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October 15, 2002

Mr. Gary Kinney
Contracting Officer
USAID Caucasus
20 Telavi Street
Tbilisi, 380003, Georgia

RE: Contract No. EEU-I-00-99-00015-00, TO No. 809
UI Project 06901-012, Georgia Local Governance Reform Initiative
*Quarterly Task Order Progress and Cost Report, July to September 2002*

Dear Mr. Kinney:

Please find the enclosed *Quarterly Task Order Progress and Cost Report, July to September 2002, Georgia Local Governance Reform 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 Dr. William E. Krause at bill@urban.ge or (995-32-22-58-68). Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,

Maria C. Andrade-Stern

Maria C. Andrade-Stern

Enclosures

cc: Joe Taggart (CTO, USAID Caucasus)
Mike Keshishian (USAID/W)
William E. Krause (UI/Tbilisi)
USAID Development Clearinghouse
IAC Deliverables File (06901-012)
IAC Chron File

**bcc: Maria C. Andrade-Stern**
**IAC Chron Notebook**

# QUARTERLY TASK ORDER PROGRESS AND COST REPORT

# GEORGIA LOCAL GOVERNANCE REFORM INITIATIVE

## JULY TO SEPTEMBER 2002

Prepared for

Prepared by

William E. Krause
*The Urban Institute*

Georgia Local Governance Reform Initiative
United States Agency for International Development
Contract No. EEU-I-99-00015-00, Task Order No. 809

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October 2002
UI Project 06901-012

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- Cost Report

# QUARTERLY TASK ORDER PROGRESS AND COST REPORT

## JULY TO SEPTEMBER 2002

## GEORGIA LOCAL GOVERNANCE REFORM INITIATIVE

| | |
|---|---|
| **Contract and Task Order No.:** | EEU-I-00-99-00015-00, Task Order No. 809 |
| **Date of Issuance:** | September 15, 2000 |
| **Amount Obligated Under Task Order:** | $4,555,304 |
| **Total Potential Task Order Amount:** | $5,441,367 |
| **Dollars Expended To-date:** | $3,064,846 |
| **Key Personnel:** | William Krause, Chief of Party<br>Apt 3, 9 Chavchavadze Ave.<br>Tbilisi, Georgia 380079<br>+995 32 22 5868<br>+995 32 25 0257<br>billkrause@attglobal.net |

**Task Order Description**

The overall objective of this project is:

- More efficient and Responsive Local Governance in Georgia (USAID Strategic Objective 2.3).

Immediate Results which should advance the objective include the following:

- Increased Community Participation in Local Government Oversight and Political Processes
- Increased Capacity of Local Governments to Plan and Manage Resources
- Increased Partnerships between Local Government, Business and Communities to Provide Services

At the end of the project, USAID/Caucasus expects that the contractor shall have achieved the following outcomes:

- Legislation will have been drafted with stakeholder participation
- Two fully operational advocacy groups will have been established
- In five cities, citizen participation will have increased as demonstrated by attendance at meetings
- Improved resource allocation and efficient use of limited budget funds will result in improved service delivery

- Local government operations will be more transparent, including public notice of program budgets and increasing utilization of citizen advisory councils, task forces and community participation in economic development activities
- Formal vehicles to facilitate citizen access to public information will have been established in five local government units
- Pocket projects that are jointly agreed upon by local government, business and community groups will have been successfully implemented in the five communities.

## I. HIGHLIGHTS

- In cooperation with the Council of Europe and key stakeholders, legislation was drafted for a law that would provide for the transfer of property; dialogues with stakeholders were held and budget legislation was drafted; a tax and fee draft study was completed and dialogues were initiated with stakeholders in preparation for drafting legislation.
- A Georgian language program in public administration was initiated at the Georgian Institute for Public Affairs with substantial assistance from the project.
- Regional financial management seminars were held; new budget formats were developed and new local government accounting systems were introduced.
- Training, equipment and advice were provided to information centers in all five pilot cities
- Mtskheta central park construction was begun based on participatory design process and planning for other pocket projects was initiated in each city.
- On September 25, Mtskheta became the first city to formally pass a regulation requiring a public hearing prior to adopting its budget. Our other pilot cities are expected to do the same in October.
- A Performance Management program was started.

## II. PROGRESS OF MAJOR ACTIVITIES

### IMPROVE COMMUNICATIONS

#### Increase Citizen Participation

In Poti, UI supported NGO activity against the "7th KM Poti Bridge" problem. The problem is that there appears to be a substantial possibility that the bridge will collapse, which will cause flooding of Poti and the surrounding area. UI informed NGO's about the Sakrebulo's current position, provided UI Poti office space for meetings and provided information about sources of financing in other international organizations.

The UI office supported Sakrebulo Advisory group meetings in Ozurgeti and Poti.

#### Increase Transparency of Local Government Operations

A Citizens Advisory Council (CAC) has been formed in Zestaponi and work is underway to create one in Mtskheta. The CACs continue to operate in other partner cities, though with different degrees of success.

Zestaponi CAC has already conducted several actions for mobilization of citizens to the reconstruction of the city park and against construction of an ecologically harmful gas station. The Council maintains good and cooperative relations with the newly elected Sakrebulo of Zestaponi.

The attitude of the Poti City Sakrebulo to the local CAC is not very cooperative, though the local coordinator of LGRI has tried to facilitate their contacts.

The CAC in Ozurgeti created in 2000 has been reactivated and helped LGRI in organizing public hearings on the budget.

Mtskheta city council adopted a regulation on open public hearings of local budget at a council meeting on 25th of September 2002. Notifications for citizens with an agenda were distributed one week prior to the meeting. Every council member voted for this decision.

*Citizens' Notification*
The pilot cities' local governments have agreed with the LGRI recommended text of citizen's notification for Sakrebulo meetings and procedures for its dissemination. The cities' Sakrebulos publish the notification 2-3 days prior to the meeting by placing them on bulletin boards. In addition, the notification is broadcast by television and radio where they exist. In the city of Mtskheta where no electronic media exists the notification and agenda are publicized in local government newsletter and distributed in public places. The City of Poti, though, is not very cooperative in this field, and notification frequently does not go to citizens.

**Establish Formal Vehicles To Facilitate Citizen Access To Public Information**
The Mtskheta Information Center received additional equipment from LGRI, which has increased its capacity and improved quality of service. Today the Information Center provides services not only to the city and rayon but sometimes to the regional administration as well. The Mtskheta information center has developed an agreement letter between the center and all interested parties in informational service, which will be provided by the Mtskheta information center. The agreement was sent to all councils and organizations in the rayon. Currently they have already signed contracts with the Mtskheta rayon police department and the Mtskheta rayon sanitary department. That is the first step toward becoming a self-sustaining organization in the future, as was stated in a contract between UI and the NGO, Mtskheta Civil Development Association, which manages the information/consultation center of Mtskheta. By the request of council, the Mtskheta Civil Development Association is conducting opinion polls on different issues and publishes the results in monthly bulletins. UI is assisting the NGO in designing the poll on parks.

The needs assessment of the newly created Information Center in Ozurgeti has been conducted and preparatory work is underway to equip the Center with computer hardware and software for automated information search. The local NGO, Young Scientists Club, which created this system, is ready to install it in the Center.

The Urban Institute transferred equipment for the Information Center in Poti.

Representatives of the Information Centers in pilot cities (in total 14 persons) received intensive 3-day training in the field of information management specially designed for employees of local government

information services and adapted to Georgian conditions. LGRI subcontractor, *Civitas Georgica*, provided the training and follow-on.

The Information Centers basically follow the policy that LGRI developed and the city government agreed upon. Beginning July the Information Centers, except for Poti, use performance measurement sheets worked out by LGRI and provide copies to the UI Tbilisi office, which allows it to judge about operation of the centers.

In order to improve the performance in the Lagodekhi Information Center, the local coordinator held a meeting with City officials and Information Center staff to discuss operational problems. The issues were: lack of job descriptions for Information Center staff; lack of a reporting system on activities implemented for the City Council; lack of detailed monthly action plan; lack of cooperation among the Information Center, the City Council and the Mayor's office; lack of bulletin boards and, as the result, lack of information dissemination and feedback collection mechanisms; and unreasonable usage of internet access.

All of the attendants of the meeting expressed their ideas about the necessity of having the Information Center and the city's responsibility in terms of effective usage of it. At the end of the meeting everybody agreed that all attendants should somehow participate in the operation and development of the Information Center. Finally the following priorities were identified:

- Develop job descriptions for each Information Center staff member;
- Develop a monthly detailed action plan jointly with City Council and Mayor's office;
- Present a draft action plan to City Council at the end of the month for approving;
- Prepare materials for regular council meetings ten days in advance and deliver them to council members;
- Install bulletin boards in the city;
- Identify reasonable ways to use Internet, paper, and equipment, provided by UI LGRI/USAID;
- Publish newspaper materials from the internet (for example, the "Digest") and put them on bulletin boards;
- Identify and make the list of organizations who wish to permanently receive publications as Information Center customers;
- Establish a system of providing materials to Information Center ten days in advance before the Council meeting in order to prepare a package of materials for attendants of the Council meetings and other interested citizens and organizations a week in advance.

## IMPROVE FINANCIAL MANAGEMENT

### Improvements in Local Government Financial Management

LGRI budget and financial management staff moved forward with the implementation of elements of modern financial management systems in pilot cities.

*Accounting System Selected and Installation Started*

Several consulting/software producer companies operate in this field in Georgia. All companies and their products were examined by UI staff, namely Companies "Oris", "Finance", "Info" and "Georgian Software

Systems". Most of them are used in different commercial firms. However, Georgian Software Systems had the most complete software package covering budgetary, not-for-profit organizations accounting. Currently more than fifty companies and firms use GSS software "Super Fin". GSS conducts large-scale training sessions for the accountants in their partner companies. Based on this, UI asked GSS to prepare a contract proposal to provide for:

- Installation and regular updates and maintenance of the accounting software in ten locations, chosen by the LGRI
- Full adjustment of the existing accounting practices to the newly introduced computerized system
- Training of the local staff in effective usage of the software
- Technical and intellectual assistance to the financial departments using new accounting package in order to achieve sustainability
- Training for different branches of the local governments in computer usage, if necessary
- Regular follow-up visits to the local governments (eight visits in each location)
- Possible changes to the original product if requested by the UI
- Assistance in the modification of the software to link it to the new budget format introduced by UI
- Building in elements of the International Accounting Standards or GAAP

UI targeted two pilot cities to be the first to install and operate new accounting packages. Mtskheta and Zestaponi expressed their desire and willingness to participate in this project. Software has been installed in the rayon financial departments and modified to fit the local practices. Furthermore, trainers from the GSS assisted the UI staff in conducting the training sessions for the chief accountants and accountants in both cities. The results of the training are successful. Chief accountants, despite a minimum level of computer literacy, were able to run the package independently.

All branches of the local governments in both cities realize the importance of the new financial systems and assisted UI staff in making the systems operational in Zestaponi and Mtskheta. Gamgebelis was actively involved in the process.

It took ten to fifteen sessions for each individual city to achieve adequate workable knowledge for the chief accountants, who had never used computers before. But after the completion of training sessions accountants observed the superiority and technical efficiency of the new package and expressed their satisfaction. Following this, new accounting packages were requested by the local self-governments of both rayons.

**Transformed budget for the City of Ozurgeti**

The City of Ozurgeti requested assistance in the creation of a completely new budget format for the city, following the practice of Lagodekhi. The new budget format was introduced to the elected officials and finance people in the city hall. Preliminary budget requests were sent off to the spending units in the city. The new budget will be linked to the accounting packages provided by UI.

The budget will include the following items:

- Detailed revenue forms, including all sources of revenues from each budgetary unit (Schools and preschools had to fill out those forms. It was the first time in this was done in Georgia.)

- Detailed budget requests using new chart of accounts and giving detailed description of each items requested
- Capital outlay request form
- Ground and buildings forms
- Total revenues by sources
- Queries

*Regional workshops*
Planning was carried out for regional workshops to be held in mid-October. Participants were identified as newly elected officials involved in the budget process, and representatives of the financial departments from cities and rayons. Several other local governments, which expressed their desire to participate in the training, will also be included as attendees of the seminars. It is likely that two courses will be held to accommodate all interested parties.

Training materials have been selected and trainers identified. The UI staff will conduct the majority of the sessions and several guest speakers will be invited.

*Budget & Financial Management Textbook*
Full-scale reading materials have been prepared and put into one package for the budget financial management class in GIPA. The reading package is designed for the students of the newly opened local governance program in GIPA. The package is quite comprehensive and covers all major aspects of the financial management and budgeting techniques in the developed countries. The reading package is based on various textbooks and actual real life materials from UI activities in Georgia.

*Computer Assistance*
UI assessed the technical situation in the financial departments of the cities of Ozurgeti and Poti and provided them with computer equipment, including printers and generators. Each financial department received one computer. UI provided the Ozurgeti rayon financial department with a computer as well. As the staff becomes trained and new applications are introduced, additional equipment will be provided.

UI worked with TACIS in Zestaponi Region to develop a computerization program for the region in response to the request of the Fingan. We talked about the possibility of a joint program to install the software in all 12 rayon of Zestaponi Region. TACIS could buy computers, and UI could purchase and install Superfin programs and develop a network. Plans are still under development.

*Model Procurement Regulations*
Zestaponi formally agreed to undertake this project. UI has mapped their existing procurement process and will create a small working group to develop new regulations. We will then assist Zestaponi in implementation. We will complete this project in the next quarter.

*Citizen Participation in Budgeting Process*
On September 25, Mtskheta became the first city to formally pass a regulation requiring a public hearing prior to adopting its budget. Our other pilot cities are expected to do the same in October.

## IMPROVE CITY ECONOMIC BASE

### Provide for Economic Development

Our Economic Development activities took off this quarter. Lagodekhi officially (through a formal vote of its Sakrebulo) approved the development of a tourism strategy for the city to utilize a task force comprised of citizens, businesses, NGOs and local officials. By the first week of October, it should have its task force representatives appointed so that work can commence. On the Mtskheta tourism project, we waited for the park project to progress before continuing cooperation on the tourism project. However, we now have agreed with the city on a formal project. They have started selecting people for the task force and hope to complete that task by mid-October.

We have also begun a project in Lagodekhi on bringing together local officials and the business community periodically to discuss common issues affecting both groups. We will hold the first such meeting in the next quarter. We have also held discussions in Ozurgeti and Zestaponi about possible projects.

Poti submitted a proposal on developing an economic development strategy and UI provided comments. Based on those comments, Poti decided to rewrite its proposal. It was due in early September but we have not received it yet. Poti continues to maintain that it will present a new draft soon.

UI will continue working on tourism development strategies together with the city of Mtskheta. Work on this program was stopped last year due to some obstacles that occurred in rayon council of Mtskheta. The newly elected city council expressed interest in continuing the program and assigned the head of the tourism and sport commission to supervise the program. Barry Reed and the Mtskheta local governance coordinator met with Mr. Vitali Grdzelishvili, commission head of tourism and sport, and Lali Revia, head of regional tourism department, and two other representatives from the council and the department. At the meeting we agreed on the working design of the program. Prior to the aforementioned meeting, the Mtskheta local governance coordinator had met with Mr. Grdzelishvili and informed him about the idea of continuing to work on the tourism development strategy in Mtskheta.

### Implement Jointly Agreed Upon Pocket Projects By Local Government, Business And Community Groups

*Mtskheta*

The Mtskheta community completed the first phase of Mtskheta park project and started the second stage. The Mtskheta park oversight committee, the mayor of the city, the supervisor of works, the UI engineer and UI Mtskheta local governance coordinator developed the work schedule for the second phase of park project work, which is currently being met. The opening of the park is planned for the 14th of October and will be involve a big celebration.

Mtskheta representatives developed a new service improvement action plan for street cleaning and submitted it to UI. The draft action plan needs performance measures and data that will be worked out during the implementation of related steps from the Performance Management program.

*Lagodekhi*

On July 9, Lagodekhi Local Government representatives met to discuss beginning a City park project. Attendants include: City Council, Mayor's office and UI representatives. Suzanne Reed, UI Consultant,

presented the idea of Participatory Design (which had been implemented in Mtskheta and includes wide citizen involvement in the design process), and offered to implement this model in Lagodekhi. The City officials agreed that citizen participation is a very important component in any project implemented by Local Government, but they had another model for considering citizens' ideas, while simultaneously giving chance to local architects, Art School students and other local professionals to participate in the competition for the best park design. The following steps were included into the plan for selecting the best project:

- Announce the competition by local radio, television and information publications;
- Develop criteria for the park; what kind of park the citizens want to have and if they want to have any park at all (conduct the survey);
- Analyze the results of the survey and consider it in the design;
- Conduct the public hearing for selecting the best project;

The process is underway. Ms. Reed will provide advice and comments.

*Zestaponi*
Suzanne Reed had a meeting with Zestaponi Mayor and Sakrebulo chair about Zestaponi Parks. The UI Engineer visited Zestaponi to finalize the draft of the project for city central road drainage repair. With Local Engineer he finalized the cost estimates that were presented to the City Mayor. The Mayor approved and requested UI to buy materials so that the city could do the work.

*Poti*
A project was developed for Refinishing School Chairs and Desks as the result of a competition carried out with the active involvement and cooperation of the city's NGOs. The winner was school N 11. Work is expected to take place in October.

*Ozurgeti*
Planning has been initiated for a park. In addition, a street-cleaning program proposal was developed and is now being reviewed.

## IMPROVE PUBLIC SERVICES

### Improve Performance Management
The Mtskheta and Lagodekhi coordinators traveled to Washington from the 12th of July to the 5th of August for training at the Urban Institute Washington office. The subject of the training was "Preparing for Establishing a Performance Management Program in Georgia."

They met with different organizations and UI Washington staff members who have experience in Performance Management Program Implementation. During the trip they developed case studies on activities started in our pilot cities that are related to Performance Management Program. They also drafted Performance Management introductory brochures and started working on a Performance Management Action Plan.

A full day training session on Performance Management Program took place at UI Tbilisi office. UI staff members who will have direct involvement in the implementation of the program in UI pilot cities attended as well as USAID representative, Lado Gorgadze. The session included: presentation of the program, strategic planning for implementation of the program in cities, making appropriate changes in draft action plan and presentation of introductory brochures. The group developed the final action plan and brochure.

The Performance Management Program team leaders, Keti Jakeli and Marika Shioshvili, visited UI's five pilot cities to introduce the program to representatives of municipal service providers of the cities in order to define the interested service departments spares for implementation of Performance Management program. Introductory brochures were printed and were distributed in pilot cities during the presentations.

An action plan for the Performance Management Program was developed and finalized with UI Washington. Also a commitment letter was developed based on examples provided by UI Washington experts. It has been translated into Georgian and is ready to be signed by pilot city governing bodies.

All cities expressed an interest in the program. The following areas are most likely to be included:

Lagodekhi
- Street cleaning
- Park
- Information center

Ozurgeti
- Cleaning
- Information center
- Greenery

Poti
- Street Cleaning
- Water
- Information center

Mtskheta
- Garbage collection
- Park
- Information center

Zestaponi
- Street cleaning
- Drainage system
- Condominiums

A library of Performance Management material has been developed and includes all the materials delivered from UI Washington and other organizations working on performance management as well as some examples of City Service Improvement Action Plans, developed by some of our pilot cities in past.

**Second Consumer Survey**
On the basis of a request for qualifications and an analysis of the proposals of short-listed firms the Georgian company, Institute for Polling and Marketing, has been selected and awarded the contract for conducting the second cycle of the consumer survey in seven cities, including the five pilot cities of LGRI.

The final version of the questionnaire to the survey has been completed and translated from English into Georgian by the contractor organization. Pre-testing of the questionnaire has been conducted in three cities, and on the basis of the information received, the questionnaire was revised to conduct the full-scale survey in October.

The Tbilisi office has hired a Georgian analyst to work on this together with the UI Washington staff.

**Improve Poti Water Company Operations**
UI is assisting the Water Company in improving its relations with customers. This is an important step in gaining support for bill payments and in making the company more responsive to customers. An informational brochure for the customers of the water supply enterprise was drafted. It will be finalized in October. UI sponsored a television program that was well received by the public. UI also prepared and submitted a new structure for the customer relation department.

UI assessed the technical situation of the financial operations of the enterprise and provided it with one computer and related equipment. A new organizational structure was recommended. Additional equipment will be provided as new systems are developed. A new customer database and billing program are now being designed and a new accounting system will be installed.

### ESTABLISH VIABLE HOMEOWNER ASSOCIATIONS

**Condominium Development**
Work was carried out on the cooperative projects in the Zestaponi condominium associations and meetings were held in Lagodekhi and Ozurgeti to begin development of programs in those cities. The Association of Urbanists prepared drafts of a Case Study and Guidebook based on the Zestaponi experience.

Meetings were held in Lagodekhi and Ozurgeti to explain condominiums and determine whether there was interest. The Lagodekhi Information Center issued 200 Brochures regarding Condominiums (an article by Lado Vardosanidze "Do You Know That You Are a Member of the Home Owners Association?"). A brochure explaining what is a condominium was also distributed to all multi-story building inhabitants. Thirty people from 11 buildings attended the Lagodekhi meeting. There is a strong interest in both cities but a feeling that some financial incentive must be offered to make the choice attractive. The Ozurgeti mayor said that he would like to use the money allocated for in-kind support to the city for the condominium project.

Roof repairs were completed on three condominiums in Zestaponi. Residents are now carrying out the in kind repairs to complement the UI sponsored work. Work on the drainage project for the other two condominiums has been cancelled, as the bids that were received were too high. Alternative projects are being developed.

On Tuesday, September 24th, the Zestaponi local television station, *Argo*, dedicated its live show to UI Zestaponi activities. The UI coordinator was invited into the studio and was interviewed by a local television journalist. Ordinary citizens were able to call while the show was in progress. The local population was mostly interested in the condominium project, as most of the phone calls were on that topic.

## INSTITUTIONALIZE THE LOCAL GOVERNMENT IMPROVEMENT PROCESS

### Support For New Sakrebulo Members

Following the election, UI met with the new Sakrebulo Chairmen and Mayors in each city. Other members also participated. All expressed their desire to continue to participate in the LGRI program and their willingness to meet the requirements for open meetings and citizen participation. Several requested immediate training and other assistance.

UI held a training session for the Ozurgeti Sakrebulo, Mayor and Mayor's staff. Topics included: Conducting Sakrebulo Meetings, Organizing the Sakrebulo's Work, and Informing and Involving Citizens. UI invited the former chairman of the budget and financial commission of the former rayon Sakrebulo and head of budget division of the financial department of the rayon of Ozurgeti. Discussions were held on budget planning and budget revision. UI Financial Adviser Nick Gvishiani presented the program budget format and emphasized its positive sides. Nine persons from the city Sakrebulo, 43 persons from village Sakrebulos and the Rayon Gamgeoba representatives participated. The Head of Ozurgeti Rayon Gamgeoba expressed his appreciation to the Urban Institute for the seminar. Mr. Girkelidze (Rayon Gamgebeli) said that most of them are new to Local Government and providing necessary literature, regulations, and lectures and the possibility of meeting with Rayon Department officials substantially improved Sakrebulo members' working ability.

UI also conducted a training session for the new Lagodekhi Sakrebulo. Topics included: Georgian Local Governance Structure (including a review of the organic law), Conducting Sakrebulo Meetings, Organizing the Sakrebulo's Work, and Informing and Involving Citizens.

Nina Tsikhistavi met with City Council members Lia Khachidze and Eva Lomtadze in the UI Lagodekhi branch office to discuss women's role in local government as well as increasing citizens' role and involvement in local government decision-making process focusing on women's participation.

Furniture and, in some cases, computer equipment were provided for Poti and Lagodekhi Sakrebulo Chairmen.

*Code of Ethics*

UI staff also met with the Association of Independent Experts (AIE) about development of a Code of Ethics. We developed an SOW and agreed on the project details and now await a final budget so we can get a subcontract finalized and move forward with this project.

*New Sakrebulo Members' School*
UI worked with the National Democratic Institute (NDI) on preparing a training session for new Sakrebulo members. We successfully completed the design phase and have scheduled two sessions for the beginning of October. NDI and UI will provide trainers.

*Brochures and Guidebooks for Local Government*
UI spent considerable time preparing drafts of a series of guidebooks on topics related to local governance. The guidebooks include the following:

- Sample Regulations for Implementing Open Meetings
- Model Meeting Agenda
- How to Conduct a Sakrebulo Meeting
- The Role of a Sakrebulo Member
- The Role of the Mayor
- How to Involve Citizens
- Citizen Advisory Committees
- Keeping Citizens Informed
- How to Conduct Public Hearings
- How to Build Relations with the Mass Media
- How to Deal w/ NGO's
- How to Deal w/ Interest Groups
- How to Use the Information Center
- Water Use and Payment
- How to Read a Budget
- How to Read a Financial Report
- Budget Guidebook

We have completed several of them while most of the remainders are in their second or third draft.

A familiarization leaflet about essentials of performance management has been printed and distributed in the cities among the interested government bodies and non-governmental organizations. A new and expanded leaflet about UI/LGRI goals, objectives and activities in Georgia, including achievements of the program has been printed both in Georgian and English and distributed in Tbilisi and in the pilot cities. Additional copies of leaflets about freedom of information based on the Administrative Code of Georgia were distributed in the cities by coordinators.

**Institution Building**
UI continued to work with AIE to strengthen their skills, develop a financial base and increase the awareness of their capabilities throughout the country. We expect that the contacts and experience provided through the dialogues will lead to increased advocacy for legislation needed to make local self-government more effective.

The project provided a significant part of the funding for the establishment of a Georgian language program in Public Administration at the Georgian Institute of Public Affairs. In addition to providing the skills needed for local public administration, the program will lead to increased abilities for advocacy, and the graduates will form a group of knowledgeable and concerned local officials. UI identified potential students and helped with applications. UI is now a member of the admission commission for GIPA, and on August 19th and 20th, participated in GIPA's interviews for new students. A broad range of regions of Georgia was represented at the interviews. UI supported 16 candidates for this course with tuition fees: among them are representatives from UI pilot cities and other candidates from other regions of Georgia with high scores in the interview.

Preliminary work was also undertaken to form an Association of Mayors and an Association of Sakrebulos. Several local officials have expressed an interest in providing the leadership. We began working with officials in Lagodekhi on a Sakrebulo Association. UI staff has reviewed a set of bylaws for the new Association and worked on a budget and program statement for them. Local officials have received this information and will refine it and publicize the Association during October. The new Rayon Sakrebulo chairman in Ozurgeti has also expressed an interest.

UI discussed with the Mayors of its pilot cities the creation of a Mayors' Association. After they endorsed the concept, we met with AIE about serving as the facilitator for it. We have prepared an SOW and should submit a budget in the next few days so they can begin work. UI and AIE representatives met with Merab Tkeshelashvili, Mayor of Rustavi, to discuss the project. Mr. Tkeshelashvili had already drafted bylaws for such an organization and readily agreed to cooperate. UI staff has critiqued these bylaws and the project should move forward quickly after we finalize the subcontract with AIE.

**Report on Training Sustainability**

The draft report on Training Sustainability has been completed. Parts of it have been shared with the Council of Europe and other partners. We will be participating in the Council's work group on developing a training strategy for Georgia local governments and participated in the meetings already held in Tbilisi. The final report should be finished in October or early November.

## IMPROVE LOCAL GOVERNMENT LEGISLATION

**Draft Legislation**

The following dialogues were held by the Association of Independent Experts under contract with the Urban Institute:

Budget Dialogs

| | |
|---|---|
| Lagodekhi | June 28 |
| Zestaponi | July 5 |
| Samtredia | July 9 |
| Tbilisi | July 16 |
| Tbilisi | July 22 |

Dialogs on Local Taxes and Fees

| | |
|---|---|
| Sagarejo | September 4 |

| | |
|---|---|
| Senaki | September 6 |
| Dusheti | September 10 |
| Tbilisi | September 27 |

UI staff Juliana Pigey and Francis Conway provided assistance and training in planning and structuring the dialogues.

Staff Attorney Revaz Kakulia and consultant Veronica Metonidze went to Oakland, California to work with consultant Richard Winnie on preparing draft budget, property law and tax legislation.

Further work was done on the Property Law legislation with the Council of Europe and a draft is now being reviewed by the Government and Parliament. There appears to be a strong likelihood that it will be adopted in some form. The major issue is likely to be the treatment of property (called "Additional Property") not needed for services mandated under the Organic Law. UI has recommended treating this under separate legislation so as not to hold up the less controversial transfer of property needed for mandated services (called "Basic Property").

The budget legislation draft was completed and is now under review. Timing of its passage depends on the actions on the IMF mandated basic budget law. UI has analyzed the relationship between the two laws and made recommendations for modifications to the basic budget law to clearly distinguish between local self governments and rayon level governments, which are really more like spending agents of the national government.

A comprehensive tax and fee study has been drafted, and discussions were started with stakeholders, including AID staff and consultants working on tax issues. Legislation will be drafted after completion of dialogues in October.

## III. DELIVERABLES AND REPORTS

- Trip Report—Juliana Pigey (May 14 – 24, 2002). Activities included: assisted AIE in the finalization of the guidance document and assisted AYE in drafting the study on local taxes and fees.
- Trip Report—Artan Hoxha (June 24 – July 2, 2002). Activities included: Assisted AIE in supporting facilitating budget dialogue to prepare for the upcoming dialogue rounds; analyzed outcomes of dialogue in Zestaponi on July 5; and organized fifth and sixth round of the dialogue.
- Trip Report—Artan Hoxha (July 8 – 16, 2002). Activities included: helped prepared and facilitated budget dialogues.
- Trip Report—Juliana Pigey (July 25 – August 3, 2002). Activities included: attended sixth and final budget roundtable, and worked with AYE to finalize report on local taxes and feet and advance work on equalization transfer formula.
- Trip Report—Artan Hoxha (August 31 – September 7, 2002) Activities included: assisted AIE and AYE with organization of dialogue round on fiscal decentralization.

## IV. PROBLEMS OR DELAYS AFFECTING TASK ORDER PERFORMANCE

None at this time.

## V. WORK PLANNED FOR NEXT REPORTING PERIOD

### IMPROVE COMMUNICATION

- Assistance will be provided to Information Centers to improve their operations.

### IMPROVE FINANCIAL MANAGEMENT

- Accounting systems will be installed in at least four cities.
- Budgets will be produced in new formats in at least two cities.
- Financial management workshops will be held for newly elected people and for new cities.
- Model procurement regulations will be drafted.
- Public hearings will be held on pilot city budgets.
- A Code of Ethics for elected officials will be drafted.

### IMPROVE CITY ECONOMIC BASE

- New pocket projects will be implemented in each of the pilot cities.

### IMPROVE PUBLIC SERVICE

- Performance Management agreements will be signed with at least three cities.
- The consumer survey will be completed and the report published.
- Mtskheta park will be completed.
- A customer database and billing program will be developed for the Poti water company.

### ESTABLISH VIABLE HOMEOWNERS ASSOCIATION

- Condominium programs will be started in at least one additional city.

### INSTITUTIONALIZE THE LOCAL GOVERNMENT IMPROVEMENT PROCESS

- Brochures and guide books on local governance will be completed.
- GIPA and UI will host a workshop on best practices in Georgia local government.
- Consulting assistance will be provided to the Association of Independent Experts to improve the prospects for sustainability.
- The training sustainability report will be completed.

### IMPROVE LOCAL GOVERNMENT LEGISLATION

- Draft legislation will be completed for the property, budget and tax laws. Stakeholder dialogues will be completed on all three.

## VI. SPECIFIC ACTION REQUESTED

None at this time.