

FINAL REPORT

U.S. – MONTENEGRO PARTNERSHIP FOR MUNICIPAL DEVELOPMENT 1999-2003

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By

Kristine Powers, ICMA-Montenegro
Nicole Barnes, ICMA-Montenegro
Judit Deilinger, ICMA International Programs
Dan Killian, ICMA International Programs

INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION
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LIST OF ACRONYMS

ALDP	Agency for Local Democracy & Partnership
COE	Council of Europe
DPR	Department for Public Revenue
DRE	Department for Real Estate
EAR	European Agency for Reconstruction
EU	European Union
GOM	Government of Montenegro
ICMA	International City/County Management Association
LG	Local Government
MISP	Municipal Infrastructure Support Project
MOF	Ministry of Finance
MOJ	Ministry of Justice
NGO	Nongovernmental Organization
OSCE	Organization for Security and Cooperation in Europe
OSI	Open Society Institute
OTI	Office of Transitional Initiatives (USAID)
PTD	Participant Training Days
REIG	Real Estate Implementation Group
RETS	Real Estate Tax Software
TOT	Training of Trainers
TQMn	Total Quality Maintenance
UoM	Union of Municipalities
USAID	United States Agency for International Development
USG	United States Government

U.S.-MONTENEGRO PARTNERSHIP FOR MUNICIPAL DEVELOPMENT

1. INTRODUCTION & BACKGROUND

1.1 Context and Goals of the USAID Country Strategy for Local Self-Governance

The election of Milo Djukanovic as President of Montenegro in October 1997, and international support for the new administration, laid the foundation for the democratization of Montenegrin society. The new government immediately took actions to put into place a series of potentially far-reaching political and economic reforms. The reform program, and the significant international development assistance program that underpinned it, allowed the government of Montenegro to distance itself from the Milosevic regime. By 2000, Montenegro had acquired a large degree of political and economic autonomy from Serbia, the centerpiece of which was the adoption of the deutsche mark and later the euro as official currency. The U.S. and EU strongly supported Montenegro's efforts to democratize its society, and provided considerable, critical budget support and technical assistance to support reform efforts.

The fall of Milosevic in October 2000 significantly changed the political landscape and reinforced the preference of the international community for Serbia and Montenegro to remain in a joint state. However, rather than rebuilding bridges with Belgrade, President Djukanovic moved towards formalizing the large degree of autonomy that Montenegro had in practice already created, thereby causing concern in the international community that any move to establish independence might have destabilizing consequences, both internally and regionally. Consequently, since the fall of Milosevic, the USG and EU have encouraged a democratic Montenegro within a democratic Yugoslavia. These efforts culminated in a March 2002 EU-led initiative in which the two republics signed an agreement for a renewed political relationship between Serbia and Montenegro in which both republics were accorded state-state relations at many levels of interaction. A name change accompanied this restructuring; the Federal Republic of Yugoslavia is now *Serbia Montenegro*.

Montenegro's economy was the smallest and poorest of the republics of Yugoslavia. Montenegro's most productive sectors -- tourism, heavy industry, and transport -- collapsed with the separation of the other republics from Yugoslavia, international sanctions against Serbia and Montenegro, and heightened barriers between Serbia and Montenegro. A decade of wars, international sanctions and protracted tension between Belgrade and Podgorica also took a heavy toll on Montenegro. During the 1990s, there were large movements of refugees into Montenegro, reaching a peak of over 100,000 in 1999. Today there are about 45,000, mainly from Kosovo. Montenegro also suffers from a "brain drain" as a large majority of young, educated Montenegrins fled Montenegrin conditions throughout the 1990s.

In 1998, Montenegro expressed interest in gaining support for a local government reform project. Dr. Djordjic Blazic, former Deputy Minister of the Ministry of Justice, led the initiative to design a comprehensive local government reform program.

In response, the United States Agency for International Development (USAID)/Kosovo established the *US – Montenegro Partnership for Municipal Development* (Partnership) in November 1999 under a one-year grant. Activities were designed to help Montenegrin local governments better respond to increased demands on municipal services due to the influx of internally displaced persons from the Kosovo conflict.

In December 2000, the grant was expanded into Phase II, which delivered an integrated package of training and technical interventions to local municipalities in Montenegro designed to (1) develop and promulgate a new legal framework for fiscal and democratic decentralization and devolution of authority and resources, (2) improve municipal financial management skills and practices, (3) develop a local government in-service training delivery system to insure sustainable implementation of enacted reforms, and (4) increase citizen involvement and collaboration in the local government reform process.

In the Fall of 2001, USAID established a mission in Belgrade with offices in Podgorica. Management of the program was transferred to the Belgrade Mission, with oversight and guidance from the Podgorica office.

The political environment in which local government reform efforts took place has been continually evolving. Throughout 2002, pressing state issues such as Podgorica’s independence agenda, debate and eventual adoption of a new constitution, local and parliamentary elections, and state-status negotiations with the U.S. and EU often paralyzed republic government bodies and redirected attention away from local government reform. This contributed to delays, repeated parliamentary deadlock, eroded commitment to reform, pre-election politicization of local government, and post-election transition periods.

1.2 USAID Strategic Objectives and Intermediate Results

The ICMA local government program responded to USAID Strategic Objective (SO) 2.3: “More Effective, Responsive and Accountable Local Governments.”

Achievement of IR 2.1.2 “Improved Interaction between Citizens and Local Government” will result in local governments more capable of meeting new responsibilities and obligations resulting from decentralization, and a more informed citizenry actively participating in decision-making processes with their local governments.

Local governments are now more capable of understanding citizen needs and have increased resources to respond to community demands, resulting in better and more effective local government services. Citizens are better informed about municipal priorities, spending decisions, whether public expenditures are made according to plans and priorities, and the processes for issuing public contracts.

1.3 Organizational Structure and Staffing

The ICMA program was originally funded to support level of effort for one expatriate resident advisor, short-term consultants, local staff, program activities, and other direct costs.

In December 2000, under Phase II of the program, two additional expatriate resident advisors were funded. The expansion also supported additional local staff, short-term consultants and provided funding for subcontracting with two U.S. firms for policy development and implementation assistance in finance and property tax.

1.4 Program Modification, Expansion, and Challenges

Over the course of three years, USAID requested significant program modifications in response to changes in its country strategy on account of Montenegro's rapidly changing political environment. Informal modifications were also requested to assist Montenegro in meeting U.S. budget support conditionality requirements. ICMA also initiated its own adjustments to program strategies and redirected resources to respond to the shifting landscape of needs and constraints.

1.4.1 Implementation Adjustments

Phase II: A major modification to the Partnership Phase I in December 2000 launched a much-expanded two-year Phase II program, extending the grant through December 7, 2002 and later extended to February 28, 2003 at no additional cost. The scope of the ICMA Partnership Phase II offered research and analysis, technical assistance, and training interventions designed to:

- Develop and promulgate a new legal framework for fiscal and democratic decentralization and devolution of authority and resources
- Improve municipal financial management skills and practices
- Develop a local government in-service training delivery system to insure sustainable implementation of enacted reforms
- Increase citizen involvement and collaboration in the local government reform process and community affairs

ICMA shifted the focus and priorities of the program in favor of activities that would yield demonstrable progress on the Government of Montenegro's policy of local government reform. Activities were designed to (1) assist key institutions at both tiers of government and support institutions to develop legislative proposals leading to fiscal and democratic decentralization of authority and resources, (2) ensure the effective and efficient transfer of knowledge of and compliance with the enacted reforms at the municipal level, (3) develop a sustainable in-service multi-functional local government training capacity, and (4) promote greater accountability and transparency in public policy development and decision making between and among levels of government and citizens.

MISP: In June 2001, ICMA responded to a request from USAID/Kosovo to craft a proposal that would deliver training on transparent public procurement as an annex to Partnership's decentralization

agenda, and subsequently deliver direct infrastructure support applying lessons learned. The resulting 18-month cooperative agreement, the *Municipal Infrastructure Support Project (MISP)*, was awarded August 2001. MISP supported immediate public infrastructure rehabilitation in six municipalities that had demonstrated their commitment to reform, and enhanced their capability in municipal financing, budgeting and cost recovery. This project had several stated goals:

- Sustain reforms once the local government laws are enacted
- Implement infrastructure projects demonstrating transparent municipal finance policies, systems, and practices
- Increase citizen participation
- Build local government capacity to respond more effectively and efficiently to increased demands on municipal services

Reporting on MISP will be delivered upon the close of the program.

Property Tax: In September 2001, the Partnership grant was again amended to add a full-time municipal property tax advisor to staff and fund short-term technical assistance to advise on drafting and implementing the Law on Real Estate Tax. Initially the modification funded one property tax residential advisor, but sole-source justification was granted to instead subcontract with a firm that offered a broader base of skills and expertise. Following assistance in drafting the law, focus of assistance has shifted to building the institutional systems, capacity and tools for its implementation.

Extension: A No Cost Extension was granted until February 28, 2003 to follow through with on-going projects delayed by external constraints beyond ICMA's control.

2. POLICY REFORM

Introduction: In cooperation with the MOJ, MOF, UoM and local government counterparts, ICMA contributed to the development of a package of laws on local government establishing a legal framework for fiscal and democratic decentralization and devolution of authority and resources. ICMA submitted the package of laws to the GOM and, at the time of writing, some had been passed while others await parliamentary debate and enactment. This package consists of the following:

- Law On Local Self-Government
- Law On Intergovernmental Finance
- Law On Direct Election Of Mayors
- Law On Territorial Organization
- Law On The Administrative Capital
- Law On The Historic Capital

ICMA also contributed to the development, drafting and enactment of the **Law on Taxation of Real Estate**, passed January 2002.

Background: The 1992 Constitution of the Republic of Montenegro and the 1991 Law on Local Self-Government established a semi-decentralized system of Local Government in Montenegro. The process of wider decentralization began with changes and amendments to the Law on Local Self-Government in 1995, which expanded the spheres of activity of local governments. In 1998, the MOJ spearheaded an effort to overhaul the local government system and conform to European and international standards for local democracy. ICMA supported the research phase of this reform effort under Phase I. At the request of the GOM, USAID/Kosovo expanded and redirected resources to develop and accomplish a more aggressive policy reform plan under Phase II.

Approach: The 6 phases envisioned to develop and implement Montenegro's local government policy reform were: (1) Research, (2) Legislative drafting, (3) Public Consultation, (4) Government Review & Revision, (5) Enactment, and (6) Implementation. ICMA supported this process with both material and technical assistance at the municipal and ministerial levels.

The research phase included the MOJ-led formation of intergovernmental working groups tasked to address key legislative reforms in each area. ICMA produced a series of special assessments and recommendations and presented those to the working groups. Additionally, ICMA worked with key ministerial and municipal counterparts throughout the legislative development, drafting and revision stages, sponsoring and funding various forums for consultation, consensus-building and public discussion.

Delayed Enactment: As of this writing, parliament has yet to schedule discussion on several laws. ICMA worked with counterparts in the MOJ, MOF, and UOM, and enlisted the support of municipalities and assistance from the USAID mission to intensify advocacy efforts. The laws remain in Parliament and, to date, have not been scheduled for parliamentary discussion.

2.1 Research

2.1.1 Support for the Ministry of Justice Research Project

Implementation Timeframe: (Phase I) November 1999 – December 2000

Overview: ICMA entered into a Memorandum of Understanding with the MOJ to jointly coordinate and collaborate in the development and drafting of reform legislation. ICMA provided training, technical and financial assistance to facilitate the work of MOJ and other GOM working groups to conclude the research phase required to develop the body of laws. ICMA paid for MOJ's two-year research project, which resulted in two reports of findings. In preparation for ICMA's own legislative development activities, the current body of law related to local government reform was translated into English.

ICMA also assisted the MOJ in designing and establishing intergovernmental working groups tasked to address key legislative reforms in local government organization, structure and authority; municipal finance and transfer systems; property tax system; territorial administration; local government election

system; and special laws on the administrative and historic capitals. ICMA sat on priority working groups for the Laws on Local Government System, Property Tax, and Intergovernmental Finance.

Products:

- Compendium of legal documents and laws establishing Montenegro's local government system prior to reform initiatives.
- Two bilingual publications documenting MOJ research findings: "Local Self-Government System" and "Financing Local Self-Government."

Results:

- ✓ Conclusion of the MOJ's research phase resulted in a clear outline of reform objectives and comparative systems to draw upon for the development of reform legislation
- ✓ Intergovernmental working groups established

2.1.2 Plan for Fiscal Decentralization

Implementation Timeframe: January – July 2001

Overview: A comprehensive assessment and analysis of intergovernmental fiscal relations in Montenegro was conducted under a sub-agreement with a consulting firm in January - February 2001. The study also took into consideration the general adequacy of the legal framework for the functioning of local self-government and the roles to be played by local government in the future, and identified a number of deficiencies in the present system. Documents and laws were reviewed; interviews with persons involved in intergovernmental fiscal affairs were held; statistics were collected and analyzed; theory and international best practices were applied to the local situation; and a series of recommendations were developed. Recommendations were presented to republic and municipal government officials in a series of intergovernmental roundtables, co-sponsored by ICMA, the MOJ and the UoM.

The final report, submitted to USAID/Kosovo, republic and local government officials in March 2001, included (a) review and analysis of existing laws governing municipal and intergovernmental finance system; (b) analysis of the social equity and fiscal efficiency impacts of the current revenue and expenditure assignment system, tax sharing system, and grant policies; (c) quantitative estimates of the impact of alternative intergovernmental finance regimes on the fiscal position of municipal governments; and (d) recommendations to improve the design of revenue and expenditure assignment, tax sharing, and grant allocation policies from a social equity, fiscal efficiency and expenditure impact perspective.

Products:

- *A Proposed Fiscal Decentralization Plan for Montenegro*, March 2001

Results:

- ✓ Established a cohesive strategy, policy options and a draft framework to develop and draft the Law on Intergovernmental Finance
- ✓ Local government representation before GOM bodies resulted in local government reform legislation that reflected specific municipal needs and interests

2.1.3 Analysis of Property Tax System

Implementation Timeframe: January 2001 – December 2001

Overview: Under sub-agreement with ICMA, a consulting firm conducted a comprehensive assessment and analysis of property taxation and administration in Montenegro in March-April 2001. The study complemented the decentralization plan discussed above.

The final report, submitted to USAID/Kosovo, ministry and local government officials in May 2001, included (a) review and analysis of existing laws governing property taxation; (b) analysis of the social equity and fiscal efficiency impacts of the current tax collection and sharing system; (c) quantitative estimates of the impact of alternative taxation scenarios and on the fiscal position of municipal governments; and (d) recommendations to improve the design of property taxation and administration.

Report findings were presented at an intergovernmental consultative roundtable, co-sponsored by ICMA, the MOJ and the UoM, prior to drafting the law. Recommendations and accepted alternatives were incorporated into the final draft.

Products:

- *A Study of Property Tax in Montenegro, May 2001*

Results:

- ✓ Established a cohesive strategy, policy options and a draft framework to develop and draft the Law on Real Estate, enacted December 2001
- ✓ Local government representation before GOM bodies resulted in local government reform legislation that reflected specific municipal needs and interests

2.2 Law on Local Self-Government

Implementation Timeframe: December 2000 – February 2003

Overview: ICMA submitted to the GOM the Law on Local Self-Government in Spring 2002, which establishes a legislative framework that transfers decision-making and control of resources to the local level in the areas of public administration, finance, environment, public works, capital investment, municipal services, public affairs, social services, local police, and education and health (to be established in general legislation).

The legislation was developed, in partnership with local and republic-level counterparts through working groups guided by ICMA technical assistance, and fully vetted through roundtables with key principles including mayors and republic-level authorities as well as a month-long public awareness and comment period.

Products:

- Government approved Law on Local Self-Government

Results:

- ✓ When enacted by parliament, the Law on Local Self-Government will help guarantee adequate:
 - Judicial protection of local autonomy
 - A system of checks and balances
 - Mechanisms for de-politicization of public work and anticorruption
 - Cooperation between local authorities and state authorities
 - Legal control and supervision
 - Rights of citizens and citizen participation
 - Economic activities of local government bodies
 - Professionalism and efficiency of public administration
- ✓ The Law on Local Self-Government is fully compatible with the European Charter of Local Self-Government and has helped pave the way for Montenegro's membership in the Council of Europe.

2.3 Law on Direct Election of Mayors

Implementation Timeframe: December 2000 – February 2003

Overview: The Law on Direct Election of Mayors was drafted by the MOJ in February 2002, with technical support and guidance from ICMA. The law establishes direct election of mayors, an improvement over the current system of appointment by party list.

Products:

- Government-approved Law on Direct Election of Mayors

Results:

- ✓ The Law on Direct Election of Mayors, when enacted by parliament, will result in free, fair and direct election of mayors, which will serve to further de-politicize the functioning of local government.
- ✓ The Law on Direct Election of Mayors is compatible with the European Charter of Local Self-Government and has helped pave the way for Montenegro's membership in the Council of Europe.

2.4 Law on Intergovernmental Finance

Implementation Timeframe: December 2000 – February 2003

Overview: After protracted negotiations with MOF officials, the Law on Intergovernmental Finance was approved by the GOM and forwarded to the Parliament July 2002. ICMA guided the development process by generating a series of fiscal impact scenarios, policy options and alternative drafts of the law.

Products:

- Government-approved Law on Intergovernmental Finance.

Results:

- ✓ When enacted, the Law on Intergovernmental Finance will establish clear and transparent intergovernmental transfer mechanisms, a fiscal incentive grant, a formula-driven equalization grant, and improved mechanisms for ensuring fiscal discipline and financial planning. The proposed law additionally provides an appropriate revenue incentive mechanism, improved conditionality for various grant mechanisms, greater discretionary authority to local governments to set rates and fees for their revenues, and better regulation of local government budgeting, debt, and treasury management.
- ✓ The Law on Intergovernmental Finance is compatible with the European Charter of Local Self-Government and has helped pave the way for Montenegro's membership in the Council of Europe.

2.5 Law on Taxation of Real Estate

Implementation Timeframe: December 2000 – December 2001

Overview: ICMA played a key role in the development and drafting of the Law on Taxation of Real Estate. Building upon the property tax assessment, an ICMA short-term consultant worked directly with the Montenegrin Ministry of Finance on the development of the final draft law. The law was enacted by Parliament December 2001.

The law introduced a real estate tax system substantially different from the previous system. Among the differences are: (1) the tax base is now market value instead of a notional capital value; (2) the tax applies both to land and improvements, instead of just the latter; (3) it is now a local tax, both in terms of revenue yields and administration; and (4) assessments are made by municipal tax authorities and not by taxpayers themselves.

Products:

- Enacted Law on Taxation of Real Estate.

Results:

- ✓ The legislation empowers local government to substantially raise the level of resources they enjoy and provide local authorities with autonomy and discretion in determining themselves the level of services they provide to their citizenry, as such, it is instrumental in accomplishing decentralization of authority and resources in a democratic and sustainable way.

2.6 Law on Territorial Organization

Implementation Timeframe: December 2000 – February 2003

Overview: ICMA assisted and supported the MOJ in the development and submission to the GOM of the Law on Territorial Organization, a corollary law to the Law on Local Self-Government. This law establishes municipal boundaries and defines the relationship between communities in Montenegro to their respective municipal and city authorities.

Products:

- Government approved Law on Territorial Organization

Results:

- ✓ One piece of legislation in place to complete the policy framework necessary for reform of the local government system in Montenegro

2.7 Laws on the Administrative & Historical Capitals

Implementation Timeframe: December 2000 – February 2003

Overview: The Constitution of the Republic of Montenegro defines and denotes special status to the administrative capital, Podgorica, and the historic capital, Cetinje. As such, special legislation is required to provide enhanced resources to each municipality. Initially, the Laws on the Administrative & Historic Capital was a separate law but as of the redrafting and submission to Parliament of the Intergovernmental Finance Law, key articles were incorporated to denote the special status of these municipalities, thus eliminating the need for separate legislation.

Products:

- Language incorporated into Intergovernmental Finance Law denoting special status of the historic and administrative capitals.

Results:

- ✓ Constitutionally recognized status of the historic and administrative capitals enshrined in local government legislation.

2.8 Devolution of Education Assessment

Implementation Timeframe: August 2001 – October 2001

Overview: At the request of USAID, ICMA conducted an assessment of the feasibility and policy implications of decentralizing education. ICMA subcontracted with an education specialist to conduct the assessment and complete the following tasks: (1) Develop a set of categorical grant formulas that provides operating resources to local governments for pre-primary and primary education services, (2) Analyze and make recommendations for the establishment of appropriate grant administration mechanisms, including funds transfers, grant conditionality, use of grant awards, grant reporting, and compliance monitoring systems, (3) Identify the fiscal and staffing impacts on 2002 Republic and local government budgets of the decentralization of pre-primary and primary education services, (4) Review existing drafts of the Law on Local Government Finance and the Law on Local Self-Government and recommend amendments that will ensure their consistency with the Republic's intent to decentralize education, and (5) Analyze and make recommendations on the transfer of school property and education-related fixed assets to local governments, as well as appropriate mechanisms for the financing of the renovation or construction of education facilities.

The final report outlined certain deficiencies and provides recommendations for reforming the education system within a context, which is broader than its finance and governance alone. No additional resources were provided to pursue further policy development in this area.

Products:

- *A Proposed Plan for Decentralizing Education Finance and Governance in Montenegro, October 2001*

Results:

- ✓ Key issues identified in decentralizing education
- ✓ Roadmap generated for future USAID assistance in this area

3. ASSOCIATION DEVELOPMENT

Introduction: Training and technical support was provided to the Union of Municipalities (UoM), a professional association of municipalities, to advance the participation of local officials in the reform process and promote greater local autonomy and professionalism in local self-management. UoM has been in existence for 20 years but was only recently reorganized as an independent NGO in July 2001. UoM's membership comprises all 21 municipalities, represented by mayors.

The UoM's self-declared objectives are:

- Developing local democracy and satisfying common municipal interests
- Improving organization, and functioning of local self-governments
- Creating conditions for developing cooperation between local communities in various fields
- Cooperation with international organizations and associations of local self-governments

ICMA has actively worked in partnership with the UoM by providing operational, technical and material support throughout all 3 years of the program. Additionally it has sought to include the UoM in the composition of intergovernmental and consultative working groups thus raising its profile by

securing its place in policy dialogues with the GOM. Further, ICMA has co-sponsored key activities with the UoM, with ICMA providing organizational and logistical support, and utilizing the UoM to send out communiqués, correspondence, and jointly developed position papers on the local government framework.

The UoM still remains a nascent organization, not fully capable of operating optimally as a municipal organization. ICMA's activities have resulted in improved operational capacity; strategic vision for UoM developmentally and functionally; and improved membership communication and advocacy initiatives. Though significant work remains, UoM is positioned to become an effective municipal association.

In 2001-2002, ICMA collaborated with VNG, a Dutch municipal association funded by the European Agency for Reconstruction (EAR) to provide additional support to the UoM. VNG and ICMA worked in tandem to leverage resources and target integrated assistance to UoM. VNG's team of experts developed a series of assessments and recommendations on which ICMA based corresponding material support and technical follow-through. VNG also guaranteed funding for various activities ICMA had recommended for the UoM, such as newsletter development. The ICMA-UoM-VNG collaboration was notable in that it overcame typical complications resulting from duplicative donor agendas.

Through a series of Memorandums of Understanding (MoUs) ICMA provided valuable technical and material assistance, including the organization of study tours to the U.S. and Slovakia, the financial support of a staff member, the provision of a computer and internet connection, the development of a database to maintain a network of contacts and information about the municipalities, the development and dissemination of a member newsletter and municipal websites, and training workshops for staff and members to develop key skills to contribute to the overall professionalization and effectiveness of the UoM.

ICMA also leveraged its domestic relationship with a US association, members of which worked in-country for short-term assignments in a pro bono capacity. This association also hosted Montenegrin delegations on U.S. study trips and sent its own members and professional staff to Montenegro through a professional exchange program.

3.1 U.S.-Montenegro Technical Exchanges

Implementation timeframe: (Phase I) November 1999 – December 2000

Overview: Three technical exchange visits were conducted between Montenegro and the United States, carried out under the Resource Cities Program through a formal Memorandum of Understanding between US local government associations and ICMA.

Exchanges introduced Montenegrin local officials to key American practices in municipal management and governance. Study trip participants worked directly with U.S. counterparts in neighboring cities and townships and developed familiarity with the following topics: (1) Overview of six varying U.S. models of LG organization and their functions; (2) Methods of citizen participation in LG decision-making; (3) Provision of public services; (4) Problem solving and transition management; (5) Interstate

relationships between local and state governments; (6) Property value assesment; (7) Tax collection and distribution; (8) Municipal finance; (9) Public works; (10) Local election systems; (11) Roles of municipal associations in a reform process, and (12) Public procurement for public works.

Field trips included visits to: Clinton MDC Dam & Reservoir, Fitchburg High School, Leominster City Council Meeting, Danvers Senior Centre, the site of the former State Hospital in Danvers and local chapters of the Rotary Club.

Training, technical and limited financial assistance were provided to UoM headquarters in Podgorica including: support for the salary of one full-time UoM staff person and the provision of a computer and internet connection. On-site training of UoM staff focused on key institution-building tasks including membership relations, legislative advocacy and resource development.

Target Group: Executive leadership and staff of the UoM, and select members comprised of mayors and deputy mayors. The Montenegrin delegation that participated in the study tour to the US included: Zoran Jankovic, UoM President, Đordije Lukic, Mayor of Bijelo Polje, Milorad Kadic, Mayor of Danilovgrad, Cedo Dobrovic, Secretary of the Secretariat of Management in Podgorica, Koviljka Mihailovic, Assistant to the Minister of Finance.

Products:

- Trip agendas
- Participant Trip Reports
- Case studies developed through association-association partnerships, translated and adapted to Montenegrin conditions

Results:

- ✓ Consensus reached among municipalities (15 of 21, including 3 opposition-led communities) to lobby for direct election of mayors and to eliminate the pervasive influence of political parties in local governance.
- ✓ Request from the Ministry of Finance that ICMA convene and facilitate regular ongoing roundtable discussions and workshops between the ministry and all municipal finance directors - with the aim of achieving improved budgeting practices and necessary reform legislation.
- ✓ Agreement reached between the UoM and the MOJ to recruit and appoint a 5-member team of municipal officials to review and recommend policy changes in key areas of local governance - leading to direct participation of UoM members on legislative drafting committees to be convened by the MOJ beginning in September 2000.
- ✓ Seminar Participant Training Days (**PTDs**): **180** (2 seminars, 2 days each, 45 participants each from 15 and 19 municipalities respectively).
- ✓ Workshop **PTDs**: **30** (6 officials over 5 days including mayors from Tivat, Kotor, Berane, Cetinje, Niksic – and the Deputy Minister of Justice)

3.2 Training, Technical & Material Assistance

Implementation Timeframe: (Phase I) November 1999 – December 2000
(Phase II) January 2000 – February 2003

Overview: During Phase I of the program, a small grant was provided to augment the UoM's administrative capacity and support its involvement in the local government reform process to directly represent the interests of all 21 municipalities. Limited funds were provided for UoM to hire one full-time staff person and purchase a computer with Internet connection. Direct technical assistance provided to UoM staff focused on institution-building tasks such as membership relations, legislative advocacy and resource development.

Assistance was expanded under Phase II of the project commensurate with the institutional development of the UoM as a newly restructured NGO. ICMA activities included:

- ❖ In July 2002 ICMA brought in a short-term advisor to work with UoM on association communications and newsletter development. The advisor facilitated creation of an editorial board for the union's newsletter, while ICMA financed the first two issues and encouraged the UoM to secure additional resources to continue publication.
- ❖ The ICMA Association Viability Index was translated and presented to UoM Secretary General to assist with analysis of the association's strengths and weaknesses. Short and long-term goals were established and ICMA provided regular technical input and guidance to the Secretary General and staff.
- ❖ In October 2002, ICMA developed and installed a membership and contact database, enabling the UoM to produce targeted communications and track municipal activities such as donor programs in local government. UoM staff were trained on how to use and maintain the database.
- ❖ ICMA sponsored two VNG/UoM training workshops July - August 2002. These 'Training of Contact Persons' workshops were designed to acquaint local government representatives with their new role as liaison between UoM and their respective local governments. Topics included: Organization and activities of UoM; Overview of the new local government laws; Role of contact persons; Communication skills; Project proposal writing; Cooperation/conflict management; and Advocacy.
- ❖ ICMA financed the development and creation of a bilingual UoM website and municipal pages to improve outreach and serve as a resource.
- ❖ ICMA technical staff provided routine guidance and hands-on training to UoM staff, which focused on key institution-building tasks including membership relations, legislative advocacy and resource development.
- ❖ UoM Secretary General accompanied Montenegrin delegation to Slovakia in the spring of 2001 to meet counterparts in Slovak municipal association.

Products:

- Access-based database
- Newsletter “Nova Lokalna Samouprava” (New Local Self-Government) addressing members and other stakeholders such as local government NGO’s, donors, media, and governmental organizations.
- Training materials for Contact Persons workshops
- UoM position paper on Intergovernmental Finance Law
- Electronic library of ICMA products transferred to UoM and accessible by municipalities

Results:

- ✓ UoM’s capacity to engage its members and serve as a clearinghouse for local government issues and debates enhanced
- ✓ Network of contacts, newsletter publication and the contact database facilitate two-way communication between the UoM and its membership.
- ✓ UoM management aware of and prepared for future steps needed to achieve long-term goals

4. IN-SERVICE TRAINING DELIVERY SYSTEM

Introduction: In March - April 2000 two ICMA training and development consultants conducted a general management and training of trainers (TOT) assessment study for ICMA in Montenegro. The assessment revealed that in-service training and education of municipal officials, both elected and appointed, is essential if Montenegro’s municipalities are to achieve and sustain the desired level of independence and autonomy that local government reforms are expected to bring. In order to develop national capacity to provide on-going training programs and services for local governments, a decision was made by USAID and ICMA to invest in the development of a national cadre of local government trainers. This decision also implied assistance in helping build the necessary material and managerial support systems to assure that these trainers would be able to develop into a highly skilled and valued resource to serve local government’s training and development needs anywhere in Montenegro.

Goals: (1) Improve managerial and technical skills among local government officials, both elected and appointed; (2) Build a sustainable training delivery system

Approach: ICMA’s training philosophy in Montenegro was based on three interrelated assumptions: (1) people can learn much from their peers; (2) people learn best from practical examples in an interactive and voluntary environment; and (3) foreign expertise need not be transferred solely by foreign experts.

ICMA has also found that sustainable improvements in managerial practices, effective delivery of critical public services, and greater responsiveness to the needs of citizens are greatly enhanced by the assistance of skilled local government trainers, experiential learning materials, and an integrated in-service training delivery network. The primary characteristics of this system include:

- (1) A client-centered assessment of training and development needs;

- (2) The design and/or adaptation of training materials that respond to prospective participant needs and are directly relevant to local conditions
- (3) A core of local trainers with demonstrated skills in training processes and technical local government functions
- (4) A training management capacity that provides effective and efficient delivery and evaluation of experiential training services
- (6) A strategy for developing new materials and training competencies in response to changing local government needs

The overall in-service training program included six separate training projects, a comprehensive TOT capacity-building component tailored to each project, and ultimately resulted in the establishment of the Agency for Local Democracy & Partnership, a municipal training institution founded by TOT Lead Trainers that is presently taking the lead in supporting the local government reform agenda by providing support and training services at the municipal level.

4.1 Training of Trainers (TOT) Phase I

Implementation Timeframe: (Phase I) November 1999 – December 2000

Overview: The TOT project was designed to build and sustain local capacity to develop, implement, and evaluate local government training programs. After conducting a thorough assessment of training and management needs, the project addressed the need for skilled local trainers in six core areas: communication skills, decision making, presentation skills, change management, facilitating skills, and trainer's skills.

ICMA selected 26 local officials to participate in the project, drawn from recommendations by municipalities and the MOJ. Selection was made following a criteria-based interview process. Trainers were also tasked by mayors to help spearhead reform efforts within their own communities.

The TOT workshops (1) built a corps of qualified trainers drawn primarily from the ranks of local governments; (2) introduced future local government trainers to experiential training processes; and (3) strengthened the technical knowledge and expertise of local government trainers.

Target Group: 26 municipal officials selected from various municipal departments.

Products:

- Comprehensive TOT Assessment Report including analysis and recommendations
- Translated and adapted 5-series curriculum on general management and 6 manuals from ICMA's series of TOT handbooks, including: *Manual for Training Needs Assessment in Human Settlements Organization: A Systematic Approach to Assessing Training Needs*; *Designing Human Settlements Training in European Countries, Volume 1: Case Study*; *Designing Human Settlements Training in European Countries, Volume 2: Training Tools*; *Training Impact Evaluation*; *So Now You Are a Trainer*.

Results:

✓ TOT Residential Workshop PTDs: 260 (26 participants from 21 municipalities at residential 10-day workshop).

TOT Participants acquired skills in:

- Communication
- Decision making
- Presentation
- Change management
- Facilitation
- Experiential training processes.

4.2 Training of Trainers (TOT) Phase II

Implementation Timeline: January 2001 – March 2002

Introduction: As a follow-on and expansion of TOT phase I, the two ICMA short-term advisors designed and delivered four consecutive training modules, working closely with the Lead Trainers (training participants) to ensure that they developed the requisite skills and expertise to serve as a vital in-country training resource upon their graduation from the TOT program. Additionally, the training program was tailored to develop skill sets that would complement and be applied to achieving other program objectives, i.e. trainers developed experience in public outreach techniques to serve as future resources for ICMA to implement public outreach activities.

The following TOT Modules were designed and delivered during phase II:

- TOT Module I: Facilitation & Presentation
- TOT Module II: Action Research
- TOT Module III: Training Design
- TOT Module IV: Implementation

Target Group: 22 lead trainers consisting of municipal officials selected from various municipal departments. (5 trainers resigned from the program due to personal reasons)

4.2.1 TOT Module I: Facilitation & Presentation

Overview: ICMA conducted the first round of phase II TOT training, February – March, 2001 in Kotor with 15 attendees. The workshop covered the following topics: facilitation skills, group dynamics, guided discussion, presentation skills, media, and public relations. The training advisors assessed at the conclusion of the workshop that the participants “are prepared to provide technical assistance to the Ministry of Justice and local governments in design and implementation of public information campaigns and facilitation of review sessions on draft legislation.”

At the closing of the workshop a press conference was co-hosted by the Ministry of Justice and ICMA, in which the process of local government reform was introduced by Deputy Minister of Justice Djordje Blazic, Cetinje Finance Director Sasa Radulovic (and TOT trainee) and ICMA COP Jamie Factor.

Products:

- *Training and Development Support to Local Government Policy Reform and Recommended Follow-up Course of Action*, March 2001.
- Training curricula
- Participant evaluation forms
- Press release
- Press clippings of local coverage of press conference

Results:

- ✓ Workshop participants identified the need to establish an association of trainers to provide training to local government officials and administrators and founded the *Montenegro Trainers Association for Public Administration*. This association is now defunct due to personality-based conflict and member defection, but it served as the basis for the founding of the Agency for Local Democracy & Partnership, representing a smaller but more committed membership base.
- ✓ **PTDs: 75.** Participants acquired skills in: facilitation, group dynamics, guided discussion, presentation skills, media, and public relations.

4.2.2 TOT Module II: Action Research

Overview: The two ICMA short-term advisors returned to Montenegro for two weeks in September 2001 to conduct the next phase of TOT: Action Research. The municipalities of Niksic and Ulcinj served as the training client. Working in smaller (8-9 person) action research teams, the trainers assisted the organization's leaders and staff to engage in a systematic approach to problem solving based on a problem identified by the client organization. Ulcinj identified a polluted river through its jurisdiction, while the industrial city of Niksic stressed the need for community-based planning of green areas.

The training design included more traditional classroom activities and fieldwork conducted in the host organization and community, which included an initial meeting with the mayor and a final report to the community. Fieldwork also consisted of interviews with stakeholders (relevant municipality departments, business organizations and NGOs), a review of relevant municipal documents, survey of citizen's opinions and observation and photo documentation of relevant locations. In the next phase the team analyzed the collected data, identified options for the solution of the problem and prepared a report. The findings were presented to municipality representatives and citizens at a public meeting in city hall.

These field research and training exercises involved the participants in various aspects of local government reform as trainers and organization development consultants, using the knowledge and skills acquired in previous phases of the TOT. In addition, they gained new knowledge and skills in:

building productive client-consultant working relationships, conducting systematic data collection and analysis processes, interviewing, participant observation, time management, report writing and public presentations of their Action Research intervention results.

Products:

- Action Research Report, Ulcinj – *Identifying Possibilities to Prevent Pollution of the River Bratica*
- Action Research Report, Niksic – *Protection and Maintenance of Green Areas in Niksic Center*
- Trip Report, *Municipal Action Research*, October 2001
- Training curricula
- **PTDs: 187**

Results:

- ✓ Increased participant knowledge, skills and experience in conducting research-based organizational and community interventions
- ✓ Provided the client organization leadership with a set of potential options for resolving the agreed upon problem, based on systematic data collection and analysis methodologies
- ✓ Citizens played an instrumental role in problem identification and resolution, which will help strengthen their partnership role with the municipality

4.2.3 TOT Module III: Training Design

Overview: The third round of TOT was held as a 6-day residential workshop in Budva December 2001. Eight participants attended the workshop, which reviewed ICMA's TOT methodology and provided additional skill-building in training-needs analysis and performance-based training design.

Lead trainers were tasked with designing a training module on transparency and citizen participation to deliver to municipal officials in March 2002. Prior to the workshop, Lead Trainers conducted interviews with local government stakeholders about their views on the new Law on Local Self-Government as it relates to citizen participation. The workshop also incorporated the proposed local government laws and results of an ICMA-commissioned DAMAR poll regarding citizen views on public utility infrastructure.

Products:

- Trip Report
- Training curricula
- DAMAR Agency PowerPoint presentation on the results of citizen participation training
- Two Training Designs based on *Local Government in Partnership with Citizens*
- List of categorized training needs with respect to citizen participation legislation

Results:

- ✓ Lead trainers positioned to begin municipal training on laws
- ✓ Trainers gained insight into the citizen participation legislative framework, and appreciation of the benefits of measuring public opinion and encouraging citizen participation

✓ PTDs: 48

4.2.4 TOT Module IV: Implementation:

Overview: The final module of TOT was conducted February – March, 2002. The overall objective was to enhance training capacity of Lead Trainers by providing them the opportunity to implement, in a real environment, the knowledge and skills acquired during the two-year training program. TOT IV included two components: *preparation*, carried out in December 2001, and *implementation*, which involved a final planning session and a series of two-day training workshops for local government staff in six Montenegrin municipalities and a final debriefing in March 2002. ICMA short-term advisors provided consultations and guidance to each team during the preparatory stages.

Two-day training workshops on *Local Government in Partnership with Citizens* were delivered by Lead Trainers from six Montenegrin municipalities: Zabljak, Niksic, Tivat, Bijelo Polje, Pljevlja and Plav. The workshop encompassed 2 modules: *Transparency and Openness in Local Government* and *Citizen Participation in Decision-Making of Local Government*. Training objectives of both programs focused on increasing knowledge and the development of behavioral skills of trainees, and the overall aim was to initiate a change of attitude of local government staff in relation to citizens. Each training team was supervised and coached by one of the training advisors. Eighty-four (84) local government staff and heads of departments attended the training.

For the majority of participants, this kind of training, based on experiential learning and active involvement of trainees, was a new experience. Their acceptance of modern training methods was important for further involvement of training as a tool for local government development.

Products:

- workshop reports prepared by Lead Trainers
- *Transparency and Openness in Local Government; Citizen Participation in Decision-Making of Local Government*
- Final Report with recommendations for future training needs, March 2002

Results:

- ✓ Development of a cadre of trainers able to design and deliver training to suit the necessary change and development processes of local government, and therefore achieve the primary aim of TOT Program
- ✓ Heightened interest in local government training based on participatory learning
- ✓ Development of a network of trainers
- ✓ Promotion of a modern approach to professional and personal human resource development
- ✓ Potential sea-change in attitude towards the role of local government in a community
- ✓ **Lead Trainer PTDs: 120**
- ✓ **Municipal Officials PTDs: 168**

4.3 Assistance to Agency for Local Democracy & Partnership (ALDP)

Overview: In September 2001, Lead Trainers from ICMA's TOT program founded a local NGO, the Agency for Local Democracy & Partnership (ALDP, or "the Agency") to promote local democracy development in Montenegro and provide training services on local government issues on a long-term basis. The NGO functioned for almost one year without a formal, paid staff.

In September 2002 the NGO decided to hire a professional staff that will dedicate their time to the functioning of the NGO as the organization continued to receive grant funding from a number of international organizations. As ICMA continued to liaise with key Agency staff in July and August 2002, it became apparent that while the Agency was well suited technically to implement planned activities, there were a number of internal organizational and financial issues the Agency required assistance with. Consequently, ICMA agreed to provide the Agency with a \$20,000 grant to support the operational strengthening and professionalization of the organization.

To help define possible areas for ICMA funding, ICMA provided two weeks of one-on-one technical assistance to the Agency in September 2002. An ICMA short-term consultant worked closely with the Agency over that time period to discuss immediate operational needs and draft a mission statement, monthly budget, and sustainability plan. Upon review of the consultant assignment, ICMA decided the Agency had demonstrated sufficient commitment to its operational functioning and that enough basic operational plans were in place to warrant the \$20,000 grant.

Grant proceeds provided the Agency with the following:

- Salaries for 2 professional staff
- Office equipment: desktop computers, laptop, fax, printer, telephones and copy machine
- ISDN line for internet connection
- Services for accounting, web design and brochure design
- Office furniture including desks and flipcharts
- Office supplies

ICMA also installed the membership database developed for UoM for use by ALDP.

Products:

- ADLP SWOT analysis
- Job descriptions for positions funded for period of grant
- ADLP mission statement
- ADLP organizational chart
- ADLP strategic goals 2003-2005
- ADLP action plan for 2003, general plan 2004-2005
- 12 month operational budget
- Financial plan
- Budget for grant funds
- Grant application from Agency to ICMA/Montenegro

Results:

- ✓ Improved operational capacity of Agency for Local Democracy and Partnership
- ✓ Development of local government sector in Montenegro enhanced

5. FINANCIAL MANAGEMENT & TECHNICAL ASSISTANCE

Introduction: The Government of Montenegro has committed itself to implementing a broad program of economic and public administration reforms. As part of this reform process, the Government and its partners in local government face the challenging task of developing policies, structures and institutions that are capable of supporting a vibrant, free market economy. Independent, self-financing local governments that operate in a modern, professional, transparent and efficient manner are central to this goal as new local governance structures will require municipalities to implement and sustain the reforms. As the reform process unfolds, it is of critical importance that municipalities build capacity for sound financial management. This requires a cadre of professionals at the municipal level possessing the necessary experience, skills and modern-day tools to work within the new system.

ICMA achieved one of the program's primary objectives to improve the municipal financial skills and practices by designing and delivering a comprehensive training program in financial management, followed up by on-site technical assistance. During Phase II, seven municipalities were designated as "Centers of Excellence" and targeted for intensive training. In the second half of Phase II, the training modules were then rolled out to the remaining 14 municipalities. Often, qualified graduates from the first round of training presented training material and case studies from their own application of acquired skills to their colleagues during the roll-out training program. This reinforced the acquisition of new skills, rewarded participants for their active involvement and engendered peer-to-peer skill transfers that proved to be immensely effective.

ICMA further developed three essential software tools to rationalize and modernize financial practices at the municipal level. This included a municipal budgeting system (MBS), a capital improvement planning tool (OSIP), and Financial Analysis of Budgets and Statistics Software (FABS). Installation and training was provided in workshops and through on-site technical assistance.

5.1 Training Module A: Municipal Finance & Budgeting Pilot Workshops (Phase I)

Implementation timeframe: July 2000 – December 2000

Overview: Not included in the original scope, ICMA developed and delivered introductory training in finance and budgeting as part of a pilot program – both in response to a request from USAID/Kosovo and in recognition that this is a critical priority for local governments.

ICMA conducted an assessment of the existing municipal finance and budgeting system; analyzed the current legal, financial and regulatory framework under which municipalities operate; assessed the feasibility of conducting a pilot training intervention that could serve as a replicable model for other municipalities; and identified short, medium and long-term training needs. Based on this assessment, ICMA conducted a four-day workshop with five municipalities. The Financial Management Training

Series ICMA developed in Slovakia was translated and adapted for these workshops, with topics including: operating budget, financial policy-making, and citizen participation.

Target Group: Municipal finance officers and deputy finance officers.

Products:

- Municipal finance assessment report with analysis and recommendations
- Four modules of ICMA's Finance & Management Training curricula translated and adapted for Montenegrin conditions: Introduction, Financial Policy Making, Operating Budget, Citizen Participation
- Training agendas

Results:

- ✓ The Comprehensive Municipal Finance Assessment Report was disseminated and discussed with USAID, all 21 municipalities, and the Ministries of Justice and Finance. This outlined and prioritized municipal fiscal reform and training needs and served as the basis for gaining consensus on the direction of the reform agenda.
- ✓ Workshop total PTDs: 192 (two rounds of a four-day workshop involving three participants from eight municipalities).
Participants acquired skills in:
 - General financial management and policy making
 - Municipal budgeting
 - Citizen participation in the decision-making process

5.2 Training Module B: Municipal Finance & Budgeting

Implementation Timeframe: December 2000 – June 2001

Overview: An ICMA short-term consultant rolled out the initial pilot workshops to the remaining 15 of 21 municipalities (six municipalities did not show up for the training). Two rounds of comprehensive municipal finance workshops were delivered, covering financial policy-making, citizen participation, operating budget and introduction to public procurement.

Target Group: Directors, deputy directors and other key staff in municipal finance departments.

Products:

- Utilized products previously developed in pilot workshops

Results:

- ✓ Workshop PTDs: 88 (2 rounds of four-day workshops with 11 participants from four municipalities)
Participants acquired skills in:

- General financial management and policy making
- Municipal budgeting
- Citizen participation in the decision-making process

5.3 Training Module C: Operating Budget

Overview: The Operating Budget workshops enabled municipalities to comply with the *Republic Organic Budget Law*, which went into effect January 2003. Topics included how to use and execute the new budget structure, including economic, functional and organizational classifications, using IMF classification systems, separation of the capital and operations budgets and involvement of citizens in the budget process.

Target Group: Directors, deputy directors and other key staff in municipal finance departments.

Products:

- Operating budget curricula

Results:

- ✓ All 21 municipalities have 2003 budgets fully compliant with the *Republic Organic Budget Law* and IMF classification systems
- ✓ Municipalities internal capacity to manage change as outlined in new laws relating to local government was enhanced
- ✓ Facilitated the transfer of local lessons learned and best practices through hands-on assistance and presentations by pilot municipalities
- ✓ Non-partisan network of municipal practitioners and evidence of intra-municipal cooperation emerged, which reinforced and further supported knowledge gained in workshop setting
- ✓ Entities that were formerly off-budget are now included in the budget

5.3.1 Municipal Budgeting Software (MBS)

Overview: ICMA designed and established an expert working group, comprised of officials from MoF and seven municipalities to design a Municipal Budgeting Software (MBS) tool to assist municipalities with compliance with the proposed General Budget Law as well as with international standards for budget preparation, execution, and classification of revenue and expenditures. MBS automates budgetary control using the same control procedures as will be incorporated into the Ministry of Finance's (MoF) Interim Treasury Ledger System (ITLS). Like ITLS, MBS will enable users to enter and report on appropriations, allocations, commitments, payment orders and journal transfers.

The working group held regular working and training sessions to review MBS beta versions and to receive training on the new budgetary development and execution concepts that are being built into MBS. ICMA contracted with a local information technology firm to code MBS based on specifications developed by ICMA, the working group, and the ITLS. The firm was responsible for producing and demonstrating three beta versions of MBS, production of a users manual, and the provision of training

and on-site support for the final product. MBS was installed in all 21 municipalities in January 2003. A hands-on workshop for 19 municipalities was conducted for installation, follow-up, and on-site training.

Products:

- Software
- User Manual
- Technical specifications for software

Results:

- ✓ MBS software installed and operational in 19 municipalities
- ✓ 34 municipal finance officials trained on use of software, which enables them to plan and execute municipal budgets in compliance with the General Budget Law, as well as with international standards for budget preparation, execution, and classification of revenue and expenditures
- ✓ MBS provides financial and programmatic information that is more accessible to decision-makers and citizens
- ✓ MBS will provide a bridge between the current system and local treasuries while the republic payment system, “ZOP,” is being reformed and dismantled

5.4 Training Module D: Capital Budgeting & Capital Improvement

Implementation Timeframe: January 2001 – August 2002

Overview: The draft *Law on Local Government Finance*, when enacted, will require that Montenegrin municipalities prepare capital improvement plans (CIPs). A CIP is a multi-year (usually five to six years) plan of known investment requirements of the municipality. Investment projects are listed in priority order, with anticipated beginning and completion dates, annual estimated costs, and the proposed methods of financing.

ICMA conducted three rounds of four-day CIP workshops, at which, two to four municipal officials from all 21 municipalities were in attendance for at least one round. Each round provided participants with an understanding of, and tools for, preparation of capital improvement plans. Topics covered at the workshop included: CIP components, multiyear financial analysis, infrastructure condition analysis, project analysis and prioritization, analytic tools for preparation of the CIP, citizen participation techniques, project financing, and integration of the CIP into the annual budget. On-site assistance was then provided to all 21 municipalities to complete their CIPs and as requested for additional support and follow-up.

The first workshop was developed and delivered by a firm under subcontract with ICMA. The firm worked onsite with all seven Centers of Excellence, providing training and on-site municipal consultations and implementation support for CIP's. The firm assisted with installation and configuration of the CIP software tool, collection and input of financial and project data, finalization of CIPs, and project implementation. Later workshops drew upon that curricula and were delivered by

ICMA technical staff. ICMA contracted with and trained a local consultant to offer additional on-site assistance, as requested, and to implement the skills acquired at the workshops to complete the multi-year CIPs.

Target Group: Directors, deputy directors and other key staff in municipal finance, urban development and public utility departments.

Products:

- Seven CIPs
- Signed CIP development agreements with seven local governments
- Computerized CIP databases partially completed for seven local governments
- ICMA subcontractor Assessment and Trip Report
- Local consultant trip reports from on-site consultations
- Training curricula and workshop exercises
- Handbook on Citizen Participation in Budget Hearing Process

Results:

- ✓ All 21 municipalities are capable of conducting a transparent and multi-year CIP process by prioritizing capital projects based on need and citizen input; 10 municipalities completed a multi-year CIP
- ✓ Municipalities with CIPs will be better able to access credit markets in order to finance infrastructure projects
- ✓ Participants acquired the skills and knowledge to achieve the following:
 - Organize a project team and develop a CIP for their municipality
 - Conduct a multiyear financial analysis in order to determine the appropriate level of capital expenditures
 - Justify and prioritize capital projects
 - Prepare costs estimates for capital projects using the Republic's new classification system
 - Explain alternative strategies for involvement of citizens in capital project selection

5.4.1 Capital Improvement Planning Software (OSIP):

Overview: ICMA developed OSIP, a software tool to assist municipalities with developing capital projects that are part of a five-year Capital Investment Plan (CIP). Capital investment projects are linked to organizational codes defined by the users and to functional codes defined by the Republic. OSIP facilitates multi-year financial analyses that will forecast current and future capital revenues and expenditures. It defines all sources for funding capital investments. The first year of the CIP, which is the capital budget, links to the municipal budget through MBS software, as do the maintenance and operating costs of any capital projects.

OSIP has been installed in all 21 municipalities. A workshop was conducted to deliver hands-on training in the application of the software tool. On-site training was delivered when the software was installed.

Products:

- Software
- User Manual
- Technical specifications for software

Results:

- ✓ OSIP installed and operational in all 21 municipalities
- ✓ 29 municipal officials, representing all 21 municipalities, received hands-on training both in workshop and on-site formats
- ✓ OSIP enables the municipalities to track the condition and maintenance of infrastructure
- ✓ By printing an attractive and consolidated CIP document, the software tool will enable Montenegrin municipalities to more easily involve their citizens in the CIP process

5.5 Training Module E: Public Procurement

Implementation Timeframe: January 2002 – August 2002

Overview: In August 2001, the Parliament of Montenegro enacted the *Law on Public Procurement*. The Law provides a comprehensive, rules-based, procurement system for the Republic, 21 local governments and other public entities. This Law is intended to conform to international standards and to “...make provisions for the public procurement of goods, works and services; to introduce greater transparency and integrity; to establish entities having responsibilities and authorities to administer the system efficiently; to offer equitable access to the private sector to government contracts and, to render corruption more difficult.” Public Procurement Workshops were designed to increase participant understanding and application of provisions of the law, provide an opportunity to learn more about the basic principles, better understand the process of public procurement underlying the Law, and to ultimately facilitate and ensure proper implementation.

A task force of ICMA technical staff and local consultants was established to research training at the municipal level. ICMA then conducted a one-day Needs Assessment Workshop for 42 municipal officials, including the republic-level appointed Public Procurement Officers (PPOs). The findings were then compiled into a report that informed training development. ICMA brought in a short-term advisor to develop a comprehensive training design and tailor it to specific needs. The consultant then conducted a 5-day TOT workshop for three competitively selected ICMA TOT lead trainers to deliver three regional workshops that covered all 21 municipalities. Interactive training modules were then developed by the Lead Trainers and delivered at the regional workshops. Lead Trainers provided additional on-site assistance as requested.

Target Group: Public Procurement Officers, directors, deputy directors and other key staff in municipal finance departments.

Products:

- Needs Assessment Report
- Training Design and Trip Report
- Public Procurement Training Modules (in Serbo-Croatian)
- Lead Trainer Trip Reports

Results:

- ✓ 38 municipal employees, 19 of which are PPOs, acquired the following skills and knowledge to implement the Law: applicability of the Law on Public Procurement, its forms, and rules, principles and benefits of transparency, integrity, and efficiency of public procurement activities
 - **Niksic Workshop** -- Covered five municipalities with participation from Niksic, Podgorica, Savnik, Danilovgrad, and Bijelo Polje. Municipalities of Kolasin, and Pluzine did not send representatives.
 - **Tivat Workshop** -- Covered seven municipalities with participation from Tivat, Kotor, Bar, Budva, and Ulcinj municipality. Municipalities of Cetinje, and Herceg Novi did not send representatives.
 - **Pljevlja Workshop** -- Covered seven municipalities with participation from Pljevlja, Andrijevica, Berane, Mojkovac, Plav. Municipalities of Zabljak, and Rozaje did not send their representatives.
- ✓ Lead Trainers developed expertise on public procurement principles and rules and are prepared to serve as in-country resources for future procurement training needs
- ✓ Created an interest in and respect for proper implementation of the Public Procurement Law among local government officials (as evidenced by comments made by participants)
- ✓ Established apolitical linkages among different Montenegrin municipalities to be utilized as a valuable resource throughout implementation. Participants were interested in continuing cooperation, and assisting each other in finding the best solutions to the problems they encounter daily
- ✓ Initiated a change of attitude towards the applicability of the Law in Montenegrin context. In all the workshops participants were eager to learn, and expanded their knowledge on public procurement. They were able to understand the significance of establishing institutions that were responsible, and authorized to efficiently manage the system of public procurement in order to provide for equal treatment of contracting both public - private sector, and to the greatest extent possible to disable corruption. Therefore, participants were able to see that the “old way” of public procurement procedure in Montenegro, through mainly non transparent methods, was not suitable in the new context of the public sector, and that the “rules of the game” should be equal and known to all parties involved in the public procurement process.

5.6 Training Module F: Revenue/Expenditure Forecasting & Revenue Maximization

Implementation Timeframe: January 2002 – September 2002

Overview: Under Montenegro’s emerging financial framework, municipal revenues will become increasingly dependent upon local decisions about tax rates and fee levels. The new legal framework will provide local governments with new discretionary authority to establish tax rates, tariffs, and fees

for a range of local taxes and services. This newly acquired local revenue autonomy increases the importance of being able to project and maximize local revenues.

Knowledge of historical revenue and expenditure trends is important for short and long-term budgetary planning and forecasting. Local government officials need information that enables them to allocate scarce budgetary resources in a way that is rational and consistent with the local government's fiscal capacity and priorities. In addition, local governments need to be able to forecast long-range revenues and expenditures so that they can set and track long-range financial policies, develop realistic capital investment programs, and assess their creditworthiness.

An ICMA short-term advisor developed and delivered a comprehensive workshop to 25 municipal officials, representing 18 municipalities, on revenue/expenditure forecasting and revenue maximization, introduced participants to multi-year revenue and expenditure forecasting. Topics included revenue maximization techniques, municipal financial indicators, financial policy-making, assessment of financial conditions, and comparative benchmarks.

Products:

- Workshop curriculum and training materials

Results:

- ✓ Workshop participants are able to accomplish the following:
 - Apply internationally recognized principles of financial policies
 - Prepare multi-year forecasts of municipal revenues/expenditures and surplus/deficits
 - Explain the components of a revenue maximization program
 - Compare key financial indicators for their municipalities with those of other municipalities

5.6.1 Financial Analysis & Budget Software (FABS):

Overview: ICMA sub-contracted with a local software company to develop Financial Analysis for Budget and Statistics Software (FABS). FABS is an Access-based tool that analyzes a local government's historical revenue and expenditure trends to prepare multi-year financial forecasts. FABS will automatically generate financial benchmarks that compare a local government's financial condition with other local governments in Montenegro. Tax rate changes, tariff rate changes and changes in GDP can be simulated for the real estate tax, wage tax and equalization grant and their overall effect on the financial condition of the local government can be estimated.

Products:

- FABS software
- User Manual
- Technical specifications for software

Results:

- ✓ FABS software installed and operational in all 21 municipalities

- ✓ 20 municipal officials, representing 20 municipalities, received hands-on training both in workshop and on-site formats
- ✓ FABS enables municipalities to:
 - (1) Prepare multi-year revenue and expenditure forecasts
 - (2) Calculate available debt margins and determine creditworthiness
 - (3) Set rational tax rates, tariffs and fees
 - (4) Prepare financial information accessible to decision-makers
 - (5) Establish baseline financial indicators to establish sound financial policies
 - (6) Identify unfavorable financial trends

6. REAL ESTATE TAX

Implementation Timeframe: January 2001 – December 2001 (Policy Development)
 March 2002 – February 2003 (Implementation)

Introduction: One of the most significant objectives of decentralization was to guarantee financial autonomy and self-sustainability to Montenegro municipalities. Market-based property taxation, administered at the local level and with revenues enjoyed at the local level, is one of the most effective means of achieving this.

According to the Law on the Taxation of Real Estate, municipalities assume full responsibility for levying and collecting the real estate tax in 2003. Revenues will remain with municipalities. The law directs municipalities to calculate tax bills based on market values, rather than the nominal valuation approach currently used by the Department of Public Revenue (DPR). The law directs the DPR and the Department of Real Estate (DRE) to facilitate implementation by making available to the municipalities data regarding the ownership and value of real estate. This information is crucial in establishing market based valuation. Municipalities are also directed to deliver tax applications to property owners who, in turn, are required to return completed applications to municipal offices. Finally, the MOF is required to promulgate a market-based valuation methodology that will assist municipalities in administering the law.

The program targeted assistance in five areas:

- 1) *Technical Assistance To The Real Estate Tax Implementation Group (REIG):* ICMA established REIG, an expert working group comprised of officials from the pilot municipalities, MOF, DPR, DRE and ICMA technical staff. The REIG was responsible for: (i) developing strategic and operational plans for the implementation of the new real estate tax, (ii) advising the MOF in regards to an appropriate real estate valuation methodology, (iii) ensuring the smooth transfer of data from the national cadastre to local property registers, (iv) to provide advice on the design and development of real estate tax administration software and (v) to deal with other implementation issues that would confront local governments. REIG met five times in 2002.

- 2) *Pilot Local Government Project*: In January of 2002, ICMA invited all 21 municipalities to submit proposals to serve as pilot municipalities. Plav, Kotor, Niksic and Pljevlja were selected to participate in the pilot program. Objectives of the pilot program were: (i) to work out the administrative details of the new real estate tax administrative systems, (ii) to design and develop tax administration software, (iii) to test valuation methods and (iv) provide a laboratory for training.
- 3) *Development Of Real Estate Tax Software*: ICMA subcontracted with a local software company to develop Real Estate Tax Software (RETS). RETS consists of two interrelated modules, a Real Estate Module and a Tax Assessment and Billing Module. The Real Estate Module provides a registry of all real estate within the municipality, including its location, classification, valuation, tax status and characteristics. The Tax Assessment and Billing Module calculates real estate tax bills for all parcels, and tracks tax payments.
- 4) *National Conferences and Technical Assistance*: ICMA organized two national conferences. The first, *Implementation of the Real Estate Tax*, was held in Cetinje July 2002. The Conference was attended by 86 representatives of local government, UoM, MOJ, DPR, USAID and four pro bono property assessors from the US.

ICMA's second national conference was held in October 2002. The conference was attended by 44 people from 18 municipalities. The goals of the conference were to: (i) inform municipal officials about the current status of the valuation methodology; (ii) present model tax applications and encourage officials to consider additional information that may be utilized in the establishment of accurate property values and (iii) to organize the regional technical assistance to be provided by US assessors.

Four regional workshops were held in Bar, Kotor, Niksic and Zabljak, engaging stakeholders in discussions and providing technical assistance on topics ranging from real estate tax office staff education and qualification, property assessment, tax collection, the budget process and tax rates.

In January 2003, ICMA program efforts focused almost exclusively on RET implementation due to impending deadlines facing municipalities. US technical assistance offered practical guidance to municipal officials on how to assess property according to market value, stressing a practitioner's rather than theoretical point of view.

- 5) *Property Assessment & Database Population*: In July 2002, ICMA enlisted a team of four US property assessors as pro bono advisors to spend two weeks in Montenegro to assist municipalities with assessment issues. The team participated in the second national conference, delivered a two-day workshop to municipalities, and provided on-site assistance to the four pilot municipalities.

Ultimately, these activities were limited as republic-level data was insufficient for conducting comprehensive assessments. Plans were made to augment the data as necessary, using a much-refined version of the "tax application" used in the past. The necessary questionnaires were

drafted, a database was designed to accommodate the resulting data, and a public relations campaign was executed to encourage a positive response to the program. In the absence of MOF approval of the valuation methodology, however, no further progress could be made.

The RET scope of work outlined seven tasks, in support of the five activities described above. These will be elaborated upon in the following subsections. The main task areas were:

- Real Estate Register (Database) Development—analyze data needs, design database, transfer data from Republican sources to municipal databases, and acquire additional data
- Valuation Methodology Development—assemble market data, develop valuation models, develop valuation methodology, and apply valuation methodology to determine taxable values
- Real Estate Tax Software Development—determine specifications, develop software, and install and test it
- Legal Framework Development—draft valuation methodology decree, draft model local tax rate and other procedure regulations, and draft real estate tax register and tax return (application) regulations
- Organization Development—Republican realignment, local authorities, and training

Issues: Many of these tasks were not fully achieved due to the GOM’s failure to meet critical deadlines, a shortened timeframe due to a protracted legislative drafting and enactment process that did not result in adjusted implementation deadlines, and lack of cooperation by key Republican agencies. The lack of cooperation consumed project resources and slowed the pace of accomplishment, with the result that systems and procedures could not be tested in the pilot municipalities. Thus, the hoped-for participation levels could not be met. Nevertheless, substantial progress was made, and some valuable lessons were learned/reconfirmed.

This project, as has been true of other fiscal-decentralization projects, demonstrated that success is unlikely if the necessary central-government agencies do not enthusiastically support the program. Consequently, it was necessary to devote substantial resources attempting to build republican-level support for the program. In this project approximately half the staff energy was devoted to attempts, ultimately unsuccessful, at ensuring the cooperation of the necessary republican agencies. The REIG mechanism, conceived more as a coordinating mechanism than a means of securing compliance, was boycotted by one of the essential republican agencies, and proved ineffective in this regard.

Results: Despite significant delays and roadblocks, the project did achieve the following:

- ✓ About a third of the municipalities demonstrated commitment to taking on property tax, and utilized ICMA’s technical assistance to the extent possible
- ✓ Republic level data “cleaned up” and serves as an ad hoc (though time-consuming) first step to fully populating property registries, which must happen before market-based assessments can be determined

- ✓ Four tax applications developed and delivered to the municipalities to use as an alternative data collection tool to populate the property registers
- ✓ Pro bono property assessors from Massachusetts served as a catalyst to direct municipalities' attention to achieving implementation milestones
- ✓ The majority of municipalities had key personnel in place to assume taxation responsibilities by the close of the program
- ✓ Using the ICMA-developed Real Estate Tax Software (RETS), municipalities able to print tax bills based on DPR data from 2002, augmented by tax application data, as an alternative to full market-based valuation and assessment the first year
- ✓ Municipal property tax offices provided a computer and printer to utilize software package
- ✓ Should the MOF choose to implement this law as mandated, they are provided with a draft valuation methodology submitted prior to legal deadline of September 30, 2002. NOTE: In February 2003, MOF issued a limited decree on a valuation methodology three months after its legal obligation. The information in the decree was not vetted with municipalities or ICMA

6.1 Real Estate Register (Database) Development

Overview: There are three types of data necessary to administer the property tax: (i) data leading to the discovery of all taxable land parcels and an assurance that all potentially taxable buildings and other taxable object have been accounted for, (ii) data describing the nature of each property so as to enable an estimate of its value to be made, and (iii) data linking each taxable property to its owner and to other persons who have a taxable right in the property as of the date that the tax liability accrues. Systematic computerized records of land and buildings containing these data, with codes that uniquely identify them, additional data that describe their characteristics, their geographical extent, and the holders of rights in them, together with an exhaustive set of parcel-level maps, are the invaluable resources that DRE possesses.

With these data, the task of compiling a real estate tax register can be compared to working with the pieces of a jigsaw puzzle when one is secure in the knowledge that all of the pieces of the puzzle are accounted for. Without such data there is no such assurance, as the data currently used by the DPR exemplify. In statistical terms, in their absence there is no complete census; no sampling frame upon which further quality control measures can be based.

Issues: Unfortunately, DRE provided ICMA with only a small fraction of the necessary data, and much less than was purported to have been promulgated. The data came only after repeated procurement efforts and numerous rebuffs, and was presented in a format not well suited for property tax purposes.

After much research and very detailed analysis of the data available from DPR and DRE, it is clear that the data is, by itself, inadequate to support implementation of a market based valuation approach in 2003. Furthermore, data that may become available from tax applications in the near future is not likely to be sufficiently comprehensive and reliable for purposes of calculating tax bills.

Due to its analysis of available data and its reliability, ICMA believes the only data municipalities can use in the purpose of property taxation in 2003 is DPR data. ICMA recommended to MOF in September 2002 that this be an exception for 2003, so municipalities could calculate property tax bills that had to be sent out by May 31, 2003 as noted in the law. The Ministry of Finance agrees in principle to permit this exception for 2003, but this agreement is not yet officially recognized.

ICMA encouraged municipalities to acquire as much data as possible from the market and other sources to estimate market value of real estate. In addition, ICMA encouraged municipalities to begin organization of a RET office and build property tax registers that would use market values as the basis for assessment and tax bills in 2004.

6.2 Valuation Methodology Development

Overview: According to The Law on the Taxation of Real Estate, the MOF is responsible for prescribing this methodology. The Ministry was also required to promulgate regulations pursuant to the Law, including the valuation methodology, by September 30, 2002 (Article 19).

Issues: ICMA provided technical assistance to the MOF and the Deputy Minister in charge, in connection with the valuation methodology. Discussions about its contents were held with the Ministry over a six-month period beginning in March 2002. The MOF preferred a methodology that minimized local discretion by centrally specifying all valuation base rates and adjustments. The MOF also preferred a single, universal valuation equation based on average construction costs that would apply to all types of property. However, mechanically applying a formula is not “valuation” in the usual sense of the term and applying a single formula to all types of property would not produce results reflective of market values due to the fact that there are many different real estate markets.

After repeated attempts to consult with the MOF to produce a draft they would promulgate (even months after the legislated deadline had passed), it became clear that the MOF was not going to fulfill its mandated responsibilities. Further, while the MOF has an obvious and important role in implementing the law, the ministry’s representatives were disinclined to participate in any problem-solving and educational activities, including the two national conferences. They also became increasingly unavailable for regularly scheduled consultations.

6.3 Real Estate Tax Software (RETS) Development

Overview: ICMA consultants developed specifications and subcontracted with a local software development firm to produce the software. RETS was programmed to produce a bill based on DPR’s ‘tax decision’ from 2002. However, the software was designed to be flexible and will allow municipalities to enter data from tax applications in the future.

ICMA organized software-training workshops in Podgorica, January-February 2003 for municipal officials. Pilot municipalities received a computer and printer to run the software program. Upon request from ICMA, USAID’s Office of Transitional Initiatives (OTI) donated 17 additional computers

to the municipalities that lacked adequate computer hardware. Each computer had RETS installed and additional technical support was provided on-site as requested.

6.4 Legal Framework Development

Overview: Municipalities were required to enact local ordinances by September 2002 to implement the real estate tax.

Issues: This objective cannot be met at this stage absent further authorization from MOF.

6.5 Organization Development

Overview: ICMA assisted each municipality in developing the core property tax administration practices needed to introduce the new real estate tax successfully. Ideally, this includes support for improved property tax related registration, audit, collections, and appeals procedures and taxpayer service programs. It should also include support for the development and adoption of efficient procedures for property appraisal.

ICMA conducted a Real Estate Tax Administration Workshop in May 2002 for pilot municipalities. Staffing and resource management were addressed in each national conference. An ICMA short-term advisor provided additional on-site assistance.

7. CITIZEN PARTICIPATION

Implementation Timeframe: January 2001 – February 2003

Overview: Citizen Participation was introduced in Phase II of ICMA's grant. It was designed to provide an integrated package of training and technical interventions to increase citizen involvement and collaboration in the local government reform process and community affairs.

Citizen Participation was a comprehensive component of ICMA's program designed to build awareness among our partners of the advantage and necessity of creating two-way communication between government and its citizens; a component aiming to sustain an open and transparent system of government which allows, encourages and empowers citizens to participate in decision-making processes, enrich democratic development of citizens and government officials and ultimately facilitate sustainable implementation of policy reform.

To this end, ICMA conducted a partner assessment to identify potential organizations in which to cooperate and share resources to develop a network for the advancement of future activities. ICMA sponsored a plenary meeting to define common needs and potential resources for citizen outreach projects. ICMA developed a media list for distribution to local government officials at media training

workshops and distributed it to all USAID implementers. Ultimately, ICMA developed productive relationships with the USAID Montenegro Office of Transitional Initiatives (OTI) that led to the joint financing of public hearings and information campaigns.

The Citizen Participation program component was comprised of five projects:

- 1) Public Discussions on Policy Reform
- 2) Legislative Development
- 3) Municipal Budget Hearings
- 4) Property Tax Information Campaign
- 5) Local Government Reform Information Campaign

At the conclusion of the project, ICMA's work facilitated over 500 public forums, many of a nature that had never been available in Montenegro before. Many counterparts enthusiastically embraced these methods and carried out similar projects on their own initiative. Attendance at these forums was robust, especially when compared to turnout in many Western democracies. Local government reform was brought to the forefront of public awareness and citizens were armed with information and acted upon it to contribute to the policy debate.

7.1 Legislative Development:

Implementation Timeframe: July 2001 – December 2001

Overview: ICMA provided guidance and specific legislative language for the Law on Local Self Government mandating the establishment of citizen participation mechanisms within the framework of civil and democratic rights and obligations. These include:

- Direct Participation (civil initiative, assembly of citizens, local referendum etc.)
- Right to civil complaint and petition; establishment of a civil defense attorney
- The annual development of a "Citizen Participation Action Plan" by each municipality and its approval and dissemination to citizens
- NGO cooperation clauses
- "Sunshine" clauses on public access to information
- Open meeting ordinances, including annual budget hearings before assembly adoption

Products:

- Articles included in the proposed Law on Local Self-Government

Results:

- ✓ When passed, the Law on Local Self-Government establishes ample mechanisms for public outreach, input and choice within a framework of democratic rights and obligations and guarantees opportunities for citizen involvement in local decision-making

7.2 Public Discussions on Policy Reform:

Implementation Timeframe: September 2001 – December 2001

Overview: In November 2001 ICMA worked closely with MOF, UoM and respective municipal officials to design a public information campaign that preceded regional town hall meetings with the aim of introducing principles and practices the new draft legislation on local government would guarantee. ICMA also assured that feedback mechanisms to incorporate public opinion into final policy decisions were implemented.

Activities included:

- Design of local government reform promotional materials such as newspaper advertisements, television ads, pamphlets and posters
- Design and execution of media campaign including: press releases, MOJ/ICMA joint press conference, “Press Breakfast” to brief media on reforms and give them opportunity to ask government officials questions on background, scheduling radio interviews for counterparts
- Organization of two roundtables on reforms, inviting government officials, political parties and NGOs, which was recorded and broadcast as part of a documentary series
- Collaboration with OTI to secure funding for 2 documentaries on local government reform – its scope and expected impact
- Co-financing a web page with Open Society Institute on local government reform

Products:

- Local Government Reform Information Campaign Action Plan
- Press alerts, press releases, invitations
- Television ads broadcast on three nationwide televisions (Blue Moon, Elmag and Montena)
- Advertisements in three nationwide daily papers (*Pobjeda, Dan* and *Vijesti*)
- 5000 brochures on local government reform
- 4000 pamphlets on principles of reform and invitation to public discussions
- 500 posters distributed to all municipalities
- Law inserts (draft law) printed and distributed free-of-charge at kiosks
- Advertisements for regional discussions published in *Pobjeda, Dan* and *Vijesti*
- Two documentaries televised and broadcast 8 times during public discussion
- Website – www.lokalna.cg.yu – co-financed with Open Society Institute
- Press Clippings package, including over 35 media hits

Results:

- ✓ Increased awareness of the citizens and their active participation in the discussion process
- ✓ Improved quality of media coverage and helped to focus media on the objectives of reform rather than the political influences upon it
- ✓ Counterparts have received direct benefits of actively involving citizens in policy decisions (further incentive) and have begun to undertake some outreach activities on their own initiative
- ✓ Helped inculcate a sense of “ownership” in citizens for this reform and raised expectations in their role in local government decision-making
- ✓ Raised the profile of local government reform and received ample media coverage on it
- ✓ Recorded citizen input at public discussions and incorporated into the draft laws

7.3 Municipal Public Budget Hearings

Implementation Timeframe: July 2001 – February 2003

Overview: ICMA’s Municipal Finance Advisor Jim Ley and Ken Torp and Chief of Party Kristine Powers designed a project to plan and organize municipal budget hearings. This included training of officials in conducting and publicizing hearings, as well as stimulating citizen involvement. ICMA provided financial and technical support, through competitive award, to the municipalities of Niksic, Ulcinj, Kotor, Pljevlja and Tivat to assist them to include citizen participation in the budget-making process, and to serve as pilots for 2002.

After a successful first year for FY’02, the project was renewed for FY’03 and three municipalities conducted public hearings. (*Despite high interest in the project, the tense political environment in Montenegro preceding presidential elections resulted in many municipalities dropping out of the project.*)

Products:

- Workshop design and curricula

- Budget-in-Brief template
- 29,500 Budgets-in-Brief printed and distributed
- 380 posters printed and distributed

Results:

- ✓ 17 public hearings held (approximately 500 people participated)
- ✓ 10 roundtables on municipal budgets held
- ✓ 43 radio call-in shows on municipal budgets broadcast
- ✓ 10 informational TV shows on municipal budgets and public involvement broadcast
- ✓ 3 municipalities conducted public opinion polls as a part of their campaign

7.4 Property Tax Public Information Campaign:

Implementation Timeframe: March 2002 –October 2002

Overview: From July to October 2002, ICMA conducted a republic-wide taxpayer education campaign to facilitate the implementation of the Law on Real Estate Tax. Additionally, ICMA worked with its four pilot municipalities to conduct local taxpayer education campaigns and enhance their capacity to foster compliance with the law and increase their potential for increasing tax revenues.

An ICMA short-term advisor worked with ICMA technical staff and key counterparts to develop the campaign and delivered a one-day workshop to implement the campaign in pilot municipalities and local consultants. ICMA contracted with two local advisors, already trained by ICMA on the public budget-hearing project, to assist the pilot municipalities and serve as ICMA’s citizen participation representatives for the project.

The Cetinje Conference on Real Estate Tax was used to kick-off the campaign: the first presentation on the relevance of taxpayer education and the actual implementation plan was presented. The overall activities included:

- press conference to kick-off the campaign
- TV spots in collaboration with OTI, broadcast on all major television networks
- Radio jingles were produced and broadcast on all major radio stations
- Newspaper advertisements designed and placed nationwide
- “Citizens Guide to the Law on Real Estate Tax” produced (80,000 copies), inserted in three daily papers
- Promotional materials designed and delivered to municipalities
- Republic-wide campaign followed up by campaigns in four property tax pilot municipalities

Products:

- Republic-wide action plan, action plans for pilot municipalities, consultant trip reports from visits to municipalities

- Newspaper ads, press releases, press kits and newspaper clippings from media coverage including a one-page description of the project in a widely disseminated local NGO Bulletin
- Two TV spots
- 7 radio jingles
- Posters (1000)
- Stickers (15,000)
- “Citizens Guide to the Law on Real Estate Tax” (80,000 copies)

Results:

- ✓ Raised awareness and understanding of property tax reform, and informed citizens on their rights and responsibilities as taxpayers, thus supporting compliance with a key law to achieve municipal fiscal autonomy.

7.5 Local Government Reform Information Campaign:

Implementation Timeframe: May 2002 – October 2002

Overview: ICMA offered technical assistance and guidance for OTI’s public information campaign on local government reform. The overall aim was to remind, raise awareness and ensure public understanding of the principles and benefits of local government reform, and to promote the enactment of the package of local government laws. OTI fully funded all campaign outputs.

Products:

- Newspaper ads
- Two TV spots
- Billboard ads

Results:

- ✓ Ensured that a consistent and accurate presentation of local government reforms and responsibilities was successfully presented to a national public

8. RELATED ACTIVITIES & OTHER SPECIAL PROJECTS

8.1 Total Quality Maintenance (TQMn)

Implementation Timeframe: (Phase I) November 1999 – December 2000

Overview: The overall goals and objectives of the TQMn series were to bring greater managerial effectiveness and efficiency to the delivery of public services by increasing participants’ knowledge and skills in specific line operations and management functions. The program, originally developed by UN Habitat, was successfully introduced and field tested in Romania and Slovakia. Nine municipalities participated in a two-stage series of residential workshops and on-site follow-up consultations in the

participating municipalities. A third-tier training event was also sponsored to include three more municipalities that had expressed interest in receiving TA in this area.

During each two-stage TQMn training cycle, nine municipalities applied skills acquired through the workshop to identify a concrete problem to be improved in their community, such as waste management, water systems, transportation and information management. The key TQMn training output is a municipal action plan developed jointly by local government teams comprised of mayors, finance officials, public works directors and general management staff. Small grants of \$10,000 were then awarded to each municipality to implement their TQMn action plan, also enabling them to leverage additional local and external resources. Generally, the funds were used to procure public works equipment or services in accordance with their plan.

Focusing on one topic during the cycle facilitated inter-municipal cooperation and comparison of problems and possible solutions. The manner in which public works functions are organized in Montenegro also required the involvement of participants in identifying needs and establishing clear workshop objectives in response to these needs prior to the start of the training cycle. The training design facilitated this involvement through pre-workshop planning assignments. Trainers then followed up with on-site interventions to assist and assess the implementation of the municipal action plans.

Target Group: Municipal teams of four or five persons representing different executive and departmental functions.

Products:

- TQMn training curricula translated and adapted to reflect Montenegrin conditions, which includes:
Reader on Concepts and Strategies with Case Study, Participant's Pre-Workshop Assignment, and Blueprint for Action: Participant's Workbook
- Workshop Agenda
- Workshop Agenda with Trainer's Notes

Results:

- ✓ Residential workshop PTDs: 225 (5-person teams from 9 municipalities at 5-day residential workshops)
- ✓ On-site workshops total PTDs: 576 (32 participants from 9 municipalities at 2-day workshops)
Participants acquired skills in:
 - Needs analysis and problem identification
 - Creating and building interdepartmental decision-making teams
 - Identifying community stakeholders and applying innovative approaches to citizen participation
 - Creating, implementing, and evaluating concrete action plans
- ✓ Sub-grants of \$10,000 funded, in whole or part, the following projects:

- Engineering plans for construction of a 5 kilometer city road in Berane
- Engineering plans for the sewage system in Bijelo Polje
- Purchase of garbage trucks in Kotor and Tivat
- Engineering plans for the repair of underwater wastewater collectors in Ulcinj
- Engineering plans for new roads and bridges in Plav and Pljevlja
- Trash receptacles, print ads, brochures and painting of historical buildings for beautification project in Cetinje

8.2 Slovakia Study Trip:

Implementation Timeframe: January 2001 – April 2001

Overview: ICMA organized and accompanied Montenegrin local officials on a regional study tour to Slovakia to facilitate a transfer of knowledge in regional strategies, legislation and implementation of reforms, including training and post-passage implementation to enable the officials to apply this knowledge and experience to their own framework for democratic and fiscal decentralization and provide a basis for professional consultation, guidance and contacts.

ICMA sub-contracted with the Bratislava-based Local Government Development Center to help organize a study of the Slovak system of local governance in Bratislava, Trnava and Nitra. Four Montenegrin officials (2 from the municipalities of Cetinje and Berane, the deputy Minister of Justice and Secretary General of the Union of Municipalities) attended in-depth presentations followed by Q&A sessions sponsored by Slovak Ministries of Finance and Interior, city finance officials, Slovak Association of Cities and Towns, Association of Municipal Finance Officers of Slovakia, and the City Managers Association.

The agenda covered a number of topics in depth: (1) legislative framework for local government organization and financing, including problems with the existing system and proposed changes; (2) public administration system; (3) decentralization of competencies and regional self-government; (4) public service delivery; (5) local government financing system and impact of fiscal decentralization; and (6) establishment and responsibilities of local government associations.

Products:

- Slovakia study tour trip reports
- Collection of reference materials and legislation on Slovak local government reforms including: System of Public Administration in Slovakia, Law on Bratislava, Guidebook for Mayors, ZMOS (Association of Towns and Villages of the SR) By Law, Local Government Financial Management in Slovakia, Association of Main Controllers of Slovakia By Law, Law 369/1990 on Local Government, Draft Law Amending the Law 369/1990 on Local Government, Draft Law on Self Government of Upper Tier, and Draft Law on Election in Upper Tier.

Results:

- ✓ Exposure to and increased knowledge of fiscal decentralization processes, including intergovernmental finance systems, in other Central and Eastern European countries (Slovakia)

8.3 Citizen Satisfaction with Municipal Services Poll

Implementation Timeframe: June 2001 – October 2001

Overview: ICMA Commissioned a poll from DAMAR polling agency to survey citizen opinion on municipal services and infrastructure and the level of citizen involvement and activism in municipal decision-making. Door-to-door interviews were conducted September 3-10, 2001 in the municipalities of Berane, Pljevlja, Niksic, Cetinje, Tivat, Kotor and Ulcinj. The poll measured the level of readiness and the means of citizen participation in municipal affairs.

Products:

- Questionnaires
- Poll Results

Results:

- ✓ The Poll informed the final design of the citizen participation project and served as an important baseline in determining programmatic success.

8.4 Information Technology Task Force

Implementation Timeframe: January 2002 – March 2002

Overview: ICMA conducted an in-house survey of all 21 municipalities on the information technology capabilities of local governments and drafted the “Information Technology Report” illustrating municipal technology needs. It was determined that technological infrastructure, human resources, and basic computer skills are inadequate in nearly all municipalities, impeding capacity to fully implement the laws and improve skills and practices.

Key Findings:

- 1) Data shows that 21 municipalities own 267 computers in total and the total number of employees is 1,888. On average, 16.8 employees share one computer.
- 2) Computers within municipalities are antiquated and 82.7% of them are not connected to the Internet.
- 3) Out of 1,888 total employees, 452 have basic computer skills – that is 23.9 % of the total number of employees.

ICMA was limited by budgetary constraints to adequately address this situation across the republic, but the following actions were taken to ameliorate the situation within our programmatic scope:

- Dissemination of the final *Information Technology Report* to potential donors and leverage ICMA partnerships with U.S.-based firms leveraged to donate computer hardware
- Basic computer skills workshops integrated into the training program, and Excel and Word software manuals purchased and distributed to workshop attendees
- Local technical consultants were contracted to provide technical assistance, install software and provide technical support to ICMA-developed software end-users
- Computers purchased for the finance departments in ICMA “Centers of Excellence” to meet minimum requirements for ICMA software deployment
- Submission of a proposal for OTI to purchase computer hardware to meet the urgent needs of newly established municipal property tax departments.

Products:

- “Information Technology Report,” ICMA technical staff, 2002.
- OTI proposal

Results:

- ✓ The report enabled ICMA to better understand the municipal working environment and effectively apply resources to improve conditions in information technology through a series of training, on-site assistance and equipment donations, financed by ICMA and OTI. This better positioned the municipalities for deployment of ICMA-developed software.
 - (1) 10 computers donated by ICMA-affiliated association
 - (2) 6 computers purchased by ICMA
 - (3) 14 computers purchased by OTI
 - (4) At project close, ICMA donated all program equipment to municipalities on an as-needed basis

8.5 Basic Computer Skills Workshops

Implementation Timeframe: June 2002 – September 2002

Overview: ICMA organized two three-day workshops for municipal officials from all 21 municipalities on Windows/Excel/Internet skill development. Workshops were conducted at the School of Economics at the University. Participants obtained basic computer skills necessary for all upcoming software training that ICMA provided to municipalities.

Products:

- Software manuals donated to workshop attendees

Results:

- ✓ Municipalities acquired essential skills to improve their internal management and professional development by “catching up” to the global IT standard.

8.6 Economic Reform Agenda

In January 2003 USAID began preparing an Economic Reform Agenda for the GOM. The project was born out of the Prime Minister's speech to Parliament in December 2002, which highlighted key priorities in his term. To encourage a comprehensive approach to these ideas, and to provide key technical milestones, USAID quickly mobilized virtually all of its implementers for feedback. ICMA participated extensively in the Local Government Working Group, and also gave input to the Public Administration Working Group. Under a very short timeframe the Working Groups produced local government priority recommendations for GOM, which was supported by key benchmarks. USAID then consolidated 17 Working Group submissions into a concise document for the Prime Minister and his Ministers. The Economic Reform Agenda was well received by the Republic and it is hoped this will contribute to progress on USAID's reform agenda.

8.7 Local Treasuries

In early February 2003 MOF issued a new chart of accounts for use by municipalities. This was disruptive for most municipalities as they had either already passed their FY03 budgets or were in final stages of budget finalization. ICMA worked with Barents counterparts on this issue in this time period, and also worked jointly towards consolidation of municipal accounts.

8.8 ZOP Reform

Barents invited ICMA to provide input on the impact and next steps in ZOP closure and the municipal accounting structure. ZOP is slated to be closed nationwide by June 2003, and will have profound impacts on the functioning of local governments. As municipalities are not trained in treasury functions, combined with the fact there is a virtual nonexistence of local treasuries, Barents and ICMA agreed to take common steps to make interim solutions for municipalities. ICMA worked with Barents in two pilots, Bar and Budva, to review the established account reporting structure with ZOP and the plans for its reform.

ICMA was also invited to participate in a MOF Working Group on ZOP closure. Other members included representatives from MOF (Treasury and other offices), Central Bank, ZOP, DPR, US Treasury and Barents. ICMA stressed the need to allow for the new structure, to be part of the Central Bank, to allow for municipalities to retain and account for their own-source revenues. However, it was agreed that municipalities should continue to participate in the to-be-renamed ZOP for shared revenues given municipalities limited capacity and reporting skills which would be required for further decentralization of this function.

9. LESSONS LEARNED AND RECOMMENDATIONS

It may be seen that given pressing macro political issues that Montenegro was contending with during the grant period, it was not the optimal time to achieve local government reform. Important progress was made that cannot be discounted or underestimated and the stage was set to rapidly move forward

on decentralization and democratization at the local level. The flexibility of the grant enabled reassessment and reallocation of resources to maximize impact but the situation changed so often that it required an inordinate amount of time planning for contingencies by ICMA and the USAID mission.

There are fundamental shortcomings in local governance and municipal service delivery that cannot be resolved by a local government program alone. Lack of managerial capacity, public accountability, excessive interference of political parties, cronyism, nepotism and corruption are some examples of the challenges. These issues cannot be resolved without significant personnel changes – from top (mayors) to bottom (civil service) - are undertaken. One of the most egregious problems facing local government is its over-politicization. Until progress is made on this front – passing the Law on Direct Elections of Mayor being a critical first step – local governments will continue to be crippled by the pervasive influence of the political parties they are beholden to.

International assessment of the existing system of intergovernmental relations (between and among Republic and local tiers of government) reveals that a clear delineation of authority and resources is *required*. Enactment and rapid implementation of the proposed laws on local government is a crucial step.

Critical linkages between legislation exist on the local government financing system and anticipated tax and other fiscal reforms at the Republic level. All must move forward concurrently. Strong collaboration between USAID local government and macroeconomic programs is essential to ensuring an integrated, inclusive and effective policy framework.

Strong cooperation and collaboration with EU bodies would also be beneficial as membership in EU institutions is a powerful incentive for Montenegro. For example, Council of Europe (COE) membership represents the gateway to EU membership and requires compliance with the *EU Charter on Local Self-Government*, namely, the establishment of a policy framework that guarantees decentralization of authority and resources. ICMA's understanding of these pre-conditions was essential to overcoming GOM resistance to important principles and practices.

As an increasing number of donors focusing on local government enter Montenegro, it is essential that a coordination mechanism be established to avoid duplication of resources or the creation of an imbalance in support to local institutions. Presently, there are too many funds and too few local resources. Both OSI and OSCE selected ICMA's association of trainers, the Agency for Local Democracy and Partnership (ADLP) to be the recipient of grants. Development of an in-service training institution i.e. ADLP was an important accomplishment of ICMA's program, but pouring resources into this nascent and underdeveloped organization presented certain risks. For this reason, ICMA constrained its assistance to ADLP to target operational capacity and solidify its foundation and resource potential. For implementation of local government reform to be successful, more local institutions offering support to municipalities and building relationships with constituencies will need to be in place. Finally, coordination should also be a goal to improve information sharing as so many donors and/or implementers can work on aspects of the same topics from different scopes of work.