

MAKE DECENTRALIZATION WORK

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ПРОЕКТ ЗА УСПЕШНА ДЕЦЕНТРАЛИЗАЦИЈА

MACEDONIA

MAKE DECENTRALIZATION WORK

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WORK PLAN 2004 - 2005

Submitted to:  
United States  
Agency For International Development  
Skopje, Macedonia

By:  
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Skopje, Macedonia



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## **Make Decentralization Work First Annual Work Plan**

### **I. Project Overview**

#### **The Landscape**

The Macedonia **Make Decentralization Work** project of USAID, implemented by Development Alternatives, Inc. (DAI), is charged with supporting the coming devolution of authority from the Central Government to local governments so that it is successful in a substantial proportion of Macedonian municipalities. This work will encompass policy support at the central level along with capacity-building at the local level.

The Macedonian path toward decentralized government has been difficult. Decentralization is never a neat, chronological, or orderly process. In Macedonia, it has lately become most disorderly. The political landscape in which the **Make Decentralization Work** project begins is highly unsettled, both legally and politically. The process of territorial reorganization has caused serious disintegration of the goodwill that may have existed in the body politic. From a position in which decentralization was poorly understood but accepted in at least a neutral way, the territorial reorganization process has made “decentralization” become synonymous with ethnic gerrymandering in the mind of many citizens.

In practical terms, the unsettled political situation presents both serious challenges and some opportunities. Unknown at present are (1) the timing of the nationwide local elections; (2) the number of municipalities that will exist; and (3) the effective date of the principal decentralization laws. Collectively, these represent an almost impenetrable fog. However, in this fog we can use the additional time to great effect. We will use the delay, the additional time, to increase local and central government capacity, significantly raise public understanding, craft more precise and workable legislation and generally improve the chances for success. Decentralization delayed will be decentralization improved.

#### **Our Assumptions**

The key to our approach is that, while we make assumptions based on our best professional judgment, wherever possible we install alternatives should the landscape change. Our working assumptions are:

- A national referendum will be held in late 2004; it is possible that it could nullify the Territorial Organization law (leaving the current number of municipalities at 124); our assumption, in consultation with USAID/Skopje, is that the law will stand or eventually be changed slightly, leaving the final number of municipalities at approximately 84.
- Local elections will not be held until Spring 2005.
- The effective date of the principal decentralization laws will be pushed back until at least June 2005, and as late as January 1, 2006.
- These delays will lead to significant inertia in the central government bureaucracy, creating an additional challenge to the implementation process.

#### **Our Approach**

MDW's approach must be to maintain maximum flexibility of operation in an unpredictable and perhaps sometimes hostile environment. Every initiative we conduct or support must be closely and directly aligned toward the success of decentralization.

It is axiomatic that democratic reform that is top-down, with no demand from below, is almost certainly doomed, and it is certainly true in the case of Macedonia. Therefore our work on policy reform and local capacity-building must and will be accompanied by strenuous efforts to rehabilitate the image and the public understanding of decentralization.

The hallmarks of the MDW Year One approach are:

- Concentration on activities that can be pursued independently from the political calendar of our local partners; we will identify and do those policy and capacity building activities that can endure irrespective of the actions of the political parties.
- We will seek to create regional service centers for the essential devolved functions; regardless of the number of municipalities, many of the smaller ones will be unable to deliver the more sophisticated elements of devolved governance.
- Constant encouragement will be applied to our central government partners to seize the opportunity presented by the new timetable and not view it as a respite from the work of reform.
- The emphasis will be on Macedonian providers of training and technical assistance; wherever possible, ZELS will be the key partner/provider of assistance.
- We will help the municipal associations identify and begin building training and technical assistance capacity that in the future will be fee-based, leading to sustainability and eventually decreased donor dependence.
- IT and infrastructure will rely on local cost-sharing.
- Improved monitoring of capacity and results with concomitant implications for future assistance.

## **II. Work Plan Management**

The scope and complexity of the MDW Task Order require an efficient, flexible management structure. Both human and technical systems must be responsive to the needs of the staff. The design of MDW administration builds upon and adapts the forms and processes of its predecessor, LGRP.

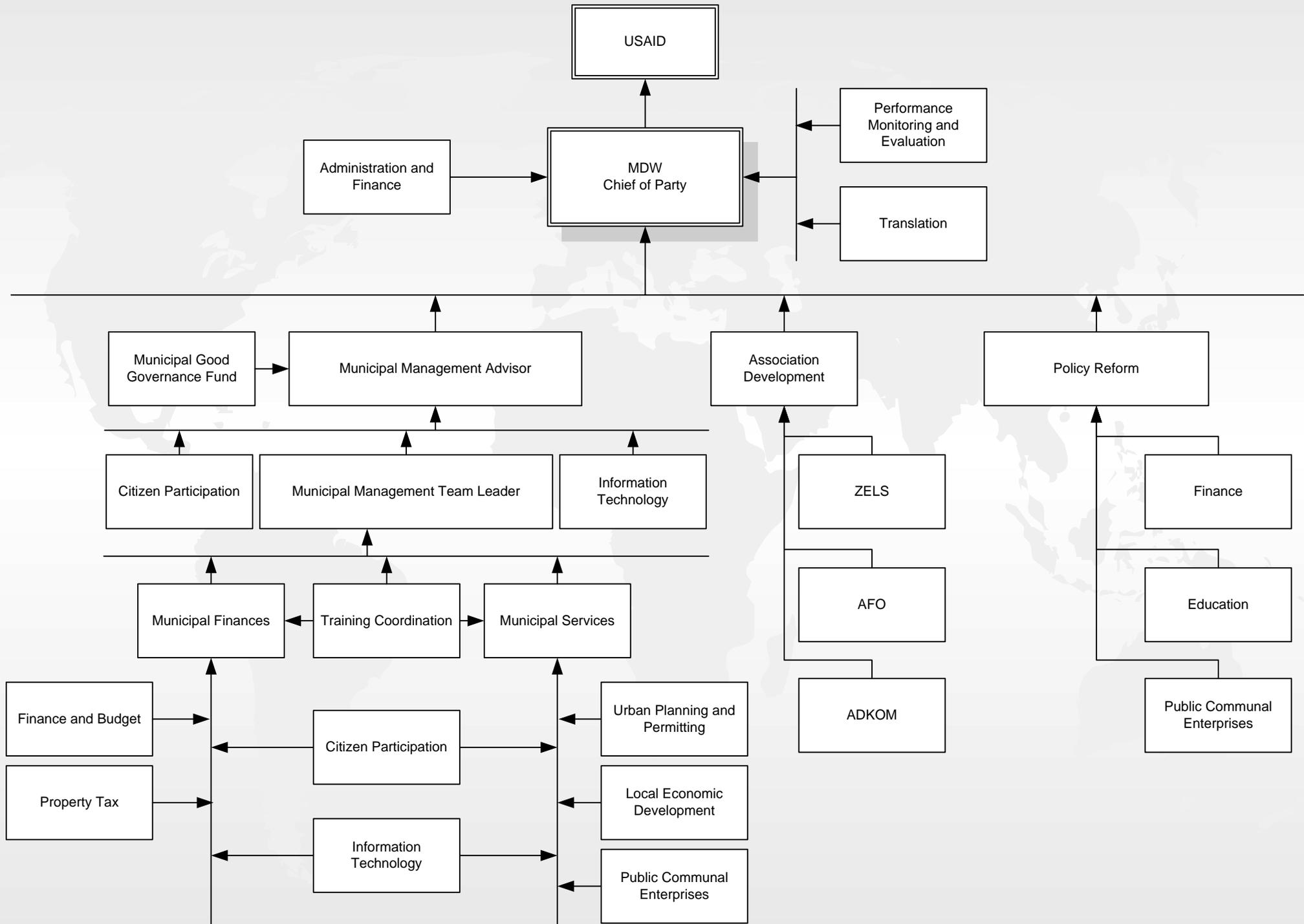
### *Team Structure*

The MDW team structure will reflect the functional areas of Year One of the project, as follows:

- Policy Reform
  - Fiscal Decentralization
  - Education
  - Public Communal Enterprises
- Association Development
  - ZELS
  - AFO
  - ADKOM

- Municipal Management and Finance
  - Human Resource and Organizational Management
  - Budget and Finance Operations
  - Property tax and communal fees
  
- Municipal Services
  - Local Economic Development
  - Urban Planning and Permitting
  - Communal Public Enterprises
  - E-Governance
  
- Citizen Participation and IT/E-Governance coordinators will conduct activities that support each of the above components.

Team organization and reporting and oversight responsibilities are outlined in the organization chart below:



### *Internal Coordination*

MDW team leaders will receive training and mentoring on leadership and management techniques. Under the leadership of the Municipal Management Advisor on the Municipal side and the Chief of Party on the Policy side, a regime of cross-team reporting and coordination meetings will replace the former weekly all-staff meetings that were the practice of LGRP.

In October, the project will install and begin to use the newest version of DAI's management information system, TAMIS. This will assist in STTA approvals, reporting, resource coordination, grants management and general office operations. USAID will have direct access to the relevant TAMIS modules, streamlining the reporting process.

### *Grants Management*

MDW will administer a grants fund in the approximate amount of \$2 million in support of the infrastructure and IT needs of our local partners, over the life of MDW. The Municipal Management Advisor, Jim Gordon, a C.P.A. with many years experience in both accounting and USAID programs, will oversee the Fund. The Fund will be managed by Senior Accountant Svetlana Antich; to support this new responsibility, a junior accountant and a local grants specialist will be added to the staff. A detailed grants strategy and criteria will be submitted for USAID approval by November 15, 2004.

### *Training*

Because training and other forms of capacity-building constitute such a large part of the work of MDW, it is essential that both human and equipment resources be managed with utmost efficiency. Therefore a member of the Municipal Group will be designated Training Coordinator. The responsibilities will be both programmatic and logistical. All training-related activities will be conducted in close coordination with the ZELS Office of Training Coordination. Our training approach is outlined in the next section.

### *Cross-Cutting Activities*

There are three areas of work that cut across all the activities of MDW:

- **Citizen Participation**

CP is a distinct group but draws most of its tasks from the key elements of decentralization; it will engage the citizens with devolved functions such as property tax, urban planning and permitting, local economic development and E-governance.

- **Gender Equity**

MDW has a Gender group that consists of members drawn from other program areas and includes the PMP manager. It is their responsibility to ensure that all project activities take into account the issues of gender integration; this will include gender integration training for all project staff, disaggregating of data by gender and inclusion of gender-related indicators in the Performance and Monitoring Plan.

- **Information Technology**

Much of the work of MDW utilizes IT resources and systems to enable the local officials to manage new responsibilities. Zoran Gligorov will serve as project IT manager, moving from the administrative office of LGRP to report through the Municipal Group. He will coordinate and oversee both the acquisition and the implementation of IT systems in support of MDW activities. His work will be supported by the deep resources of the DAI Office of Information Technology in Bethesda.

### **III. Training and Technical Assistance Strategy for Year One**

Training and technical assistance to municipalities will underpin many of our activities, particularly those related to municipal management and municipal operations. The following section lays out our general approach, which is specified in more detail in sections II, III, IV and V.

We will maintain communication with and endeavor to establish a working relationship with the Government-created Tri-Lateral Commission (TLC). MDW will pursue the following goals:

- (1) the Commission should afford ZELS an equal voice in all deliberations, including designation of its representative(s); and
- (2) The TLC should serve a coordinating, advisory rather than controlling role.

The training coordination that has existed with World Bank, OSCE, EAR and relevant ministries under LGRP will be continued and expanded in all appropriate ways. ZELS will, of course, remain the principal training partner of MDW, moving toward the Association's eventual assumption of the leadership position in municipal training.

#### *Key Transition Activities from LGRP to MDW*

ZELS and its related professional associations (see Section II) will play a critical role in advancing the MDW program requirements. ZELS will be recognized and energized as DAI's Program Partner in training and technical assistance. An informal review of ZELS capacity will be undertaken to insure that its organization, staffing and structure is adequate to meet the demands of the MDW program. An MOU will be executed between DAI/MDW and ZELS to define clear expectations, duties and responsibilities and define the conditions for the grant to ZELS.

Clusters of training material will be developed reflecting the following framework:

- Implementing Decentralized Good Governance
- Citizen Outreach
- Urbanism and Economic Development
- Association Development
- Policy Reform and Communal Enterprises

Using existing and yet to be developed training material, MDW will develop subject matter training modules for each cluster. For instance, following this approach, the training modules under the cluster "Implementing Decentralized Good Governance" will include the following modules; (1) Municipal Management (Organization, Procurement, Legal, etc), (2) Financial Management, (3) Tax Administration, and (4) E-Government. Training modules will include a Trainer's Guide and be copied onto a CD-ROM for mass distribution.

### *Training Strategy*

To address the identified municipal capacity building deficiencies identified by the Task Order, the DAI/MDW strategy for delivering capacity building support to a targeted number of municipalities is to develop a regional training and technical assistance capacity that will serve as the training and municipal assistance vehicle for ZELS and all MDW training and TA activities. In Year One, we will develop a cadre of trainers and technical advisors to be available as expert service delivery resources for ZELS, the Association of Finance Officers (AFO), and the Communal Enterprises Association (ADKOM), qualified to train and assist Macedonian municipalities nationwide on a sustainable, ongoing basis. The ZELS Office of Training Coordination will be the delivery mechanism for training municipal officials, linked directly to Municipal Management activities. Those experienced trainers will deliver “Training-of-Trainers” courses (ToTs) to association members with technical competencies, certifying them as trainers, offering one-on-one consultation, and developing and disseminating “toolkit” materials and guidance that can be used by MDW and the associations in their capacity building activities. MDW will provide assistance to ZELS in holding conferences and regional clinics for municipal officials.

The regional training approach will require identifying four geographic training “HUBs”, with a distribution that would include all the established units of government. Ideally, each selected HUB location, or a municipality within the HUB, should have participated in several of the LGRP Pilot Programs and will include all 34 core municipalities, which contain the regional offices of government ministries. The capacity developed in those Pilots will be used as Best Practice Models for further dissemination to other municipalities, within the HUB. A suitable training venue will be identified in each HUB, thereby reducing the cost of lodging and transportation associated with the particular training event.

In order to deliver training and TA of high quality and to ensure sustainability of the developed regional capacity in years to come, three to four local trainers in each HUB will be identified, selected, and trained. World Learning is planning to support this effort by funding a trainer development program that would build local training capacity. Working in close cooperation with MDW and ZELS, World Learning would support the management and coordination of resources required to prepare a core of ZELS trainers to deliver three-day Local Leader Training Program courses for newly elected officials as well as other courses to be offered. This effort will involve:

- Identifying and selecting a group of potential trainees, together with ZELS;
- Providing a series of ToT courses on varied topics to qualify the local trainers in delivering the Training Program’s courses;
- Overseeing the design and development of ToT courses, working in close cooperation with MDW to ensure targeted learning;
- Identifying and selecting a group of potential training providers who will deliver the ToT to the selected group of trainees; and,
- Coordinating the implementation of the ToT courses, in cooperation with MDW and ZELS.

Should the World Learning project not materialize, MDW will assist associations in supporting the trainers through the association grants.

### *Expected Outcomes of the Training Strategy*

- A developed and sustainable regional training capacity to serve MDW training activities across all program components.
- Regional local technical consultants identified and certified to deliver technical assistance and rapid response requests from units of local government that is not dependent upon the immediate resolution of territorial organization.
- ZELS training unit capacity to organize and deliver training enhanced.
- MDW training activities consolidated and integrated into training modules tied to achievement of program results.

## **IV. Work Plan Implementation**

### **Section I: Assessment Phase**

#### **Representative Municipal Capacity Assessment**

By the end of November 2004, MDW will conduct an assessment in six representative municipalities which will provide baseline data for the Municipal Capacity Index, and provide other generally valuable information for program implementation. The cities will be selected based upon the current territorial organization but reflecting the most probable reorganization plan.

#### **Gender and Minorities**

The MDW staff will assess the constraints and opportunities of both women and minorities to determine how their problems may be distinctive, how to involve them in MDW activities, how their contributions may contribute to results in different ways, and how the impact of activities may differentially affect them. We will strive to ensure that women and minorities are included as fully as possible in MDW activities, especially those related to citizen participation. All MDW activities will be monitored by the Gender team to assess adequate gender and minority awareness. MDW staff will all receive gender integration training.

#### **IT and E-Government Needs Assessments**

In cooperation with the Ministry of Local Self-Government, the U.N. Development Program (UNDP) has recently published an IT assessment to identify activities (including staff training) needed to help advance IT usage and e-government in local government operations. In December, DAI will supplement this assessment with an IT assessment in 12 municipalities to identify software, equipment, and training needs specifically related to tax administration and urban planning.

### **Section II: Policy Reform**

#### *Key Objectives and Intermediate Results*

Activities under policy reform during the first year will contribute to the following USAID Intermediate Results: *IR 2.3.1 Local Governments Have Increased Responsibility and Financial Resources*, directly through *IR 2.3.1.2 Implementing Regulations That Transfer Responsibilities* are in place. Indirectly, activities will contribute to *IR 2.2.3.2.2 Adequate Information on Municipal Issues And Functions Exist and is Understood*, by ensuring central government

Ministries develop clear information sharing mechanisms on policies and procedures with municipal governments as competencies are devolved.

MDW results during the first year include:

- Implementing regulations that smoothly transfer competencies to local government for education are in place;
- Ministry of Education and Science has improved capacity for analytical review;
- Secondary regulations necessary for the implementation of the Law on Local Government Finance are developed;
- Municipal debt workout plan for all local governments is developed and a strategy for implementation designed;
- Communication between national and local governments on the roles and responsibilities of both in the decentralization and management of competencies is improved;
- The most problematic regulatory obstacles to sound management and good service provision are clearly defined, and reform strategies are designed.

### *Strategies and Assumptions*

Passage of the Law on Local Government Finance (LLGF) has occurred but with an unachievable implementation date of January 1, 2005, The MoF intends to amend the effective date but it is not yet clear whether it will be mid-2005 or January 1, 2006. This delay presents MDW with a number of challenges and opportunities. On the one hand, central government officials may use the extended time horizons to justify a “go slow” policy with respect to developing the necessary secondary legislation and administrative systems. More significantly, the lack of clarity concerning jurisdictional boundaries of territorial organization will complicate, though not necessarily make impossible, certain tasks such as developing an equalization formula or a debt work-out plan. However, the delay could prove beneficial if the time is effectively used by both national and local government officials to define the operational details necessary for a smooth and effective transition to the new system of intergovernmental relations.

To ensure that the coming months are used to greatest effect, the Policy Team of the MDW will focus its efforts on strengthening the capacities of the two ministries that will bear the greatest responsibility for setting the operational standards and administering the new decentralized order: the Ministry of Finance and the Ministry of Education. We will also work through the Ministry of Local Self-Governance as the coordinating body for the decentralization process. The new Law on Local Government of Finance assigns the Ministry of Finance the central role in defining the pace of decentralization and imposes on it the responsibility of developing an equalization formula for monitoring the finances of local governments according to new reporting standards, and responsibility for coordinating a municipal debt work out plan.

The MDW Policy Team will also focus on assisting the Ministry of Education in effectively defining the funds, responsibilities, and assets that will be transferred to local governments for the provision of primary and secondary education services. Because education is politically the most sensitive function that will be devolved to local governments, and will eventually become their single largest expenditure responsibility, this capacity will be critical for the overall success of the decentralization process.

At the same time, the Policy Team of MDW will begin to investigate the regulatory frameworks that are critical for the sound operation of local governments. In particular, the Policy Team, in cooperation with ZELS, ADKOM, GTZ and the Municipal Operation team will identify the

major regulatory problems hindering development of the public utility sector and begin to mobilize support for legislative reform. Here, the primary Ministries that we expect to work with are the Ministries of Environment, Economy and Justice.

The pace of reforms, due to various reasons, has thus far been uneven across the sartorial ministries. Some, such as the Ministry of Education and Science, are far ahead of the rest. There are lessons learned from the process, and they should be shared. MDW will make an effort to ensure that the Ministry of Local Self Government, as the center-point of coordination, is constantly informed of the progress of the reforms in the Ministries where it provides assistance, and will assist the Ministry of Local Government on an “as needed” basis, in the sharing of best practices.

### **Activity 1: Support Fiscal Decentralization**

For the Ministry of Finance (MoF) to implement and administer the new intergovernmental finance system, the analytical skills and capacities of a still weak local government finance department within the MoF must be dramatically strengthened. Over the coming months, the MDW will strengthen the capacities of this department by providing technical assistance to help it build, maintain and use the analytical instruments and data necessary to administer a decentralized system.

#### **Sub-activity 1.1: Assist the MoF in Developing Secondary Regulations Necessary for the Implementation of the Law on Local Government Finance**

The MDW will concentrate on helping the Ministry execute four distinct but related tasks that, taken together will create the administrative and technical backbone of the new intergovernmental finance system. These tasks consist of:

- Developing the data sets necessary for the Ministry to simulate the revenues of local governments under different policy scenarios;
- Providing TA to the Ministry in defining an equalization formula based on objective measures of fiscal capacity and expenditure need;
- Helping the Ministry develop budget and year-end financial reporting standards for local governments so that it can effectively monitor the finances of the sector over time;
- Helping the Ministry develop a Budget Circular that provides local governments with sound estimates of the revenues from all grants and transfers.

Because all of the tasks are related, and in many ways dependent on one another, the MDW will begin its interventions in this area by drafting a comprehensive action plan that defines which actions should be taken when, and by whom, as well as the expected results. This action plan will be completed by the end of November 2004. During this same period, the MDW will work with the Ministry of Finance in establishing the very nascent Local Government Department, by defining its staffing needs and clarifying its organizational responsibilities. If necessary, the MDW will work with other donors, particularly the IMF and EUSR, to ensure that this unit is first established and then appropriately staffed and equipped.

We expect that the MDW will second to the department a budget analyst with good database skills to help the department set up the information systems necessary to simulate the consequences of various equalization formulae and to monitor local government budgets over

time. By the first quarter of 2005, MDW will provide the Department with hands on training in the use and maintenance of this database.

Closely related to the design of this database is the development of new budget and year-end financial reports. During the fall of 2004, the MDW and the Department of Local Government will develop their reporting formats, which will be tested and approved by the first quarter of 2005.

During the same six-month period, we will work with the department to assemble the best statistical data available for developing proxy measures of relative wealth in order to propose and simulate various equalization formulae. We expect the MoF to adopt a final equalization formula no later than April 2005.

Finally, within the scope of this activity, we will help the MoF engage other ministries in assembling the information necessary to draft a comprehensive budget circular that will provide all local governments with comprehensive estimates of all shared taxes and grant money they will receive from the national government; as per the Local Finance Law, the budget circular is to go to the municipalities by September. .

In all of these activities, the draft proposals will be discussed with ZELS and where appropriate with AFO.

### **Sub-activity 1.2: Support the Development and Implementation of a Municipal Debt Work-Out Plan for All Local Governments**

The LLGF imposes on the Government of Macedonia the responsibility of coordinating a municipal debt resolution plan as a precondition for fiscal decentralization. To prepare such a plan, the Ministry of Finance must have a full and current inventory of all municipal debts including payment arrears, by type and date. At the same time, the MoF must be able to predict with reasonable certainty the ability of all (future) local governments to pay. Only when these two elements have been completed will it be possible to develop a plan that provides appropriate levels of debt relief to many essentially “bankrupt” municipalities.

MDW experts will help the MoF first to develop an inventory of debt, and second, to forecast the ability of (future) jurisdictions to pay. Inventorying the debt will be done by a combination of a public call to all creditors to state their claims as well as letters to large construction companies and the Electrical Company. We expect that the inventory of the municipal debt and payment arrears will be completed by January 2005. Forecasting the ability of local governments to pay will be a complicated exercise because of the overall uncertainty of their number, difficulties in attributing Personal Income Tax and other tax streams to individual municipalities, and the present lack of an equalization formula. As a result, we anticipate this exercise to be a series of more and more refined projections. A set of initial projections should be ready by the end of March 2005.

Once the forecasts and inventory are complete, it will be possible for MDW to propose to the MoF a series of concrete options for working out municipal debt, options that would depend on how much the creditors are willing to forgive and how much the national government is ready to write down. The Policy Team will be supplemented by a senior sub-sovereign debt specialist and local legal and financial experts.

## **Activity 2: Improve the Regulatory Environment for Public Communal Enterprises**

At present, Macedonian Communal Enterprises suffer from a confused and often contradictory regulatory regime. To improve the quality of services offered by these enterprises as well as their financial viability, MDW will engage in a series of structured activities that, first, define the most problematic regulatory obstacles to sound management and good service provision, and, second, design reform strategies and lobbying campaigns to affect change in a regulatory order.

Based on the inventory of problems identified by ADCOM, GTZ and other stakeholders and researches, the Policy Team will conduct a series of structured focus groups designed to prioritize and further specify the most critical regulatory obstacles to improve municipal performance.

Following the conduct of these focus groups and with the support of a senior utility expert, MDW with ADKOM and ZELS will develop a series of sectoral policy notes that clearly define the issues and proposed concrete solutions and lobbying strategies for their realization. We expect that among the key issues these strategies will address are the burden that high VAT rates impose on the cash flow of utilities when collection rates are low, the inability of certain providers to cut off the provision of services, and rate caps on prices of services imposed by the national government. These findings will be presented in working groups composed of the relevant stakeholders, and by the fall of 2005 we expect that the government will be considering concrete reforms to improve the regulatory environment with respect to the most pressing issues.

## **Activity 3: Support for Education Decentralization**

The amendments to the Laws on Primary and Secondary Education, nearing their passage in Macedonian Parliament, form the legislative basis of education decentralization, including the transfer of responsibility for school maintenance to municipalities, and the responsibility of elected officials for the selection, appointment and dismissal of school directors to school boards. Moreover, the Ministry of Education and Science (MoES) has adopted an Education Decentralization Strategy (EDS), which defines detailed functions to be transferred to municipalities as well as some principles of how they should be managed.

Nevertheless, a successful and smooth education decentralization requires an appropriate regulatory framework, constituted by ordinances and other legislative acts. Moreover MoES itself must develop capacities to function effectively in the new environment, in which micromanagement of each education institution is replaced by defining system-wide procedures and standards. Accordingly, the activity is divided into two sub-activities, one focusing on assisting MoES to implement in time the necessary secondary legislation, and the other focusing on the ability of MoES itself to monitor the decentralized system and to respond adequately to arising challenges.

### **Sub-activity 3.1: Develop Implementing Regulations That Transfer Responsibilities**

The main responsibility for preparing the necessary regulations will rest with the Working Group on Education Decentralization (WG), which was established by MoES on advice of LGRP in October 2003, and which prepared the EDS, adopted later by the Ministry. MDW will support the WG by helping it define its schedule of activities and detailed areas of work, by organizing WG meetings, helping WG draft its interim reports and presentations to MoES leadership, and helping it draft the requisite ordinances. By the end of 2004, WG should be able to present draft versions of the ordinances to MoES leadership. The final versions of the ordinances, taking into account

the position of MoES leadership and other stakeholders as necessary, such as ZELS, should be ready by June 2005. However, the allocation formula must take into account the territorial division of Macedonia and cannot be finalized before the process of defining new municipalities is completed. The preparation and adoption of budgeting procedures will require close cooperation with the Ministry of Finance and may take the longest time.

Main tasks include the following:

- MDW will assist MoES, through provision of simulations, analysis, and policy papers, and through supporting the legal review and drafting, to adopt an objective formula for the allocation of education funds (maintenance and technical staff). The task will include simulations of different formulae reviewed by MoES and preparing draft ordinance of formula for the MoES leadership.
- MDW will assist MoES through support of legal review and drafting to adopt clear and transparent budgeting procedures for schools. The task will include forming a joint working group with the Ministry of Finance and assisting the group to prepare and present the budgeting procedures.
- MDW will assist MoES through supporting database construction, legal review, and legal drafting, to design procedures for transfer of school property ownership to municipalities. The task will include completion of the school property database, conducting the analysis of the collected data, and preparing a draft procedure for property transfer.
- MDW will assist MoES through supporting the legal review, legal drafting, and by providing international comparisons, to define standards which will have to be maintained by municipalities in their schools, in order to ensure the continuity and safety of the educational process. The task will include the review of the present secondary legislation on school conditions and drafting of new regulations.

### **Sub-activity 3.2: Improve Capacities for Decentralization Management in the Ministry of Education and Science**

To help improve the capacities of MoES to define its strategic plans, to monitor the development of education sector, and to respond adequately to new problems, MDW will focus on the analytical capacities of the Analytical Unit. It will help the MoES prepare and adopt a new organizational chart better suited to management of a decentralized education system, and assist in the planning and communication process within the Ministry. MDW will continue this activity throughout the year to fit the current needs of the Ministry. Main tasks include:

- MDW will assist MoES, through training and regular on site assistance, to strengthen the capacities of the Analytical Unit of the Ministry to perform data analysis, simulations and prognosis. As the result, the staff of the Analytical Unit will gain improved ability to maintain the database on an annual basis, to run simulations under different assumptions, and to forecast enrollment and spending.
- MDW in cooperation with other donors (including DFID) will assist MoES to prepare and implement a new organizational chart. The new organizational structure should help the Ministry to function better in a decentralized education system. An important goal will be to position properly the Analytical Unit as the key MoES institution to collect data and provide analysis and prognosis for multiple MoES sectors.

- MDW will work towards the strengthening of the strategic planning capacities of MoES through presentations and policy workshops. The goal of the activity will be to improve the internal communication and planning process between various sectors in the ministry.

#### *Key Milestones in Policy Reform*

- Comprehensive Action Plan for the Ministry of Finance drafted by end of October 2004;
- Local Government Unit in the Ministry of Finance can simulate local government revenues and expenditures under different policy scenarios by end of Year One;
- MoF has adopted a transparent equalization formula based on objective measures of fiscal capacity and expenditure need and has included it in the Budget Circular;
- MoF has issued instructions and formats governing municipal budgets and year end financial statements by July 2005
- Debt inventory projections are completed by end of March 2005;
- In cooperation with other donors, practice budget manuals in line with new Ministry Standards are developed and disseminated
- MoES adopts clear and transparent budgeting procedures for schools by end of Year One;
- MoES designs procedures for transfer of school property ownership to municipalities; and,
- MoES defines standards (enabling the educational process) to be maintained by municipalities in schools.

### **Section III: Association Development**

#### *Key Objectives and Intermediate Results*

Activities under Association Development will contribute to the following USAID Intermediate Results: under *IR2.3.3 Municipal Associations Satisfactorily Serve Their Members*, primarily through *IR2.3.3.1 Associations Are Effective Advocates of Interests of Local Government to Central Government*, *IR2.3.3.1 Associations Upgrade the Skills and Knowledge of Municipal Staff and Officials*, and *IR2.3.3.3 Associations Are on Track for Long Term Sustainability*. Indirectly, activities will contribute to *IR 2.3.2.2 Adequate Information on Municipal Issues and Functions Exists and is Understood*, by ensuring that local elected officials and their administrators develop mechanisms for transparent engagement in municipal planning, communication and operations.

Specific results of Year One activities include:

- ZELS Training Department infrastructure is in place with a team of two members trained to carry out the burden of organizing a complex training program for municipal officials.
- The ZELS policy process is improved with broader membership input through expanded Committees, stronger linkages with other professional associations and a more focused backstop by the staff liaisons.
- In the face of much membership turnover, ZELS will be able to at least sustain its current level of dues collection;
- ZELS capacity to serve its members is enhanced by reorganizing the internal staff structure, strengthening the financial system, and educating the new ZELS Standing Committee (SC) structure.
- Opportunities for additional services to members will be identified by ZELS, AFO and ADKOM .

- AFO governance process will be reorganized and the association will engage more in the implementation of financial decentralization.
- ADKOM new office will be operational and basic member services will be delivered to member PCEs.
- ADKOM membership will increase and a dues revenue system will be established.

## **The Association of the Units of Local Self-Government of Macedonia (ZELS)**

### *ZELS Strategies and Assumptions*

In the past two years, ZELS has been transformed from a dormant association with little staff or policy capability to an association that is widely respected as the primary force and authority for decentralization in Macedonia. As successful as ZELS has been, there is still much to do in the process of institution building in a very dynamic and changing political environment. External forces play a prominent part in ZELS success.

In the next year ahead, the political landscape in which ZELS works will change radically.

- In the last local government elections of 2000, there was more than an 80% turnover of elected officials. Similar or greater turnover could occur in the next elections, resulting in a huge turnover in ZELS governing Standing Committee and overall membership;
- Proposed territorial division could eliminate 30 % of the incorporated municipalities;
- Decentralization is running well behind the government's own timetable and many critical responsibilities, such as tax and finance authorities, are likely to be rolled out in phased timelines with enumerated criteria.

These conditions will have a major potential impact on ZELS, its policies, service delivery and "capacity to serve its members and gain financial sustainability." In this environment, Year One priorities include:

- Realign the staffing structure to enhance services to members;
- Strengthen the ZELS Policy Process through expanded participation opportunities for municipal officials and stronger technical linkage to professional associations in the policy development process; and
- Expand the ZELS Office of Training Coordination (OTC) to meet emerging needs for training newly elected municipal officials and administrators charged with decentralization implementation.

### **Activity 1: Strengthen ZELS Training Capacity and Organization**

With many decentralized responsibilities possibly taking effect in early to mid 2005, new policies and procedures for administering programs, and newly elected officials taking office with little or no experience, the need for all aspects of training for its constituents (the municipal officials and staff) will be the highest priority for ZELS. The Office of Training Coordination (OTC) was established with strong USAID/LGRP assistance and some funding by EU/PHARE to begin to give ZELS the capacity to meet the enormous needs of its constituent members. The OTC must continue to increase its database as well as its technical ability to coordinate municipal training.

### **Sub-activity 1.1: Create a Training Infrastructure**

ZELS will need to add a training infrastructure of staff to supplement the single person currently responsible for all training coordination. The MDW Associations Team will assist ZELS leadership in outlining a needs assessment, formulating job descriptions, enhancing the recruitment process and training staff. As explained in Section III, the ZELS capacity to deliver and coordinate training to its members will be assessed and a MoU will be developed to define the ZELS partner role in delivering most of the MDW training component. The ZELS Office for training Coordination will be strengthened with additional staffing. MDW's grant to ZELS will fund a training assistant position. The commitment of ZELS staff leadership to the OTC and its coordinator will be ensured as well.

MDW will assist in the creation of training modules for newly elected officials and those administrators responsible for newly decentralized responsibilities. As explained in Section III, these modules will be developed under the following clusters: Implementing Decentralized Good Governance; Citizen Outreach; Urbanism and Economic Development; and Policy Reform and Communal Enterprises.

The existing ZELS database will be regularly updated to identify target audiences and match the municipal training needs with the training modules available.

The pool of trainers to be developed under the MDW support will arise from the associations' broader membership, particularly from the associations' committee structure that has so far accumulated expertise of legislation and policy issues. ToT support, as planned through the MM activities, will develop the training cadre that will be available for the future training needs to be covered by the ZELS OTC capacity.

### **Activity 2. Enhance ZELS Policy Development and Advocacy**

The ZELS focus for the past two years has been on policy development and advocacy. Where the government has provided sufficient time for proposed actions, ZELS has responded with timely input on framework draft legislation. In some cases, such as Urban Planning and Building permits, ZELS has even prepared its own legislation for government consideration. In the case of communal services issues, ZELS went beyond the decentralization process to identify important government policies, not included in the decentralization process, that will impair or negate effective decentralization.

However, as decentralization advances and more detailed secondary legislation and regulations are implemented, ZELS will need assistance in improving its own internal capacity to meet increased demands as well as its linkages to other professional associations.

#### **Sub-activity 2.1: Strengthen Policy Committee Structure**

The current composition of ZELS policy committees is very small. Committee size is generally five to seven members with most members coming from the ZELS Standing Committee, which hampers ZELS access to a broader range of expertise and experience. In addition, ZELS staff is too overburdened with other administrative duties to support properly the policy committees with technical skills.

This activity will focus first on reorienting ZELS staff responsibilities to alleviate administrative burdens and enhance policy research and preparation. MDW will work with ZELS to realign the

staff responsibilities and may, through the grant to ZELS, fund and train a new staff member with the sole responsibility of coordinating policy development work.

MDW will work with ZELS to make committee participation more inclusive to the extent practicable. MDW will assist ZELS in developing criteria for selection of committee members.

The technical sub-committees of each policy committee will play a critical role in providing feedback and identifying issues in the administration of newly decentralized functions. The two primary professional associations (AFO and ADKOM) will be linked into these technical groups through signing of Memoranda on Understanding on roles, responsibilities and support.

After elections, the MDW Association Team will train new policy committee members with the same training modules and materials that have been developed and used in initial ZELS training activities. The modules will include guidance on the role of the committee chair, the role of the staff liaison, roles and responsibilities of the committee members, the policy development process within the ZELS committee, lobbying strategy, as well as outreach and coalition building to support effective advocacy. These modules will be used to train the many new policy committee members.

### **Sub-activity 2.2: Strengthen Advocacy Capacity**

It will be necessary to forge coalitions with other organizations and groups with a similar interest in effective local government administration. The Association Team will provide ongoing technical assistance to help ZELS leadership systematically initiate a series of outreach efforts to find common ground, consensus and allied support with organizations of similar interest. The Association Team will link with the Policy Reform Team to identify avenues within government ministries to build effective mechanisms of feedback and collaboration.

A major outreach initiative will begin as soon as the municipal elections are held, likely in Spring 2005. It will include a stream of communications to newly elected officials outlining opportunities to participate within the ZELS including letters, face to face contacts through a new regional meeting format and member service brochure publication. As decentralization unfolds during the second half of Year One, MDW will assist ZELS to refocus its communications' strategy to highlight successful aspects of effective municipal administration of decentralized programs and the increase of services to citizens.

### **Activity 3: Realign Financial and Management Structure**

In anticipation of extended responsibilities and of membership turnover, ZELS must take the opportunity to realign the staffing and financial/dues structure. The focus of this effort will be to clarify staff responsibilities, identify needed support, and shift the MDW grant structure so that the salaries of the executive staff are paid by dues, not directly by the grant (as was done under LGRP). This will create a more direct line of responsibility by the executive staff to the membership and will also allow the grant to fund new positions that support core competencies of training and policy.

#### **Sub-activity 3.1: Strengthen ZELS Financial Management Capacities**

With the rapid growth in ZELS revenues and projects, expansion of the staff will be required, beginning with a full time bookkeeper. MDW will initially cover the costs for this position

through the grant money, with an intention to cut down gradually the direct MDW financial support for the core ZELS staff, including the bookkeeper.

New policies will be introduced to recover financial overhead from donors and to initiate “fees for service” programs. A local audit company will be engaged to recommend an overhead account system that complies with Macedonian Law. TA will be provided to introduce this system and put in place all of the necessary internal policy decisions to make it operational.

With the expected turnover in the ZELS leadership cadre, the governance structure of ZELS will have virtually all new officials. This will require several modules of training on association governance, policy and advocacy, and leadership development. MDW staff will use its proven training modules to fulfill this need.

### **Sub-activity 3.2: Identify Revenue Generating Services for Members**

In November to December 2004, a feasibility study will be initiated to determine those services that members will support through fees. This will include a range of possibilities from expanded technical assistance, a member ‘hotline’ and consulting services. Additional steps will be taken to upgrade the ZELS web site to facilitate e-governance and member services.

The AD team will help establish a system to receive and process questions from municipalities about compliance with new laws or regulations, keep a record of the issues raised, and refer inquiries to other ZELS staff specialists and trainers for follow-up. The hotline will be advertised and the staff will be trained to handle this activity properly.

### **Macedonia Association of Finance Officers (AFO)**

#### *Strategies and Assumptions for AFO*

The AFO has experienced growing pains during the past two years related to bad governance that threatened the legitimacy of the organization. However, it has conducted some valuable surveys and analyses of local financial conditions that have made major contributions to the decentralization of financial authorities. The focus for the MDW activity in the first year will be on reforming the governance structure and expanding member services, including improving financial management systems and creating new by-laws to ensure a more democratic decision-making structure within the association.

### **Activity 4: Reorganize AFO Governing and Financial Management Structure**

An AFO board development workshop held in July 2004, supported by LGRP agreed upon the following activities:

- The AFO By-laws should be reviewed and appropriate changes should be introduced at the next General Assembly meeting by January 2005, to address issues such as:
  - Defining the role for only one president of the organization – with a cap on term duration of one or two years
  - Two year terms for Board members, overlapping, with 50% elected each year, and a maximum of two to three terms

- Provide all members of the association with the right to vote on by-law changes and election of president, board of director members and regional coordinators- Other issues to be identified by local and international expert that will review the AFO By-laws.
- A Policy Manual should be initiated to formally list the various policies of AFO. The manual should include the roles of officers, board members and staff. It should include a code of ethics for AFO leaders.
- The AFO leadership structure, in particular the executive board should be renewed to comply with the new office terms policies that will be introduced.
- A comprehensive external Audit should be conducted to review the financial management capacity of the association.

MDW will build upon these activities by January 2005. A demonstration of political will to address these issues will be a precondition for any further service to AFO for the remainder of MDW. Otherwise, the sub-activity 4.3 will be considered (See below).

#### **Sub-activity 4.1: Strengthen Governance Process**

Strengthening the governance process of AFO requires two activities that are mutually reinforcing– reorganizing the executive board and creating new by-laws. The current AFO Executive Board structure is comprised of 10 board members. Seven of them have been serving this position since the association was formed 7 years ago, while the other three joined 3 years ago when the board expanded. No board member office terms have been determined in the past, creating conditions for a limited number of individuals retaining all the power and decision making authority in the association. As a result, several indications of nepotism and possible corruption have been noticed within the board.

The Association Team will support the AFO membership to establish a new leadership that will gain its mandate through legitimate procedures that are common for non-profit associations. Office terms will be established and reflected in the new AFO Board guidelines or By-laws. Policy to prevent conflict of interest will also be developed and adopted by the AFO Board. STTA expertise will be used to provide technical assistance in drafting new policy procedures.

From November to December 2004, MDW will mobilize a local expert and Senior Advisor Alan Beals to review the by-laws and offer recommendations to AFO. The AFO Committee on By-laws will then draft a revised version and present it to the January 2005 AFO Assembly meeting for final approval. Changes will address the fact that only 10% of members have the right to vote during the AFO Assembly meetings, and other factors that appear to conflict with the current Macedonian Law on Citizen Associations and Foundations.

#### **Sub-activity 4.2: Strengthen AFO Financial Capacity**

Although AFO represents the association of the local finance experts, the internal financial decision-making and management systems are not satisfactory. This was revealed in the ad-hoc audit completed on April 2004 of the LGRP grant utilization. It is critical for AFO's sustainability to build its credibility among its membership and the general public by having in place and practicing exemplary financial management systems.

*External audit implementation:* MDW will provide technical assistance and funding to engage an external auditing company to conduct a comprehensive financial management audit of the AFO financial system. A tender process will be launched and, through a transparent process, the best

offer will be accepted. Although the AFO board will be closely involved in the process, the AD specialist will provide the necessary guidelines to the auditing company to direct the auditing process.

*TA for Financial procedures:* This activity will follow up the Audit advice. The AD team will provide technical assistance to implement the eventual Audit recommendations.

### **Sub-activity 4.3: Support AFO Individuals to Engage in Financial Decentralization Activities (optional)**

Should the sub-activity 4.1. fail (see above), MDW will consider ad hoc activities to support individual municipal finance officers to engage in MM activities relevant for financial decentralization. If necessary, a new, transparent association may be considered. This support will be additionally defined in consultation with USAID.

### **Macedonia Association of Communal Services Officers (ADKOM)**

#### *ADKOM Strategies and Assumptions*

ADKOM is a new professional association of local communal services officers. It replaces an older organization that was widely viewed as failing to meet the needs of its members. During the transition period, ADKOM organized itself as a non-profit organization under Macedonian Law, created a new governance structure, completed a strategic plan, and received the donation of new office space. ADKOM has the potential for strong support from prospective members. Activities during the first year will focus on creating the capacity to deliver services to members, develop an ADKOM financial system to cover the core annual costs, and improve the policy capacity of ADKOM to improve Public Communal Enterprises managerial and financial viability. This last priority will be linked to Activity 2 under Policy Reform.

### **Activity 5: Build ADKOM Capacity to Provide Member Services**

A great expectation has been raised among the public communal enterprises, which make up the membership of ADKOM, that this association will finally be able to address the complex difficulties that the entities face. To meet these expectations and to begin to build a sustainable dues revenue structure, ADKOM needs to have a stronger organization in place as soon as possible to deliver some initial services that build upon current goodwill and expectations.

#### **Sub-activity 5.1: Establish an Executive Office**

LGRP began this process by helping the organization procure low-cost, or potentially free, office space offered by the Skopje PCE “Parks and Greenery” near the Skopje city center. ADKOM will be guided by the AD team to conclude a favorable contract with the “vendor” (such as free rent in return for dues exemption).

Once the office is established, new staff will be recruited. The ADKOM Board already determined the job positions during the strategic planning workshop on July 2004: Executive Director, Project Manager and Office Manager. The AD team will provide technical assistance to ADKOM to raise funds from other donors to cover the initial salary expenditures until the new dues revenue mechanism is established, anticipated by the third quarter of Year One. The AD team will also organize a training program for the new ADKOM staff to build the managerial and financial capacity to run the office and provide services for members.

In November, the AD team will work with the executive office to formulate a budget for 2005 that will accurately reflect the expected annual revenues and expenditures to cover the planned activities. The ADKOM Board will be urged to approve the budget in a timely fashion.

### **Sub-activity 5.2: Develop New Member Services**

MDW will support ADKOM to implement several priorities from the association's strategic plan, developed during the July 2004 ADKOM retreat, that focus on identifying and responding to member needs.

From January to February 2004, the AD team with Alan Beals will design a member survey to help ADKOM determine what kind of services they expect to receive and those for which they are willing to pay additional fees.

The ADKOM objective will be to have all PCEs in Macedonia become active, dues paying members. MDW will support ADKOMs' efforts to increase the dues base by helping them to design a membership outreach plan by December 2004.

Finally, a small grant to ADKOM will support up to two surveys during Year One that relate to best management practices but will also inform the policy agenda. Possible survey topics include the capital improvement needs of communal enterprises, professional staffing needs, and management case studies. The above-mentioned survey will indicate members' priority topics. We will provide technical assistance to ADKOM in developing the basic research methods necessary to complete these surveys. We anticipate at least one survey to be completed by February/March 2005.

### **Activity 6: Develop ADKOM Policy Process**

The ADKOM involvement in the policy process is particularly important in this period when the relevant legislation that regulates the work of PCEs is in the government agenda within the decentralization policy package. Building on the past MAKKOM experience in advocacy, MDW will strengthen the ADKOM capacity to produce policy positions and, in conjunction with ZELS, to lobby the government to bring the right decisions. More importantly, the MDW Policy Team involvement in this sector will be coordinated with and supported by the ADKOM activity.

#### **Sub-activity 6.1: Create Policy Committee Structure**

A committee structure will be established to cover all functional areas in the PCE portfolio such as water, waste management, cemetery, etc. A policy will be developed with the AD team support to guide the work of the ADKOM committees. The AD team will make sure that the committees are functional, meet on a regular basis and develop sources of relevant information.

#### **Sub-activity 6.2: Link with ZELS**

The ZELS Committee on Communal Issues has already established a good communication with ADKOM. The link with ZELS will be furthered and formalized through a Memorandum of Understanding. Joint lobbying and outreach activities such as press conferences will be encouraged. MDW's role will continue to be that of advisor and convener, not director or manager of the collaboration.

### *Key Milestones for ZELS, AFO and ADKOM*

- ZELS Training Component is restructured by January 2005 and undertakes expanded training programs immediately following municipal elections;
- ZELS staff is realigned and trained to serve fully its members by February 2005;
- Participation in ZELS policy process is expanded to take effect immediately following municipal elections;
- AFO Board structure realigned by the end of January 2005;
- New AFO By-Laws adopted during January AFO Assembly Meeting;
- AFO external audit completed by December 2004;
- ADKOM executive office realigned by November 2004;
- Priorities for potential ADKOM member services are identified by February 2005;
- ADKOM members have started to pay dues by March 2005; and
- MoU between ADKOM and ZELS is signed.

## **Section IV: Municipal Finance**

### *Key Objectives and Intermediate Results*

The key objective of Municipal Finance activities is to position municipalities to have administrative, financial management and tax administration capacities to assume new competencies. Activities under municipal management during the first year will contribute to the following USAID Intermediate Results: *IR 2.3.4.1 Local Governments Have Increased Responsibility and Financial Resources* and *IR 2.3.4.2 Municipalities and or Enterprises Generate Increased Revenues*. This will entail a focus on the key areas of organization structure, human resource development, financial management and tax administration capacity, ensuring there is support for the devolution of functions and that procedures are in place to build functional and financial capacity within local governments. MDW recognizes these objectives and expects that by the end of the first year of the project, activities will have produced the following intermediate results:

- Human Resource training for 84 municipalities, followed by technical assistance for selected municipalities, results in up to 30% of those trained have adopted, and or are in process of adopting, HR Policies and Procedures.
- Municipal Organization Structure training for 84 municipalities, followed by technical assistance for selected municipalities, results in up to 50% of those trained adjusting, and or in the process of adjusting, their municipal organization structure to reflect the structure and competencies required by the Law on Local Self Government
- Tax Administration training for 84 municipalities, followed by technical assistance for selected municipalities, results in up to 30% of those trained establishing, and or in the process of establishing, fully operational tax collection offices.
- Financial Management training for 84 municipalities, followed by technical assistance for selected municipalities, results in up to 30% of those trained implementing, and or in the process of implementing, improved financial management practices that comply with the new Ministry of Finance requirements for transparent financial management procedures and reporting

### *Strategies and Assumptions*

In order to meet the objectives described above, a number of related activities will require training, followed by technical assistance. MDW recognizes the need for capacity building as well as sustainability. Therefore, emphasis within the training component will be on a “training of trainers” (ToT) approach, whereby a core of individuals will be created, who will pass along newly acquired knowledge and skills to others. Training and technical assistance will be delivered through ZELS and, if appropriate, AFO. To ensure consistency in this approach, the project has developed a training strategy that entails the creation of four (4) regional training centers (i.e. HUBS-See Section III) that will serve as focal points for all training initiatives. Within these HUBS, all training will be conducted following a standardized training course design and be delivered by individuals qualified to deliver the specified training.

Other donors, including The World Bank, EAR, OSI and OSCE are developing assistance programs that include training activities directed towards building local government capacity. MDW will actively pursue program coordination with those donors to ensure our respective activities in financial management and municipal operations complement each other.

Implementing the strategy and achieving the expected results is based on a number of assumptions, including the following:

- The laws relating to fiscal decentralization will most likely be applied by June 2005, or as late as January 2006.
- By December 31, 2004, finance/budgeting/municipal tax staff to be transferred from the PRO will be identified by the Ministry of Finance.
- The Property Tax and Communal Fee laws passed by Parliament will be implemented.
- A standardized real estate valuation methodology will have been adopted by the Ministry of Finance.
- Whether or not territorial reorganization occurs, it is likely that larger city centers will act as regional service centers for smaller municipalities, particularly for tax, finance administration and urban planning.

### *Selection of Targeted Municipalities*

By the end of year-one, basic municipal financial management and tax administration training will be provided to all eighty-four (84) municipalities. Given that other donors are working with local governments and MDW resources are not unlimited, however, more intensive activities will be conducted with subsets of the total—that is, with “target municipalities.” Approximately sixty (60) target municipalities, representing 70 to 80 percent of the population, will be chosen to receive, over the life of the program, technical assistance in addition to training, and subject to available funding, we will install hardware, software, and networks and provide related training to support financial management and tax administration in this subset. Activities relating to this subset will begin in year-one. Of these sixty (60) municipalities, we will select a further subset of approximately thirty-four (34), representing more than 40 percent of the population, to receive urban planning and economic development training and technical assistance. We propose the following general criteria for selecting these targets:

- Municipalities that are in or around the 34 core (pre-1996) municipalities, which contain the regional offices of the Government of Macedonia ministries;

- Newly consolidated municipalities whose urban centers are successful beneficiaries of previous pilot programs
- Municipalities whose leaders demonstrate commitment to reform
- The degree to which a municipality will commit to MDW requirements, such as signing a memorandum of understanding (MOU), funding dedicated personnel (e.g., an IT administrator), providing in-kind contributions, supporting an LED coordinator, and providing financial support
- The level of capacity the municipality appears to have in specific areas (e.g. urban planning and IT).

To assist in identifying subsets of municipalities, in November and December 2004, MDW will conduct a municipal needs assessment. The assessment will be directed to organization structure, human resource administration, finance and tax management capacity to determine the commitment of various municipalities to incorporate enhanced systems and procedures within their administrations. At the completion of the assessment by the end of December 2004 and early January 2005, an analysis of the results will be conducted and subset targeted municipalities, subject to USAID approval, will be selected for training and technical assistance for urban planning, economic development, citizen participation and IT support.

We will conduct the selection of target municipalities, setting of priorities, and sequencing of activities in conjunction with USAID. DAI will send letters to all eighty-four (84) municipalities asking them to express interest in participation in MDW. Their responses will outline, at a minimum, demonstration of their commitment to participate, knowledge of the needs of their community, and a discussion of the primary challenges facing their municipal administration. The selection process will include a scoring system and the involvement of USAID. Thereafter, DAI will prepare for USAID approval a phased three-year framework schedule for MDW implementation.

### **Activity 1: Macedonia's municipalities have financial, organization structure and human resource capacities to assume their new competencies under decentralization**

Municipalities need to institute administrative and financial structures necessary to raise and manage a substantial amount of their own tax revenue through property-related taxes and communal fees. In year-one, through regional training sessions, all 84 municipalities will receive financial management, tax administration, organization structure and human resource training so they are prepared to assume their new decentralized responsibilities. In year-one, selected municipalities—from the subset of 60 target municipalities—will receive further technical assistance through on-site visits from the Quick Response Team and regional clinics, tailored to special needs that arise. Financial management and tax administration capacity, with available IT funding support, will be enhanced in targeted municipalities by rolling out management information systems.

#### **Sub-activity 1.1: Enhance Financial Management**

One area in which decentralization will have an extremely large impact is in relation to fiscal issues and finance. Under a newly decentralized government, municipalities will be responsible for managing their own finances and ensuring that systems are in place for accountability and transparency. Thus, municipalities must be ready for the devolution of financial functions. With this in mind, the MDW will support work towards improving municipal fiscal management, through the establishment of transparent financial management procedures and reporting. The activities to support this initiative will

include the following:

- In Year-one, 84 municipalities will receive training in financial management to include the legal framework for financing units of local self-government, preparing municipal operating and capital budgets, and budget execution. This activity will be implemented jointly by MDW and The World Bank.
- In year-one, selected municipal finance and budget departments will be equipped with necessary IT support and training in areas related to their functioning. Before installation of the selected software, the MoF will need to express an opinion that the software meets its reporting standards.
- In year-one, selected finance and budget offices will be provided with assistance in the presentation of clear and transparent information on budget planning, preparation and execution.
- In year-one, Budget Manuals are completed and distributed to municipalities.
- In preparation for public budget hearings, likely to begin in September 2005, during year-one selected municipalities will be given assistance in the preparation of Citizen Budget Brochures.

#### **Sub-activity 1.2: Deliver Training and Technical Assistance in Organization Structure and Human Resource Development to Selected Municipalities.**

In year-one, 84 municipalities will receive training in implementing improved municipal organization structures and establishing enhanced human resource administration. Organization structure training will be designed to reflect the structure and competencies required by the Law on Local Self Government. Human resource development training will be designed to enhance knowledge, skills and procedures of effective human resource administration. Selected municipalities which have received training will receive follow-on technical assistance in establishing HR procedures specific to unique municipal needs and in implementing lessons learned in their respective municipalities.

#### **Activity 2: Tax Administration**

Under a decentralized government, municipalities will need to have the ability to generate increased revenue. One means by which this can be accomplished is through the development and enhancement of tax administration capabilities. MDW seeks to support this by working towards the establishment of operational and fully functional tax collection offices. Where appropriate, an association agreement for common services to smaller municipalities will be developed.

#### **Sub-activity 2.1: Enhanced Tax Administration**

By the end of year-one, we will conduct an initial training program for 84 municipalities. This training will build on the existing LGRP/DFID organizational and functional analysis for a model municipal revenue unit. It will educate municipal officials on tax office administration; including human resource/organizational requirements, as well as additional options for property tax collection, such as outsourcing responsibility to the public revenue office or investing in shared resources among multiple municipalities.

### **Sub-activity 2.2: Provide technical assistance to selected municipalities to organize operational tax collection departments**

We will coordinate regional clinics and provide direct technical assistance to municipalities seeking assistance to overcome any obstacles they are encountering in creating tax collection departments and to facilitate the exchange of lessons learned by other municipalities. By the end of year-one, it is expected that selected municipalities will have established functional tax collection offices. Targeted municipalities will receive TA, supported by IT applications (see sub-activity 2.3) in the development and in the administration of tax collection practices. An expert in property tax will work with all the targeted municipalities to ensure that they organize activities in accordance with the tax collection calendar and have implemented lessons learned from the previous LGRP Property Tax Pilot project.

### **Sub-activity 2.3: Install IT Hardware and Software**

During year-one, software for tracking and monitoring communal fees and taxes will be completed, tested and certified, according to standards set by the Ministry of Finance. Before installation of the selected software, the MoF will need to express an opinion that the software meets its reporting standards. Databases will be imported, required hardware and software will be installed, and related training will be delivered.

### **Sub-activity 2.4: Conduct Public Outreach**

From March 2005 on, a public outreach campaign on local taxes and their use will be designed and implemented. This activity will be organized as a cross-cutting activity of Citizen Participation, in cooperation with ZELS.

### **Sub-activity 2.5: Real Estate Valuation, including Real Estate Valuation Methodology**

MDW plans on implementing this initiative by performing the following activities:

- Continuing assistance to the MOF on establishing Valuation Methodology. Once completed, the Methodology will be added as an appendix to the Property Tax Administration Manual.
- By the end of May 2005, Property Tax Administration Manual completed and ready for distribution
- By the end of July 2005, property tax administration trainers have been identified and TOT conducted in each training region.

#### *Key Milestones*

- By end of May 2005, eighty-four (84) municipalities have received training in municipal organization structure and human resource development.
- By end of July 2005, up to 50% of the municipalities trained have implemented, and or are in the process of implementing, enhanced organization structures and up to 30% have adopted,,and or are in the process of adopting HR policies and procedures.
- By end of May 2005, eighty-four (84) municipalities have received financial management training
- By end of July 2005, up to 30% of the municipalities trained have implemented, and or are in the process of implementing, financial management standards and reporting requirements of GoM.

- By the end of May 2005, eighty-four (84) municipalities have received basic tax administration training
- By end of July 2005 up to 30% of the municipalities trained have established, and or are in the process of establishing, functional tax collection offices.

## **Section V: Municipal Services**

### *Key Objectives and Results*

The key objectives of the Municipal Services activities will be to increase municipal urban planning capacity that facilitates customer service, improved zoning, economic development and land tenure security. Year One work plan activities will contribute to USAID Intermediate Result *IR 2.3.4 Local Governments Improve the Management of Municipal Services*, including *IR 2.3.4.1 Municipalities and/or Enterprises Generate Increased Revenues* and *IR 2.3.2 Effective Relationship Between Citizens and Local Government Exists*. By the end of MDW Year One, it is expected that activities will produce the following results:

- Selected tasks, reflecting citizen priorities, from LED Strategic Plans in targeted municipalities are implemented.
- A municipal Pilot Business Improvement District (BID) program is implemented, and lessons learned are beginning to be used for BID replications;
- Five One-Stop Permitting Centers are established and functioning, resulting in reduction in permit processing time, increased customer satisfaction and increased municipal revenue.

### *Strategies and Assumptions*

To meet the above objectives, MDW activities will utilize several capacity building tools; including training, technical assistance, citizen participation and the MGGF. When providing direct technical assistance to selected municipalities, we will encourage the Mayor to appoint an implementation team. These teams will carry out specific duties relating to implementation of the MDW program activity. Citizen participation will crosscut all planned activities and will be a component of all training programs. The small infrastructure grant program (Municipal Good Governance Fund – MGGF) will be used strategically to provide citizens with visible signs of progress and to deepen municipal administration-community interaction in providing solutions for local needs.

Many of the deliverables in Year One will be trainings to improve municipal capacities in the fields of LED, Urban planning and IT-solutions. The implementation will reflect the training strategy that MDW is planning to put into practice during the project lifetime (see Section III).

Successful implementation of the following activities and achievement of targeted results assumes a political will and a leadership role of local and national officials to make decentralization work.

### **Activity 1: Improve Urban Planning Capacity**

#### **Sub-activity 1.1: Establish Municipal Urbanism Departments (MUD)**

MDW will work with fourteen municipalities to lay the groundwork in establishing the structure and operations of a Municipal Urbanism Department. A functional model of the future MUD will

be developed and offered to the municipalities as the cornerstone in the process of designing and planning the functions and operations within the future MUD in the municipality.

To employ the basic comprehensive urban planning mechanisms, the partner municipality will conduct a survey on the available human and other resources in their municipality that are related to the issue of local urban planning. In addition, the partner municipality will review its General Urban Plan (GUP), as well as all Detailed Urban Plans (DUP) to assess the future mapping needs of the municipality. MDW will provide a series of trainings as well as TA to all partner municipalities during the process of designing their future MUD. The partner municipalities will be trained in essentials of operation and business management, human resources, and statistical and analytical methods. Furthermore, for the future department's staff members who lack knowledge in basic computer programs, the partner municipalities will organize and conduct basic trainings of MS Word and MS Excel.

### **Sub-activity 1.2: Establish One-Stop Permitting Centers (OSPCs)**

This activity will provide support to selected municipalities to improve the process of issuing construction permits by making the process more transparent within a reduced timeframe. During the first year, beginning in January 2005, MDW will establish five (5) one-stop offices for applying/issuing construction permits. Through this process, MDW will seek, in these targeted municipalities: to improve cooperation between the municipal and line ministry employees involved in the process of issuing construction permits; in nine (9) OSPCs, decrease the time needed for completing the permitting procedure by at least 30% (compared to the base-line data provided), which should increase the revenues collected from construction permits by increasing the number of permits issued; and enhance local economic development and capital investments.

Prior to the selection of targeted municipalities, a baseline assessment will be conducted to determine municipal capacity to participate. Selected municipalities will require USAID approval.

The activity will focus on providing TA to the partner municipalities for designing and installing a digital cartographic urban planning database. This tool will be used for the permitting process, but it will also support improvements in related areas such as: urban planning, zoning, and land tenure security. In addition, the assistance will be focused on reorganizing operating procedures, and providing comprehensive trainings in the LG Permitting Software. Prior to providing the TA, the partner municipality will establish a Local Permitting Advisory Board (LPAB) as the local partner of MDW. The role of the LPABs will be to support and monitor the process of implementing the activity and to supervise further improvements in OSPC operations when the Center is operational.

MDW will actively cooperate with several partners. Key implementation partners will be the partner municipality and the Regional Units of the Ministry of Transport and Communications located in the partner municipalities. In addition, MDW will establish/maintain close cooperation and frequent contacts with the ZELS Urban and Spatial Planning Technical Sub-Committee and with the EAR's Urban Planning project. To foster cooperation with EAR's Urban Planning project, and to ensure the compatibility of the established One-Stop Permitting Centers (OSPC) throughout Macedonia, MDW will prepare a document summarizing the guidelines for establishing a functional OSPC. MDW will also provide the technical details on the hardware/software system requirements and the digitization needs for this purpose.

### **Sub-activity 1.3: Introduce Rational UP/Zoning Techniques**

Poor Zoning is an obstacle in implementing contemporary and rational urban planning. The core of the problem is the use of old, inadequate and inaccurate techniques, most of them dating back 20 years or more. As a result of these inadequate techniques, municipalities are unable to develop comprehensive registries on land use, zoning and property permit status. The lack of the aforementioned registries forces municipalities to employ poor decision making processes in relation to construction fees, which directly influences the revenues collected from construction activities. Acknowledging this, part of MDW's efforts during the process of implementation of the activity will be focused on providing contemporary and reliable techniques in four (4) municipalities, thus maximizing local revenue collection.

MDW will also provide assistance to municipalities in making the zoning and urban planning process more transparent and closer to the citizens. Therefore, part of the provided TA will be used for launching citizen outreach activities. The information launched on the municipality's official web site will include: a detailed description of all permitting stages, copies of the DUPs, a copy of the GUP, other urban planning information relevant to the citizens.

### **Sub-activity 1.4: Enable In-House Digitization Function**

This activity will focus on creating sustainable urban planning capacities in four (4) municipalities. MDW will provide trainings and technical assistance for building municipal capacities for digitizing, i.e. scanning, geo-referencing and finally vectorizing local urban and other plans. This activity will enhance municipal capacity to develop comprehensive and up-to-date plans for improving service quality, internal operations, economic development, etc. Additionally, the activity will result in creating a complete digital and updated coverage of the city and the surrounding settlements. The benefits of this implementation also include; a positive influence on the process of issuing building permits (by reducing the response time), quality improvement in the process of municipal urban and spatial planning, and contribution toward the municipalities in developing urban plans in-house.

### **Sub-activity 1.5: Land Tenure Security**

In the first year, MDW will set the foundation for providing land tenure security to disadvantaged Macedonians. The extremely volatile political climate makes overt work with elected officials and ministries problematic at best until after the local election scheduled for March/April 2005. Therefore, MDW will create an activity team to proceed in several areas:

- Martin Miller, an expert in urban land use issues, will be engaged to design a strategy and action plan to address land tenure issues
- MDW leadership will reach out to potential partners among NGOs and other donors to create, if feasible, a working group on land tenure/minority issues
- Training and technical assistance on urban planning and permitting will incorporate principles of inclusion and land tenure security
- The citizen participation team will design an outreach campaign with two components
  - Outreach to mainstream citizens emphasizing the benefits of assimilating minority citizens as taxpayers
  - Dialogue with representatives of disadvantaged, untenured residents, to negotiate protocols under which those being afforded land title opportunities would agree to basic principles of citizen responsibility such as payment of taxes and fees

## **Activity 2: Institutionalize Local Economic Development (LED)**

MDW's LED program activities in Year One will build on lessons learned and best practices developed under LGRP. The tools will include expert technical assistance, a broad participatory approach, citizen involvement, and a fostering of public-private partnerships.

### **Sub-activity 2.1: Expand Number of LED Municipalities**

Ten (10) new municipalities will be identified for the LED training program, through a transparent selection process. After signing MoUs with the selected municipality and the appointment of LED coordinators, the LED activity team, in cooperation with the LED network (consisting from 13 LED pilot municipalities), will deliver a training program for LED and provide TA to the target municipalities. MDW will add five (5) new training modules to the existing training program. These new training modules, to be developed by LED experts include: Business Attitude Survey, Business Improvement District, Tourism Development, Former Direct Investments, and Investor Guides.

Each selected municipality will receive three (3) sets of trainings: (1) Start-Up Kit: Basics of the LED process, Business Attitude Survey and Community Profile, (2) Strategic Planning, Business Improvement Districts and Tourism Development; (3) Action Planning, Former Direct Investments and Investors Guide. By the end of Year One, and following training in the three (3) subject areas, the ten (10) new municipalities (13 have already completed the process) will prepare their respective Community Profile and Strategic Plan. Those plans will be a key deliverable of this sub-activity.

### **Sub-activity 2.2: Implement Strategic Plans in LGRP Pilot Municipalities**

MDW will encourage municipalities who have completed the LED process to review their strategic plans and evaluate achieved results. MDW will provide TA for this activity. As a result of this review of implemented projects, the MDW activity team will have a better overview of the pilot phase of the LED program, thus allowing program adjustments. Consideration will be given to providing MDW/MGGF support to approximately thirteen successful LED municipalities for implementing small infrastructure improvements.

### **Sub-activity 2.3: Create Business Improvement District (BIDs)**

A number of municipalities have identified the rehabilitation of commercial districts as an area of priority in their LED strategic plans. MDW will facilitate the creation of public-private partnerships to improve service delivery, infrastructure and the economic environment in commercial districts.

In Year One, an assessment will be done to identify one (1) municipality where a BID will be established. Once selected, a regional LED expert will assist in establishing a district management board with representatives from the public and the private sector, to identify a priority small infrastructure project to improve the economic environment (in other words, working on repainting facades, public plantings, signage, street lighting, sidewalk etc.). The BID board will select an attractive location for new shop openings and creation of new employment. MDW will provide TA and deliver necessary trainings for the board. The LED coordinator will make regular visits to the site. Consideration will be given to providing

MDW/MGGF support to successful LED cities for implementing small infrastructure improvements.

MDW will develop a manual for establishing and operating a BID and encourage the district management board to register officially as an association.

### **Activity 3: Provide Supporting Information Technology**

The major expansion of municipal responsibilities and the introduction of expanded financial management, accounting and tax systems provide a key opportunity to introduce advanced and integrated management information systems. These would improve the efficiency and transparency of municipal administration, as well as its ability to integrate into other government systems. The IT and e-Governance activities will strengthen municipal capacity for information tracking and sharing. Improved effectiveness and connectivity will lead to development of important e-services which will improve interaction between citizens and their municipalities, as well as among municipalities themselves.

#### **Sub-activity 3.1: Conduct IT Needs Assessment**

A needs assessment will be conducted in several municipalities. To the extent possible, the needs assessment for all sub-activities will be incorporated into one assessment tool. If this assessment confirms similarity with the municipalities covered by the Serbian Local Government Reform Program, then MDW will adopt most of SLGRP IT procurement and installation procedures. This will save significant amounts of time.

#### **Sub-activity 3.2: Upgrade IT Equipment, Communication Technology and Basic Office Software**

This activity will be the core IT support activity for implementing IT and e-Governance services that are or will be offered to the municipalities and their integration with other municipal offices and agencies. This activity will improve the ICT capacity of 12 municipalities, preparing them for implementing automated internet-based services.

Municipalities with obsolete local area networks or with low LAN Municipal Capacity Index will be upgraded, on a cost-sharing basis, to modern and fast networks, connecting other offices and agencies located in the same buildings.

Equipment will be given where needed. Municipalities will be able to power, use and maintain different software packages, from web-based management information systems to tax administration and urban planning software.

Trainings will be conducted for the municipalities in the use of their new equipment as well for those municipalities that presently have sufficient equipment in place. This training will help facilitate the establishment of leadership relations between the municipal officials and IT professionals. Basic office software training and intermediate system administration training will be provided to the selected municipalities and IT professionals. The results of this sub-activity will contribute to a municipality internal communication capacity, thus allowing for an enhanced decision making process.

### **Sub-activity 3.3: Provide Assistance In Developing An Internet-Based Municipal Management Information System**

There are many commercial Document, Content and Process Management Information Systems available on the market. At the lower end, there are affordable and fairly powerful systems such as the Microsoft Share Point Services, while at the higher end, there are extremely powerful systems that fully enable “paperless office” operations – from SAP, Xerox etc.

Initially, MDW will conduct market research with the following parameters:

- System must comply with Macedonian laws
- System must fulfill municipal needs
- System must be customizable and must support standardized data exchange with other software applications
- System itself, its maintenance and support must fall into the municipal budget in order to be sustainable

The most promising management information system will be installed in up to four (4) municipalities. The testing process will also include other IT groups, especially the governmental IT support group. Government certification will be requested. If accepted, MDW together with the partners and other groups involved will develop a strategy for further development and service integration, which will contribute to Year Two activities.

### **Sub-activity 3.4: Develop e-Government Solutions for Customer Service**

In Year One, we will identify additional software applications for those functions identified as common to local governments and municipal management, and which would benefit from computerization, such as registry and licensing. The Citizen Participation team will develop and conduct an analysis of citizen, business and governmental awareness of e-government services. Focusing only on what municipalities can offer, MDW will learn what services will have immediate impact if automated and made available online. The analysis will provide information on public awareness, trust and accessibility about e-government services. The analysis with models and case studies from the surrounding countries will then be used to contribute to e-Governance activities with the central government.

A preliminary version of a development plan of e-Governance services will be developed together with the partners.

#### *Key Milestones*

- By the end of Year One, fourteen Municipal Urban Planning Departments have been designed.
- By the end of Year One, five (5) new One-Stop Permitting Centers have been established.
- By the end of Year One, permitting time has been decreased in nine (9) of the Pilot OSPCs.
- By the end of Year One, ten (10) cities have started the LED program and have completed strategic plans.
- By the end of Year One, four (4) municipalities have increased the number of digitized urban plans and have launched their plans on the internet.
- During Year One, six (6) LED training sessions have been delivered.

- By the end of Year One, small infrastructure grants have been distributed up to thirteen municipalities which have demonstrated an ability to implement an improvement program.
- By December 1, 2004, BID MoU has been signed with one (1) municipality.
- By end of Year One, BID manual has been developed and distributed for BID replication;
- By July 2005, ten (10) municipalities have improved ICT capacity.
- By February 2005, selected municipalities have upgraded networks.
- By July 2005, four (4) municipalities have upgraded management information systems.

## **Section VI: Citizen Participation**

### *Key Objectives and Results*

The key objective of the Citizen Participation (CP) component in the MDW Project is to continue to assist communities in building the essential bridges between local governments and their citizens. These activities will directly support all MDW efforts by providing information services to citizens, as well as enhancing their participation in all stages of local decision-making processes.

CP activities have been designed to support *I.R. 2.3.2 Effective Relationship between Citizens and Local Government Exists*. The activities have been divided into two sections: (1) freestanding CP activities and (2) cross-cutting CP activities. Cross cutting activities will be designed and incorporated into the endeavors of most MDW activities and will contribute to their respective IRs.

Expected Results from Year One activities include:

- By the end of Year One, the CIC Network has developed an Activity Plan for collaboration with ZELS;
- By the end of Year One, two (2) Neighborhood Task Force Units have been established, with strengthened capacity and relationships with municipalities;
- Increased citizen knowledge and satisfaction of role of local government.

### *Strategies and Assumptions*

Surveys and fieldwork have shown that citizens in Macedonia still have little awareness of their rights and responsibilities with regard to local governance. Also, there is a lack of knowledge about the competencies of the local government and the process of decentralization, which is often synonymous with “territorial reorganization” and therefore seen in a negative light.

The efforts made under LGRP for creating and implementing CP tools have borne fruit (such as Citizen Information Centers, the experience in organizing Public Hearings, as well as various public outreach tools) and will now serve as models in the MDW project, deployed and retooled for a new political and structural environment.

Freestanding activities will focus on supporting the two-way flow of information between citizens and government, as well as increasing citizen input in the decision-making process at the local level. Through these activities, efforts will be made to institutionalize various CP mechanisms and to make them an integral part of municipal organizational and operational processes.

## **6.1. FREE STANDING CP ACTIVITIES**

### **Activity 6.1.1.: Expand and Enhance the CIC Network**

Citizen Information Centers (CICs) opened in Macedonia in the past few years have proven to be a useful link between citizens and their local authorities. Furthermore, the CIC Network has proven to serve as a focal point for the CIC employees throughout the country for exchanging information and experience, best practices, as well as providing mutual support. Its link to ZELS is part of the process of institutionalizing the existence of the network, thus contributing to its sustainability and continued development.

MDW will continue to support regular meetings of the Network, which not only help its members to exchange lessons learned, but also help MDW staff to obtain valuable information on the CIC work throughout the country. This will serve to customize more thoroughly the technical support needed to improve their operations. In addition, it will foster better customer service practices.

We will provide technical assistance in further promoting the services that citizens can obtain in these offices, especially with the devolution of authorities to the local level. A more active outreach will be fostered through the local media, increasing the understanding of centers among regional units and municipal services, cooperating with NGOs, businesses and other relevant players in the community.

### **Activity 6.1.2.: Build Capacity of Neighborhood Units and Strengthen Relations with Core Municipality**

Under this activity, we will identify and select two (2) municipalities in which the CP team will establish Task Forces consisting of representatives of the municipalities and the neighborhood units. The Task Force members will be trained in selected topics (such as selection of priority issues, etc.), and thus their capacity to prioritize and present issues to the local authorities will be increased.

## **6.2.: ACTIVITIES PROVIDING CROSS CUTTING SUPPORT**

The following five (5) activities relate to other MDW teams' activities, focusing on citizen information and participation:

### **Activity 6.2.1.: Public Hearings on Municipal Budget**

This activity cross cuts Municipal Finance's sub-activity 4.1.1.c *Conduct Public Outreach, through the Establishment of Transparent Financial Management Procedures and Reporting*. Apart from organizing Public Hearings, which are useful tools for exchanging information between local government officials and citizens, the CP efforts will also focus on assisting the municipal finance official in adopting procedures for incorporating citizen input in budget preparation. Technical assistance will be provided to the municipalities in preparing and disseminating written materials on different stages of budget preparation, which would be later used for organizing public hearings.

### **Activity 6.2.2. Analysis of Citizens' Priorities for E-Local Government Services**

The efforts within this activity will be complementary to the E-governance cross cutting activities. Namely, the catalogue to be developed, as a result of this activity, will contain municipal services provided to and requested by the citizens on-line. It will serve as a basis to establish and make operational this kind of service. After analyzing the regulatory framework, the questionnaires prepared will provide feedback from citizens about their needs (as well as the needs of local businesses and governmental agencies) for on-line services.

The remaining three activities have a common goal: raising citizen awareness on various novelties in municipal organization and functioning. These will include a range of approaches, from training municipal staff on customer service, to preparing and disseminating written materials, to organizing town-hall meetings to inform the general public of issues at hand. This will add to the efforts of making the local government more transparent and more accountable before its citizens. These activities are:

### **Activity 6.2.3. Citizen Awareness and Public Outreach on Property Tax and Communal Fees and Their Use**

### **Activity 6.2.4. Raising Public Awareness on OSPC**

### **Activity 6.2.5. Raising Public Awareness on BID in the Municipality**

#### ***KEY MILESTONES***

- By end of January 2005, the CIC Network Activity Plan for collaboration with ZELS has been developed.
- By end of July 2005, six (6) CIC Network meetings have been held.
- By end of February 2005, two (2) Task Forces with Neighborhood Unit representatives have been established.
- By end of April 2005, Neighborhood Unit Task Force members have been trained in selected topics.
- By end of July 2005, Neighborhood Unit Task Forces have developed neighborhood improvement plans and presented them to the City Councils.
- By March 2005, a two-day workshop on PHs has been delivered.
- By May 2005, budget brochures have been prepared and distributed.
- By 15 January 2005, the E-government analysis paper has been prepared.
- By end of April 2005, three (3) questionnaires have been developed and survey on Citizens' Priorities for E-government has been completed.
- By end of July 2005, the catalogue of e-local government services has been developed.
- By end of May 2005, seminars have been conducted on functions and responsibilities of municipal Tax Departments.
- By end of July 2005, the Municipal Tax Department staff has been trained on customer service.
- By end of June 2005, promotional materials for OSPC have been developed.
- By December 2004, citizen survey on BID in the Municipality has been conducted and data gathered through survey processed.
- By May 2005, Town-hall meeting on BID in the Municipality has been organized.
- By July 2005, outreach campaign for promoting the BID area has been implemented.

## VII. Performance Monitoring and Evaluation Plan (PMEP) Summary

This section discusses our overall approach to monitoring and evaluation for the life of MDW, and as well, highlights particular related events and activities for Year One. The draft PMP and Macedonia Municipal Capacity Index (MMCI) are attached. Key events and activities for the two (2) components of the PMEPE during Year One are highlighted at the end of this section.

### *PMEPE Strategy and Approach*

The MDW Performance Monitoring and Evaluation Plan (PMEPE) has two (2) goals: 1) to provide useful, timely information for results-based management decision making, accountability, and mutual learning experiences; and 2) to increase the plausibility of impact attribution – that is, to substantiate the project’s intermediate and long-term impacts to the degree possible.

To achieve these goals, the MDW Monitoring and Evaluation (M&E) staff, in cooperation with USAID/Macedonia, will work with two (2) methods for tracking MDW activities and directly correlating project activities to measurable impacts. These methods are:

- The Macedonia Municipal Capacity Index (MMCI)
- The Performance/Work Plan Monitoring and Impact Indicators

This two-dimensional construct (see Figure 1 below) will provide a robust framework for relating program activity to observed impacts, thus increasing the plausibility of attributing success in achieving MDW objectives to the MDW program’s training and technical assistance. The coordinated tracking of both outputs and impacts allows the Performance Monitoring and Evaluation Plan to present plausible and defensible attribution between program outputs and observed program impacts. This approach also allows the program to identify areas requiring more focus or additional intervention.

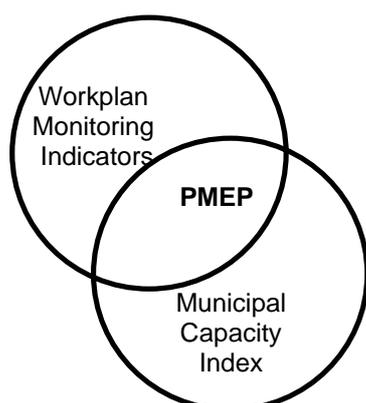


FIGURE 1

In addition, this PMEPE will track, to the degree possible, and take into account the involvement of women and minority groups. As a result, MDW planning and implementation will produce better-targeted and more effective interventions. As appropriate and feasible, all indicator data will be disaggregated by gender and ethnicity, and used for programmatic changes as well as reporting purposes.

## **Municipal Capacity Index**

The Macedonia Municipal Capacity Index (MMCI) is a weighted index that measures the changes in institutional capacity and performance of municipal governments in the major areas of training and technical assistance. It will serve a variety of purposes, including:

- As a monitoring and evaluation tool that helps to assess impact objectively
- To help project staff identify municipalities with good performance as potential mentors for other municipalities
- To assist project staff build capacity within municipalities by helping them identify strengths and weaknesses rapidly.

The index will be applied and the data will be gathered from program municipalities and non-program (control) municipalities. The scoring is the result of on-site interviews and data confirmation in each of the participating and control group municipalities. The degree of data integrity will be reported along with the index results. The indicators in each category in the recommended MMCI are tied to specific outputs and they will measure MDW impact in the major areas of MDW training and technical assistance. This data can be used to evaluate project success by region, by category and over time. The data from project municipalities will be evaluated against data from control municipalities to identify reforms that may be occurring unrelated to project activity. Given the uniqueness of this Task Order, however, some of the control municipalities will most likely include a few whose officials received the mandated MDW financial and organizational management training, but no other MDW training.

MMCI scores will be provided on semi-annual and annual basis.

### *Index Scale and Weighting*

As noted above, the MMCI consists of five (5) categories of four (4) questions each. The MMCI employs a scale of 100 points and weighs all five (5) categories equally (up to a maximum of 20 points each). Each question is graded on a five-point scale. Most of the questions, follow the same scoring progression: zero points—municipality is not in compliance with the law or ideas espoused by the program; one point—municipality is compliant with laws or has reached a minimum standard; two points—some additional steps have been taken to improve; three points—further steps have been taken, or are better integrated, or were taken with a view toward longer term planning; four points—citizen feedback is incorporated into the change and/or more formal and comprehensive procedures have been adopted; five points—municipality has reached the ideal level, impact is clearly recognized and institutionalization is assured. Scores are progressive. That is, a municipality must meet all the criteria assigned to points 1, 2, and 3 before it can be considered for 4.

## **Performance Monitoring Plan**

The Performance/Work Plan Monitoring Impact Indicators track program outputs as well as program impacts. These indicators, as shown in the MDW Performance Monitoring Plan (PMP), are an extension of the USAID/Macedonia Strategic Results Framework for *S.O. 2.3* More Effective, Responsive, and Accountable Local Government and the Intermediate Results *2.3.1* through *2.3.4*.

In addition, the PMP includes indicators that will help both USAID and MDW staff to determine how successful MDW's implementation is according to the seven (7) anticipated

accomplishments and the seven (7) major activities discussed in the task order. The PMP complements the MMCI in terms of measuring impact at the municipal level, but also shows the progress made in the areas of policy and regulatory reform as well as municipal association capacity building.

PMP data will be reported on annual basis.

### *PMEP Management*

The foundation of the MDW Performance Monitoring and Evaluation Plan will be DAI's Technical and Administrative Management Information System (TAMIS). TAMIS is fully functional on a secured Web page allowing MDW and DAI home office staff, as well as USAID/Macedonia, the opportunity to monitor and learn about each activity in an efficient and cost effective manner.

TAMIS will hold technical data related to the implementation of the Macedonia MDW Project activities. The system will include a Workplan Management component and a Project Administration component which will be focused on the activities that make up the annual work plan and administrative functions critical to effective project management. The Team Leaders of each component will be responsible for entering and updating data. Quality control will be insured by regular review by the MDW M&E Specialist.

For the first level of performance monitoring, the work plan will be entered into TAMIS and linked with USAID's Strategic Objective and Intermediate Results to ensure that all activities contribute to MDW's goals. Storage of the data in TAMIS results in data being available for viewing at any time over the life of MDW.

In the second level, measurable outputs for each task will be specified and noted in TAMIS. Monitoring progress on task outputs gives project managers a good sense of progress toward completion of the work plan. Outputs will be reported in the monthly and quarterly reports, but completion of outputs during a quarter are noted as they occur, thus allowing real-time and continuous progress monitoring.

Lastly, the third level of performance monitoring occurs on a contractual level. Tasks that contribute to fulfillment of task order deliverables or milestones will be noted in the work plan in TAMIS. Monitoring progress on deliverables and milestones gives project managers in the field and in DAI's home office information on progress toward fulfilling our legal obligation with USAID. Contract deliverables and milestones can occur at any time during the project, and TAMIS allows continuous progress monitoring.

TAMIS also has the capability of electronic preparation of quarterly reports, annual progress/results reports, trip reports, and summaries of meetings and interviews with stakeholders, government personnel or private sector individuals.

### *Key Milestones*

- By end of October 2004, MDW has procured and sought USAID approval for an independent Macedonian evaluation firm or individuals to carry out the data collection to determine the baseline, the semi-annual and annual progress data for MMCI.
- By November 2004, MDW has conducted the MMCI baseline assessment as outlined above in VI., Section I: Assessment Phase.

- By end of November 2004, the results of the baseline and related MMCI and PMP draft changes have been submitted for USAID review.
- All the MDW Project staff, the USAID CTO and Evaluation Officer have been provided training in using TAMIS by the end of October. The objectives of this training are two-fold: 1) to familiarize Macedonia MDW Project staff and the CTO with TAMIS and how it can be used to assist in project implementation; and 2) to provide initial training of MDW Project staff in TAMIS use and operation (entering data, editing forms and producing reports).
- In October 2004, A DAI TAMIS Customization Specialist will have reviewed the data and results from the above training and customize TAMIS accordingly.