLY TASK ORDER PROGRESS AND COST REPORT

JULY TO SEPTEMBER 2002

### CROATIA LOCAL GOVERNMENT REFORM PROGRAM

<b>Contract and Task Order No.:</b>	EEU-I-00-99-00015-00, TO No. 808
<b>Date of Issuance:</b>	June 1, 2000
<b>Amount Obligated Under Task Order:</b>	\$6,259,895
<b>Total Potential Task Order Amount:</b>	\$6,259,895
<b>Dollars Expended To-date:</b>	\$3,567,699
<b>Key Personnel:</b>	Maris Mikelsons, Chief of Party +385-1-4854 794 Mikelsons@aol.com

#### Task Order Description

The purpose of this Task Order is to implement a local government project that will work toward decentralization, transparency, and efficiency among municipal administrations. There are five programmatic components: demonstration sites, improving fiscal and management efficiencies, improving investment opportunities, improving citizen participation in local governance, and strengthening organization and advocacy by the Association of Municipalities.

#### I. HIGHLIGHTS

- The Local Government Reform Project (LGRP) continued to expand the number of local governments that are aware of the availability of its five management models through a broad based dissemination effort that includes an Internet web site, issuance of its newsletter, collaboration with other organizations/donors, and promotion of activities through other USAID-funded projects. As an example of the growing interest in the management models, the LGRP website experienced a five to six-fold increase in the number of hits registered during the month of September over the previous months.
- The European Union sent representatives to the office of LGRP to discuss local government relations with local NGO as part of a fact finding mission to establish a new Government funded foundation to replace the existing Government Office for NGOs. The LGRP input will contribute to the design of the new foundation as it relates to NGO involvement with local governments.
- Pat Dusenbury, LGRP consultant, issued a brief summary document on the structure, organization, and functions of an economic development entity for the Cities of Rijeka and Varazdin. The Cities used



the document as a guide for moving ahead with establishing an entity for updating, monitoring and implementing the economic development strategic plan.

- Paul Hoover, LGRP consultant, traveled to Croatia during September to assist the Cities of Rijeka and Varazdin on the organization, structure and functions of a new economic development entity. The Cities are considering two different models to establish an entity capable of updating, monitoring and implementing the economic development strategic plan. Based on his intervention in these two demonstration sites, the Cities created task forces to work on the framework of an economic development entity.
- Representatives of the Cities of Rijeka, Varazdin and Bjelovar participated in a World Learning organized study tour to Spain. The study tour will assist representatives of these cities (as well as the city of Beljovar and the representative of the Economics Institute) to better understand how economic development entities are structured in a European Union country. The study tour began on the last day of the reporting period.
- LGRP management met with Mr. Zamboki, president of the new Regional Development Fund, to establish cooperation in the area of economic development. The new Regional Fund will channel investment monies (about 500 million kunas) to local governments for the purpose of infrastructure development. The LGRP models in the area of financial management and economic development are ideally suited to support the flow of investments to local governments and facilitate the Regional Development Funds objectives. Mr. Zamboki office has an interest in utilizing LGRP-developed models.
- Miljenko Smit, LGRP information management specialist, worked with the City of Crikvenica (Mayor, Deputy Mayor, and Department Heads) to finalize the installation of its information management system. USAID/Croatia and the City would like to conduct a grand opening ceremony to launch the new system sometime in late October or November. The City also plans to work towards creating a monitoring scheme for the new information management system.
- Miljenko Smit traveled to the counties of Osijecko-Baranjska and Primorsko-Goranska to introduce the information management system to representatives of these counties (including the Zupan). These two counties have expressed a strong interest in applying the information management model and requested that a representative of the LGRP travel to the county for a demonstration of the model.
- Miljenko Smit and Visjina Markovic, LGRP staff, met with representatives of the City of Pula to inform them about the availability of two LGRP management models related to information management and economic development. Without entering into a formal agreement with the LGRP, the City plans to implement both models in 2002. The LGRP agreed to share its manuals on these two models and help with follow up activities the city planned for implementation.
- The LGRP collaborated with the Ministry of Finance to issue a new version of the financial analysis model (FAM). The model was updated numerous times during June to accommodate changes in the reporting requirements of the Ministry. Following these updates, the FAM was posted on the Ministry

of Finance web site along with the FAM's manual and thus was made available to all local governments in Croatia.

- The LGRP collaborated with the Ministry of Finance to train over 1,000 local government officials on the use of the updated FAM (incorporating changes prescribed by the Ministry of Finance). LGRP technicians and Ministry of Finance staff traveled to five locations throughout Croatia to train local government officials on the use of the FAM and the new reporting requirements for the Ministry. The Ministry of Finance rented computers centers as laboratories for local governments officials who attended the training. The Ministry of Finance is motivated to implement the FAM in all local government in order to report consolidated data budget/debt data from local governments to the IMF. The majority of local governments utilize the FAM to prepare reports for the Ministry during this pilot phase of implementation.
- Following the LGRP presentation of the asset management model (by Hrvoje Bertovic, Olga Kaganova, John Rutledge and Maris Mikelsons) to the council of the City of Varazdin, the City moved ahead with a commitment to adopt the new asset management practices introduced by the LGRP. This commitment was formally declared through a detailed action plan to assign responsibilities to staff to implement the model including the establishment of an asset management department within the City.
- The LGRP, based on intensive demand from local governments in Croatia, decided to assist the Cities of Bjelovar, Crikvenica and Rijeka with implementation of the asset management model. This assistance will involve sharing the asset management manual (produced for the training of consultants program) and limited one-day consultancies.
- The LGRP continues to be represented on the Ministry of Public Works and Reconstruction's task force to cull out a new Law on the Communal Economy. Hrvoje Bertovic of the LGRP attended two task force meetings that promoted the LGRP concept/approach on the communal economy (mandated local public services). Assistant Minister, Mr. Obranic, requested that the task force take into consideration many of the LGRP recommendations in the final version of the new Law that should be finalized toward the end of September.
- Representatives of the local governments from Slunj, Cetingrad, and Rakovice, met with LGRP management to discuss methods to implement the economic development model. They are keen to promote economic development on a regional basis using the resources of all three local governments. They are among a group of local governments who are aware of the availability of LGRP models in Croatia and would like to move ahead with implementing the models with or without the direct support of the LGRP.
- As part of the LGRP dissemination strategy, LGRP staff distributed materials (brochures on its five management models) at conference for local government councilpersons held on September 29 under the auspices of the Friedrich Naumann Stiftung Foundation and the Liberal Party. Mayor Kramaric of Osijek presided over the conference. About 200 councilpersons attended the conference to promote good governance.



- LGRP management met several times with the Assistant Minister of Justice/Local Government to discuss ways the project could provide continued advice on issues related to local government reform. Pending legislation on changes to the Election Law in terms of increasing minority representation was discussed as a possible area of assistance for the LGRP. Otherwise, the Assistant Minister pledged to continue his support of all LGRP activities including the training of consultants program.
- Win Evans, LGRP consultant, traveled to Croatia to conduct four regional one-day transparent budget workshops. Overall, the LGRP was pleased by the attendance at the "Transparent Budget Practices" workshops conducted during the last week of September. The purpose of these four regional workshops was to build upon the budget preparation practices introduced to our demonstration sites last year (mayor's message, public hearing, and budget-in-brief).
- The LGRP conducted a series of meetings with representatives of the City of Rijeka on citizen participation work. These discussions also involved representatives of the RI center, and Neighborhood Council Departments. The purpose of these meetings was to advance the implementation of the citizen participation model being implemented in Rijeka. The meeting resulted in an agreement on next steps of development of NGO charter, on issuance of a City Newsletter, and establishment of a local partnership program.
- LGRP technical staff during the entire reporting period prepared manuals for each technical model. The manuals are intended to be a guide (step-by-step approach) to implementing each of the LGRP's models. LGRP technicians consulted with their expatriate counterparts to develop the manual. The LGRP will use the manuals to develop curriculum for the training of consultants program.
- The LGRP secured a project extension from January 2003 to the end of January 2004 with a new scope of work and funding.

## II. PROGRESS OF MAJOR ACTIVITIES

### LGRP TRAINING OF TRAINERS AND CONSULTANTS PROGRAM

The Local Government Reform Project developed five local government management models in its first phase (a one and a half year period) in the areas of financial management, economic development, asset management, information management and citizen participation. Those models were implemented in five demonstration sites (Rijeka, Varazdin, Crikvenica, Bjelovar and Osijek) and were adapted to the Croatian environment.

In order to raise demand for replication of these LGRP models, a series of four regional conferences was organized, with all local governments in Croatia invited to attend. At the conferences the models were presented by LGRP task managers and supported by presentations conducted by representatives of demonstration sites, including a discussion of the results they had achieved. In total, 135 local governments participated in the conferences.

During the conferences, representatives of local governments were surveyed and expressed their interest in implementing models. The LGRP conference survey results showed a high level of interest in all five models. The table below shows the responses to two questions by each model.

	Information Management	Economic Development	Asset Management	Financial Management	Citizen Participation
All Local Governments Who Attended the Conference					
Requested implementation of the LGRP model	42 percent (or 56 LGs)	60 percent (or 79 LGs)	41 percent (or 55 LGs)	45 percent (or 60 LGs)	36 percent (or 52 LGs)
Requested additional information	57 percent (or 75 LGs)	73 percent (or 96 LGs)	63 percent (or 83 LGs)	62 percent (or 82 LGs)	53 percent (or 73 LGs)
Requested to participate in seminars, workshops, and conferences.	47 percent (or 64 LGs)	64 percent (or 86 LGs)	47 percent (or 64 LGs)	55 percent (or 74 LGs)	42 percent (or 57 LGs)

In order to meet demand from other local governments for implementing the models, the project decided to take a market approach towards replication and to train consultants to provide appropriate services to local governments that demand assistance in implementing the LGRP management models in their towns.

It is expected that after being trained and certified by the LGRP, the consultants will offer their services to local governments and the Project will arrange to share the costs of the services with local governments. The Project will also monitor, coach, and mentor the consultants' work, focusing on quality control and identifying other training needs.

The training for consultants should be organized in cooperation with local institutions, such as the Institute for Economics, NIT and NGOs with public sector training expertise, to allow for additional capacity building in the management models, as well as to create an institutional home for the models.

As a first step toward identifying consultants, the LGRP placed several advertisements in major local newspaper inviting potential consultants to a "Consultant Orientation Meeting" scheduled for September 26 in Zagreb. The purpose of the consultant orientation meeting was to inform and educate potential consultants on the activities of the LGRP in general and describe in detail the approach the project plans to take to train local consultants (firms, NGOs, and individuals) on the application of its five management models. The response to the consultant orientation meeting was overwhelming with over 300 persons



registering for the meeting and about 230 persons who actually attended the meeting. In all, about 290 consultant application forms were given out at the meeting.

During the last week of September, the LGRP receive (either by mail or fax) over 150 applications from potential consultants requesting that they participate in the training program. Each LGRP technical area was represented by consultants who wish to be trained in a technical area (model). The area that received the greatest attention was local economic development (with about 50 applications).

### **LGRP COLLABORATION WITH THE MINISTRY OF FINANCE**

During July, the LGRP and Ministry of Finance launched an intensive training program for local government officials on the use of the revised financial analysis model (FAM). At the request of the Ministry, the LGRP made numerous changes to the reports generated by the FAM in order to comply with reporting requirements imposed upon the Ministry by the IMF. These changes involved intensive reprogramming of the FAM to accommodate new requests by the Ministry to collect and analyze data related to debt and budgets of local governments.

Following the reprogramming of the FAM, the Ministry collaborated with the LGPR to implement five training programs throughout Croatia (Split, Rijeka, Varazdin, Osijek, and Zagreb). The Ministry sent letters of invitations to all local governments announcing the training schedule. In total, 470 local governments responded to these invitations by sending representatives to the one-day training sessions. The training was conducted by both the Ministry of Finance staff and LGRP technical staff on the use of the FAM. Since many local governments sent more than one representative, about 1,000 local government officials attended the training program. Following the training, the LGRP fielded questionnaires on the training from local governments officials. On the whole, the response to the training was very positive (average response to questions related to content of information, relevance of information, presentation style, and quantity of materials presented was 4.5, out of a maximum score of 5). At the end of this reporting period, over 400 local governments have used to the FAM for budget preparation and reporting to the Ministry of Finance. As this collaboration is in its pilot stage, any deficiencies are being dealt with on a daily basis.

### **TRANSPARENT BUDGET PREPARATION WORKSHOPS**

The LGRP was pleased by the attendance at the "Transparent Budget Practices" workshops held during the last week of September. The purpose of these four regional workshops was to build upon the budget preparation practices introduced to our demonstration sites last year in the following areas:

a. Issuance of a mayor's message (document on the proposed 2003 budget that outlines the major resource allocation decisions made by the local government before adoption of the budget)

b. Conduct a public hearing on the budget to obtain input by the citizens of the community on the proposed 2003 budget and discuss openly the decisions made by the executive body of the local government before the budget is adopted by the council.



c. Issuance of a budget-in-brief document after the 2003 budget is adopted for citizen of the community that shows resource allocation in summary form with graphic illustrations (the FAM can greatly assist in this task since it has capabilities to provide such data at the click of a button).

Overall, about 285 local government officials (mayors, finance department officials) representing about 150 local governments attended the one-day workshops held in four locations. The following shows the distribution of workshop participants in the four locations.

1. Opatija (23 Sept.) - 80 local government officials that represented 40 area local governments.
2. Zagreb (24 Sept.) - 100 local government officials that represented 46 area local governments.
3. Osijek (25 Sept.) - 51 local government officials that represented 28 area local governments
4. Split (27 Sept.) - 50 local government officials that represented 32 area local governments.

All local government officials that attended the one-day workshop were very enthused about the training program. Most expressed a wish that their local government will implement at least one of the transparent budget practices.

The LGRP plans to monitor the progress of all local governments that attended the workshop. This monitoring process will take place starting in about one month and be finalized at the beginning of 2004 (when the budget in brief document is issued). The LGRP received great cooperation by representatives from demonstration sites at these workshops. Mayor Maletestinic of Crikvenica made a strong presentation of his experience implementing these budget practices at all but one workshop, while the City of Varazdin put forth a great effort to promote the issuance of a budget-in-brief document.

### **III. DELIVERABLES AND REPORTS**

Training materials

- Transparent Budget Workshop Training Material
- Creditworthiness/Debt Management Workshop Materials

### **IV. PROBLEMS OR DELAYS AFFECTING TASK ORDER PERFORMANCE**

None at this time.

### **V. WORK PLANNED FOR NEXT REPORTING PERIOD**

- The technicians of the Local Government Reform Project will work to enhance the application of each management model developed implemented in demonstration sites.



- The staff and consultants will work with the Cities of Rijeka and Varazdin to structure the output of the lessons learned during the Spain Local Economic Development study tour (conducted during the end of September).
- Paul Hoover, LGRP consultant, will submit a written report with recommendations on establishing an economic development entity gained during his site visits to the Cities of Riejka and Varazdin. The report will be discussed with Mayors as well as representatives of the economic development task forces in these cities. The report and information gained during the Spain study tour will be used to further the work in these cities to establish an economic development entity.
- The LGRP will follow up with demonstration sites of Varazdin, Rijeka and Bjelovar to advance the lessons learned by representatives of these cities that attended the Spain Local Economic Development study tour. The study tour is expected to take place during the first week of October.
- Citizen participation work will continue to be advanced in the City of Rijeka where the LGRP plans to jointly issue a city newsletter for citizens. The LGRP will finance the distribution of the newsletter while the City will cover the costs of printing the newsletter. The newsletter will be the first of its kind for the City with distribution planned during its pilot launch for about 15,000 citizens.
- The LGRP will work with the City of Rijeka to advance the issuance of an NGO charter, thereby providing structure to the City's relationship with NGOs.
- The LGRP will explore methods of collaborating with the Government Office of NGOs to promote its activities in the area of citizen participation.
- The LGRP will continue to work with the Association of Cities and Municipalities to distribute the Local Government Handbook to all local governments in Croatia that has been delayed in distribution due to problems with editing the ten draft chapters.
- The LGRP will conduct workshops for representatives of its demonstration sites on the topic of creditworthiness/debt management. The one-day workshops will be held at demonstration sites and conducted by Juliana Pigey and Tomislav Zic. The expected result from these workshops will be for demonstration sites to issue a draft debt management ordinance.
- The LGRP will work with existing and planned funds for developing local government infrastructure. These funds include the European Bank for Reconstruction and Development planned 50 million euro fund for local government investments, the Government's Regional Development Fund, and the World Bank's Adriatic Coast Water Treatment project.
- The LGRP technicians will explore ways the City of Varazdin may reorganize itself to include a department of asset management within the city organizational structure. Additionally, the LGRP will promote existing asset management methodologies to enhance revenue and savings to the budget.

- Where possible, the LGRP will assist demonstration sites and other local governments on the implementation of the financial analysis model (FAM) for the purpose of reporting to the Ministry of Finance, rebalancing 2002 budgets, and preparing the year 2003 budgets.
- The LGRP will track the progress of local governments that attended the “transparent budget” workshop held during September to implement a wide-scale budget preparation practices related to issuance of a mayor’s message, conducting a public hearing on the budget, and issuance of budget-in-brief document after the budget is formally adopted by the local government council.
- The LGRP will continue to promote the availability of all five of its management models through its dissemination efforts using the Internet, newsletters, collaboration with partner institutions, and other means.
- The LGRP will implement its “training-of-consultants” program during November. LGRP technicians will begin a training program for identified consultants on the application of all five of its models. The training program will be held in Zagreb for about 100 consultants who are willing to work for local governments after the training is completed. Olga Kaganova and John Rutledge will support the training program of Hrvoje Bertovic in the area of asset management. Win Evans and Juliana Pigey will support the training program of Tomislav Zic and Damir Cvijanovic in the area of financial management. Krzysztof Chmura will support the training program of Mirna Karzan in the area of citizen participation. And, Pat Dusenbury will support the training program of NIT representative, Marija Raos, in the area of economic development.
- The LGRP training-of-consultants program and approach to the cost share program will be finalized during the next reporting period with an update on the concept paper.
- Kathy Allison, TRG subcontractor, will return to Croatia to implement a training-of-consultants program with the local firm NIT on general consultant skills (scheduled for the first week of November). This general consulting skills training will be followed by a more intensive training sessions on the technical aspects of each model (scheduled for November and December). The LGRP technicians will produce training materials throughout the reporting period based on the manuals produced during this reporting period.

## **VI. SPECIFIC ACTION REQUESTED**

None at this time.