

183-0230: Local Governments are Making Responsive choices and Acting on them Effectively and Accountably

Performance goal: Local governments increasingly represent and meet the needs of their citizens by improving their transparency, effectiveness and accountability

Strategic & Special Objective Closeout Report: USAID/Bulgaria

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Strategic Objective Close-Out Report

SO Name: Local Governance More Effective and Accountable

SO Number: 2.3

Approval Date: 1998, revised 2003

Geographic Area: Bulgaria

Total Cost: \$54,801,000

USAID: \$54,801,000

Mission Funding \$54,801,000

Global Support

Total USAID Funding \$54,801,000

Principle Implementing Partners:

Research Triangle Institute (RTI)

International City/County Management Association (ICMA)

Foundation for Local Government Reform (FLGR)

National Association of Municipalities in the Republic of Bulgaria (NAMRB)

Worldwide Strategies, Inc. (PLEDGE)

Partners-Bulgaria Foundation (PBF)

Counterpart International (CI)

Trust for Civil Society in Central and Eastern Europe (CEE Trust)

UNDP (Chitalishte Project)

Major Counterparts:

Government of Bulgaria

All Bulgarian Municipalities

NGOs

Businesses

Background

Local government under socialism was simply an extension of the central government. Under the successive Constitutions of 1947 and 1971, local government existed as the local body of state power, a highly centralized model. Local managers were intended solely to implement the policies and plans developed at the central level, exercising little local initiative. During the later phase of socialism, local governing structures included 28 oblasts (regions or districts) and municipalities, each with a people's council and an executive committee that, in effect, managed the locality.

Following the democratic election of a Grand National Assembly in 1990, in which seven political parties were represented, the former local government councils and committees were dismissed. New, temporary committees were appointed based, in part, on political party representation in the Grand National Assembly. In many localities, this brought into power a new set of actors with no prior governing experience, but the desire to govern differently. Although temporary, these committees gave many new aspiring local politicians visibility and a chance to demonstrate leadership. At the same time, the change required them to exercise new management and decision-making styles. In May 1991, the new Constitution was approved. Along with a new parliamentary structure, it created local self-government and regional administration. Subsequently, the new Parliament passed the Local Self-Government and Local Administration Act (LSGLAA). It defined the powers of local government with a directly elected mayor and a proportionally elected municipal council. The first democratic local government elections were held in November 1991. The profound nature of this transition should not be underestimated. First, it brought a new degree of independence to local decision making. In midsized and larger cities, the new leadership embraced this independence, but with little knowledge of how to implement it. Conversely, in many of the smaller municipalities, where the Socialist (former Communist) Party dominated, local leaders looked for strong guidance from central party headquarters, reflecting the earlier power arrangements. However, in the early days of the transition, the central government was concerned with its own transition and offered little support to the fledgling local governments. In addition, few citizens appreciated the freedoms provided under the democratic Constitution so the desire to express opinions and participate in democratic decision making was extremely low. Indeed, many citizens reacted against the forced participation under the socialist regime - democratic culture was only nascent at best. Although municipal councils were generally dominated by one party, several parties were represented, requiring tolerance for opposing points of view and additional negotiation to make decisions. Municipal elections were successfully held at four-year intervals.

A core of reform-minded mayors emerged, often those willing to cross political boundaries for the good of their localities and willing to introduce new, Western-style management techniques. Groups of municipalities realized that by creating regional associations (RAMs), they could share experiences and help each other through uncharted waters. In 1992, the Rhodope Regional Association of Municipalities and the Regional Association of Black Sea Local Authorities were established. In 1995, the Foundation for Local Government Reform (FLGR) was established by a group of reform-minded mayors who had lobbied for changes in the LSGLAA. The FLGR was established as an “independent professional resource center supporting local democracy.” The National Association of Municipalities of the Republic of Bulgaria (NAMRB) was created in 1996, replacing previously partisan-based municipal associations, through considerable effort by a core of mayors from both the left and right political parties who argued for a single voice to represent municipal interests.

USAID provided more than \$50 million between 1991 and 2007 under a series of Local Government Initiatives and direct grants to local government support organizations (LGSO) and community-based organizations to reform and decentralize Bulgaria’s local government system to make it more effective and accountable. USAID assisted selected municipalities as well as municipal organizations and associations. Intensive training programs and study tours, twinning of Bulgarian municipalities with U.S. counterparts, technical advice, and small grants all helped

local governments strengthen their capacities and develop new models for better serving their constituents. These models included the highly successful “one-stop shops” to improve service delivery, data systems to manage municipal information needs, local economic development offices, and public-private partnerships for developing infrastructure. All of these and other models were widely replicated by other municipalities.

More effective and accountable local governance can be achieved when both municipalities and local communities engage more actively in community building. The ability of the municipal governments, NGOs and the private sector to address community building issues and to preserve social peace through conflict prevention and resolution and further inclusion of marginalized groups in policy-decision-making primarily shapes citizens’ perceptions of good local governance. Bulgaria is a relatively tolerant country that has avoided the violence and extremism of its neighbors. However, there are groups in the society who the government and the majority members of the society have marginalized and made vulnerable by intolerance, and prejudice, and a mutual lack of understanding exists. While there are NGOs who advocate on behalf of vulnerable groups, little progress has been made to bring them into the mainstream of the society, to meaningfully address their needs, and to mitigate the potential for social unrest. Roma represent the most marginalized and socially excluded group.

Under SO 2.3, USAID addressed also ethnic integration issues by introducing new community based models for conflict prevention and dispute resolution, as well as new approaches for improving the living conditions of minority groups by increasing their access to education, business opportunities and social services. USAID also introduced a new funding mechanism (community foundation), which seeks increased participation by businesses, citizens, local governments and NGO.

Summary of overall impact at SO level and IR level

The impact of activities under this SO is reflected in:

The local government reforms promoted and driven by USAID’s Local Government Initiative (LGI) fundamentally changed the way that Bulgarian municipalities were managed and municipal services were financed and, in the process, altered the relationship between the central and local governments. The reforms were instituted on a rolling basis and culminated in 2007 in a **constitutional amendment** to allow municipalities to set their own tax rates. All key legislative acts in Bulgaria’s local government sector are a direct result of USAID’s local government programs.

IR 2.3.1: Authority, Responsibility and Resources Decentralized to Local Government

The strengthened municipal financial base is demonstrated by the dramatic increases in own source revenue from 524 million BGN in 2002 (approximately 262 million USD) to an estimated 1,113 million BGN in 2006 (approximately 727 million USD); an increase of 112 percent. Moreover, the proportion in local revenues increased from 15 percent to 37 percent of total

budget sources.

IR 2.3.2: Increased Ability to Address Community Building Issues

The amount of locally generated resources by the community foundations in targeted municipalities steadily increased since 2000. Starting with almost 80% dependence from USAID and in spite of the reduced USAID matching over the years, in 2007 the average ratio changed to 76% local and 24% external sources.

Summary of activities used to achieve the SO and their major outputs:

Local Government Initiative (LGI)

Implementers: Urban Institute, MSI, RTI

Recognizing the important contribution strong local governments could make to Bulgaria's democratic transition, USAID began a technical assistance program in 1992. At that point, U.S. consultants worked with reform-minded mayors to introduce modern local government management procedures, such as budgeting and personnel management systems. The consultants served primarily as advisors to the mayors, assisting where they could. This support provided local leaders with the first examples of a new way of governing. Building on these steps, from 1995 to 1998, the assistance was formalized in a 10-city program. In those cities, targeted assistance, complemented by a grant program, sought to establish institutional infrastructure, including: computer networks, economic development centers, and community centers. In addition, the assistance program began training in five basic topics—budget and finance, personnel management, strategic planning, and municipal councils—that would create training specialists to serve the 10 cities and beyond. At the same time, the USAID program provided assistance and organizational support to the two existing regional associations of municipalities and helped create new regional associations. Most importantly, the technical assistant for municipal associations helped facilitate discussion among a core of reform-minded mayors from across the political spectrum on the creation of a single, nonpartisan national association, the NAMRB.

USAID used a variety of mechanisms to contract for the assistance under this phase, bringing five different contractors under the LGI umbrella. This phase laid the foundation for future USAID efforts by establishing the beginnings of a network of local government support organizations (LGSOs) and helping reform-minded mayors understand the nature of innovations that would modernize and democratize their local governments. Building on this foundation, the next phase of USAID's assistance program (1998–2001) consolidated the gains of the previous phase by expanding the training program and assisting the local government support organizations to make them sustainable. Assistance included communications strategies for reaching members, grant writing, sustainable financing, and member services. While most of the effort in this phase focused on building capacity at the local level and within LGSOs, the assistance team also started pioneering work in municipal finance policy, a very timely effort

that corresponded with the height of the local government fiscal crisis. The policy work produced the first objective analyses of local government finance that armed local governments with sound arguments for reform, and produced the first set of comprehensive proposals for policy reform. This LGI phase demonstrated that sustainable LGSOs had been created and that these organizations were capable of leading technical assistance and directly training local governments. At the same time, the initial success in policy reform and the fiscal crisis in local government dictated the need for LGI to shift its primary focus from local capacity building to policy reform. In early 2001, USAID launched the third phase of LGI, primarily focused on decentralization of policy reform.

The fiscal decentralization reforms promoted and driven by USAID's Local Government Initiative fundamentally changed the way that municipal services were financed and, in the process, altered the relationship between the central and local governments. The reforms were instituted on a rolling basis beginning in 2003 and some, such as the constitutional amendment to allow municipalities to set their own tax rates, were not approved until early 2007. Nevertheless, the impact on the finances of the municipalities has been dramatic. All key legislative acts in Bulgaria's local government sector are a direct result of USAID's Local Government Initiative implemented by the Research Triangle Institute, specifically:

- ***Constitutional Amendment*** (February 2007) allowing for municipalities to set local tax rates – a cornerstone of Bulgaria's decentralization process which will have a critical and long-term impact on municipal economic development.
- ***Local Taxes and Fees Act amendments*** granted local governments the authority to set fees for defined services resulting in dramatic increases in own source revenue from 524 million BGN in 2002 (approximately 262 million USD) to an estimated 1113 million BGN in 2006 (approximately 727 million USD); an increase of 112 percent. Moreover, the proportion in local revenues increased from 15 percent to 37 percent of total budget sources.
- ***Municipal Budget Acts*** requiring a public hearing before budget approval established more transparent intergovernmental relations including funding standards and equalization grants for resource poor municipalities. Almost all Bulgarian cities now routinely hold public hearings.
- ***Annual State Budget Acts*** have increased funding for intergovernmental grants each year. Equalization grant funding increased from 15 million BGN (approx. USD 9 million) in 2003 to 103.5 million BGN (approx. USD 69 million) in 2007.
- ***Municipal Debt Act*** defining a comprehensive municipal borrowing procedure with greater transparency and defined debt limits increased municipal borrowing for infrastructure from 52 million BGN (approx. USD 30 million) in 2003 to 250 million BGN (approx. USD 163 million) in 2006.
- ***Model Ordinances*** for council operating procedures providing for greater transparency and public participation adopted by most municipal councils.

The institutionalized policy dialogue through the creation in 2006 of the Council on Decentralization with significant municipal representation represented another significant achievement. The Council formulated a new Decentralization Strategy 2006-2009 with a legislative program that the Council of Ministers approved. The Council of Ministers established annual decentralization policy monitoring program with annual monitoring reports.

City Links

Implementers: ICMA and FLGR

Recognizing the challenges facing local government in Bulgaria, in 1997 USAID partnered with the International City/County Management Association (ICMA) in helping Bulgaria find sustainable local solutions to the country's unsteady march towards democracy and decentralization. In partnership with the Foundation for Local Government Reform (FLGR), the Bulgarian Technical Twinning Program (later renamed City Links) was created. Through ICMA and FLGR, USAID initiated a pilot partnership program in 1997 between US cities and Bulgarian municipalities.

The program had five stages and ended February 2008. Each subsequent phase was designed to build on previous program components and successes that had made the largest impact on the development of Bulgarian municipalities. It also provided the potential to continue making changes in the way Bulgarian municipalities are managed and serve their citizens. Being a very successful model for creation of partnerships between Bulgarian and US cities, the program further fostered the exchange, upgrade and wide dissemination of experience, know-how, and effective local governance practices. The overall goals of the program were to strengthen the capacity of Bulgarian local governments in developing and applying new approaches and methodologies for solving current problems in Bulgarian communities, and secondly, to enhance the capabilities of Bulgarian local governments to facilitate economic growth. Program activities were performed in the following major components: local economic development and marketing; infrastructure management practices; and, solid waste management in rural areas.

Best practice replication became a main program instrument in completing program goals in the last two program phases, where US best practices were increasingly introduced with the assistance of Bulgarian professionals. As the City Links Program developed from phase to phase, it also evolved, with the traditional city-to-city partnerships giving way to new partnership models. Networking became a major approach for program implementation. It replaced the individual partnership model. The exchange of experience and best practices continued with the assistance of practitioners from several US cities. All program results were achieved through the effective collaboration and know-how transfer between Bulgarian municipalities and US practitioners who were providing guidance and creative solutions to their Bulgarian partners:

- The program pioneered a **professional approach to Local Economic Development (LED)**. As a direct result of US cities' technical assistance, 29 Bulgarian municipalities established LED offices and now apply professional economic development strategic

planning and operational management. In addition, 22 municipalities have established Economic Development Advisory Boards. Through dedicated municipal marketing, training and certification efforts, 120 million Euros in new investments have flowed into participating Bulgarian cities since 2004. Existing local companies expanded by 20 million Euros with 1,640 new jobs created.

- The strengthened capacity of Bulgarian municipalities resulted in better service provision.
- Best practices/models implemented under the previous phases of the program were multiplied and the impact from their implementation enhanced. The program expanded and involved 55 municipalities: 39 municipalities were prepared to market their communities, 19 municipalities replicated the rural area composting program, and nine municipalities began using an optimized street and road maintenance model.
- Program achievements were institutionalized by anchoring program activities in local expertise within the municipalities as well as in FLGR, thus ensuring program sustainability.

Foundation for Local Government Reform (FLGR)

USAID provided several grants to FLGR in the period 1997-2007 at the total amount of more than \$ 6 Mln. Near 80% of this funding was channeled as sub-grants for various municipal and NGO projects aimed at building effective and accountable local government system in Bulgaria.

Thanks to this assistance, FLGR developed as a first-class NGO which serves as a professional resource center in the area of local democracy. It provided training and customized, needs-based information and assistance to municipalities and NGOs with a particular focus on citizen participation in public policy decision-making, transparency of local government activities, green areas management, urban development, public-private partnerships at local level, and EU integration process.

The most illustrative example of a successfully implemented FLGR initiative is the **new model of municipal customer service delivery on the basis of one-stop shop services**. Inspired by US and Polish experience FLGR, with USAID assistance, launched the model in Bulgaria 10 years ago. There are currently more than 100 municipal customer service and information centers (one-stop shops) across the country. These centers have won nation-wide recognition as an innovative tool for achieving better quality of administrative services, enhanced efficiency of the administration, and increased transparency. The municipal “one stop shops” have become very popular in Bulgaria and now approximately half of all Bulgarian municipalities apply the concept in one way or another. Having seen the effectiveness of one-stop shops, municipalities now fund and develop them without USAID assistance.

The strengthened capacity of regional associations of municipalities (RAMs) is another significant output of this program. Currently, nine RAMs (“Trakia”, “Maritza”, “Black Sea”, “Rhodope”, “Danube”, “South-West”, “Yantra”, “Stara Planina”, and “Hebar”) serve as **sustainable** demand-driven local government support organizations uniting member-

municipalities on the bases of geographic proximity and common regional and local development issues.

National Association of Municipalities in the Republic of Bulgaria (NAMRB)

NAMRB is one of the most prominent legacies of USAID assistance in Bulgaria. Created in 1996, it quickly established itself as one of the most influential advocacy and largest membership organizations in Bulgaria. NAMRB led Bulgaria's fiscal decentralization efforts, helped institutionalize a dialogue between central and local governments, developed and clarified local government service standards and responsibilities, and raised the profile of local authorities and municipalities throughout the country. All 264 Bulgarian municipalities belong to the NAMRB. It also serves as a widely recognized role model for other national associations in Southeastern Europe.

USAID provided several grants totaling \$ 1.8 million to NAMRB in the period 1997-2007 to strengthen its unique role as a publicly recognized and statutory voice of Bulgarian municipalities, advancing the local government legislative agenda, and assisting member-municipalities in improving their administrative and policy-making capacity. The increasing interest in the services provided by NAMRB, alongside with its achievements over the last ten years, enabled the Association to enter a new stage in its institutional development as it set up in late 2007 a new large Training Center for Local Authorities where local government officials and employees will acquire practical knowledge in all areas of municipal development and further develop their professional expertise.

NAMRB demonstrated an impressive track record in terms of gradually improved financial sustainability, with currently more than 2/3 of its budget coming from membership dues.

PLEDGE

Implementer: USDOL/World Strategies, Inc.

The Partners in Local Economic Development and Government Effectiveness (PLEDGE) Program, developed by Worldwide Strategies, Inc. (WSI) and funded by USAID through the U.S. Department of Labor (USDOL), was launched in September 1998. The PLEDGE methodology integrated national development policy with the economic challenges and opportunities facing workers, businesses, and communities. Collaborating with national and local government, PLEDGE focused on local economic development, otherwise known as community economic renewal. PLEDGE stands for a successful, local economic development program which created jobs, started new businesses, supported local NGO development and, most importantly, developed lasting community capacity to make better economic decisions, take greater responsibility, be more inclusive, and demand transparent action.

From September 1998 through September 2004, PLEDGE completed LED projects in 55 communities or 21% of Bulgaria's 264 municipalities. All but one of these communities now embrace the program's core value: *people, not money, create positive change*. Communities learned to trust in themselves and hold the belief that working as a team leads a community down a more stable and propitious economic path.

Working with staff from the NGO, public and private sectors, PLEDGE trained volunteers to become Industrial Adjustment Specialists (IAS) responsible for organizing a broad base of local partners into a strategic planning team. Community teams were then trained to identify local economic problems and opportunities and to design sustainable projects that would create jobs.

Through this community participation process, PLEDGE brought about the following significant change in 54 communities: 5,251 jobs created, 941 jobs saved, 188 businesses started, 283 businesses expended, 130,744 decars of fallow and reclaimed, 361 follow-on LED projects using PLEDGE process, 634 local level improvements in financial, regulatory, physical infrastructure, and services

Ethnic Integration and Conflict Resolution

Implementer: Partners Bulgaria Foundation (PBF)

The transition from a state-run economy to a free market system in many cases served to exacerbate the problems faced by Bulgaria's Roma and Turkish/Muslim population. The poor educational, social and economic status of the Roma and Turkish populations placed them in an unequal position in the new realities of the emerging market economy. In 2000, USAID signed a cooperative agreement with Partners Bulgaria Foundation (PBF) to address Roma and Turkish/Muslim re-integration in Bulgarian society by improving economic, social and educational opportunities and promoting interethnic relations in thirteen Bulgarian municipalities with multiethnic populations and high levels of unemployment. Launched initially in the towns of Lom, Vidin and Kyustendil, the program expanded in 2003 to include four more communities with mixed Roma and Turkish/Muslim population. In 2004, through its Global Development Alliance Initiative (GDA) with Partners Bulgaria Foundation, USAID leveraged additional resources to include six more Muslim communities in the program, bringing the total number of communities to thirteen. Recognizing that reducing discrimination against and promoting inclusion of ethnic minorities is a precondition for EU accession, at the GOB request, USAID provided through PBF technical assistance in the developing a comprehensive *Strategy for Social Inclusion of Roma People*.

USAID's Ethnic Integration and Conflict Resolution Program established sustainable mechanisms of inter-ethnic and inter-sector cooperation between local municipal authorities and the local Roma and Turkish/Muslim communities. The program provided assistance to facilitate cooperative planning processes between local authorities and minority representatives to develop initiatives that focus on economic development, educational advancement and social support for minorities. In the same time, the program built inter-sectoral and inter-ethnic relations, thus promoting ethnic integration and participation in policy decision making. Altogether more than 200 grassroots level projects were supported. A total of 1,062 people were trained in cooperative planning, communication and negotiation skills, project development and project management and about 300 people learned mediation.

USAID introduced the conciliation commissions as a working model for solving urgent problems of minorities and facilitating positive ethnic relations within a local community. A total of 431 individual cases were resolved through mediation services. Being a legacy of the program the

conciliation commissions (supported by the local government, NGOs and local legal consultants) will remain as Mediation Centers to help local communities resolve ethnic-based conflicts in Bulgaria. Originally launched as the Roma Leadership Institute for development of Roma leadership capacity, the Minority Leadership Institute was transformed into an informal training institution for building management, leadership, and networking skills of Roma, Turkish/Muslim, and Bulgarian leaders. A total of 365 participants graduated from the Leadership Institute training initiative in all thirteen municipalities.

*Community Foundations and Social Enterprises
Implementer: Counterpart International*

The Community Foundation and Social Enterprise Program 2001-2006, implemented by Counterpart International, introduced viable models for community development and citizen participation (community foundations, social enterprises and social contracting) in Bulgaria. The program assisted the creation and development of ten community foundations in Blagoevgrad, Chepelare, Gabrovo, Lom, Pazardjik, Sliven, Stara Zagora, Tutrakan, Vratsa and Yambol. They were created with the vision to become permanent local sources of funding for NGO activities. USAID provided training and technical assistance, seed funding, matching grants to money raised locally for immediate disbursement, and general purpose grants. The community foundations stimulated public-private partnerships and managed to leverage local government money with funds coming from the private sector in implementing important social projects. Besides stimulating giving, the community foundations also stimulated civic participation in setting local development priorities. In some communities, such as Stara Zagora, Gabrovo and Chepelare, the community foundations developed significant technical expertise and positioned themselves as leaders of civil society development, able to bring together NGOs and other stakeholders for solving local problems.

USAID helped establish an Association of Community Foundations (ACFB) in Bulgaria in April 2005. ACFB's main goal is to support philanthropy development by promoting the community foundation model and building the capacity of the existing community foundations.

Under this program, USAID pioneered the concept of social enterprises in Bulgaria. The program provided training, technical assistance, loans, and small grant funding to 45 social service NGOs to start or develop existing business ventures. By developing income-generating ventures as a social enterprise, and by enhancing the entrepreneurial culture, these NGOs overcame major challenges to financial sustainability while creating opportunities for disadvantaged groups and communities. USAID also emphasized social contracting as a mechanism for improving social service delivery and social inclusion through public-private partnerships. USAID assisted 17 municipalities in contracting-out social services to NGOs. As a result, more than 3,000 disadvantaged people received access to social services for: day care centers for children with disabilities; rehabilitation centers for the elderly; soup kitchens and public laundries for low-income families; vocational training facilities for youth with disabilities, and shelters for the homeless.

In September 2006, USAID entered into a strategic partnership with the Trust for Civil Society in Central and Eastern Europe (CEE Trust) and the Charles Stewart Mott Foundation. The objective of the partnership was to enhance the growth of community foundations in Bulgaria. It built on the successes and legacies of USAID's Community Foundation program and increased the capacity of community foundations to serve as effective grant-makers by providing a match to money raised locally. While the USAID grant to CEE Trust ended in early 2008, Mott Foundation funding to community foundations will continue through 2009 and potentially beyond.

Chitalishte Project
Implementer: UNDP

USAID, along with the Dutch Government, jointly supported the United Nations Development Program's "Community Development and Participation through the Chitalishte Network Project." "Chitalishte are a unique Bulgarian institution, literally meaning place for reading or reading rooms. They arose in the mid-19th century as a place where Bulgarians could read books in their own language, meet with each other, learn and perform traditional dance and songs, and most importantly, to find ways to work together to improve life in their community. They played an important part in the revival of Bulgarian national consciousness which contributed to Bulgarian independence. In the early 1990s they still existed but after years of Communist rule, had moved away from their community ownership.

The Chitalishte Project, active from 2001 until 2004, had several project aims: building the capacity of the chitalishte as community centers; stimulating community participation and local development through the chitalishte network, and promoting access to modern Information Technologies (IT), mainly in IT-isolated communities. Activities included 67 one-year chitalishte demonstration projects and 25 internet centers established in chitalishtes. The Bulgarian Ministry of Culture and the UNDP report 43,440 demonstration project beneficiaries; of these, over 7,000 were Roma and more than 1,300 were of Turkish origin. Almost 1,900 people with disabilities benefited from the demonstration projects as well. Income from economic activities of chitalishte demonstration projects totaled almost BGN 50,000 (or the equivalent of \$33,000); while the IT centers generated about BGN 325,000 (or \$203,500). Community contributions to chitalishte activities totaled BGN 257,741 (or about \$172,000). A Chitalishte Development Foundation was established to carry on the work of the Project, as was an Association of Chitalishtes.

Key Lessons Learned

With approximately fifteen years of technical assistance, USAID/Bulgaria's local government program constitutes one of the longest, and possibly one of the most successful, governance programs in Eastern Europe. The program produced significant reforms in the legislative and policy framework for local government, it created one of the strongest networks of sustainable local government support organizations (LGSO) in the region, and it built capacity in local

governments and defined a new standard of performance that is widespread. These three areas can be considered as the pillars of a strong local government system. A number of valuable lessons can be drawn from the success of the program.

Building strong and accountable local government takes a long and consistent effort

USAID's initial effort was limited and opportunistic, acknowledging that the most receptive audience consisted of a small number of reform-minded mayors. As interest grew, the program broadened, but maintained its local level focus as there was little interest, if not clear opposition, with successive central governments. However, this initial focus paid dividends because it built a strong constituency with a common vision of accountable local government and strong LGSOs to build capacity and lobby for municipal interests. It also built a team of local experts, who, after having been paired with expatriate advisors, became legitimate, home-grown specialists. When there was an opening for policy change after the parliamentary elections in 2001, USAID was able to step in forcefully to support reform. Still, it took time to build the legitimacy of the policy issues, establish the working relationships among the stakeholders, and familiarize high-level officials, particularly MPs and the leadership of the political parties, with the issues. In the 2001 parliamentary elections, only one party had a local government plank in its platform and decentralization was not discussed. But, by 2005, local government reform was a debated issue. Taken as a full entity over the years, USAID's local government initiatives were comprehensive and addressed all aspects of a democratic local government system. This was largely because it was able to respond to changes in the Bulgarian environment, take advantage of entry points as they opened, and build strong indigenous LGSOs which served as key driving forces for local government reform.

Policy dialogue is essential for successful policy reform

Prior to 2001, relations between local governments and the central government were antagonistic and full of partisan rhetoric. Reform was based on power politics at the central level. At the beginning of 2001, USAID presented a different paradigm that included dialogue in which stakeholders' legitimate interests had to be recognized. The Local Government Forum, organized in November 2001, was the first time that all local government policy stakeholders—local governments, central ministries, LGSOs—met to discuss a common policy agenda. It succeeded in building a consensus that supported a broad range of reforms. The forum also succeeded in building a model for dialogue that became institutionalized in the Fiscal Decentralization Working Group, responsible for producing the initial reform proposals; and later, the Municipal Debt Working Group that produced the Municipal Debt Act. Finally, a sustainable model of policy dialogue was created with the establishment of the Decentralization Commission in 2006. Each of these groups incorporated the principle of adequate stakeholder representation and dialogue on policy issues as integral to the reform process.

Policy reform support occurs when technical assistants engage in the political process

Policy reform is often viewed by technical assistance programs as a technical process of presenting and discussing policy options among technical groups. The process of passing legislation is left to senior staff from the ministries. USAID firmly engaged in the parliamentary process, not as a partisan in support of one political party or another, but as an advocate for sound local government policies and laws. In this role, USAID provided technical assistance to

key parliamentary committees, training for MPs, briefings for parliamentary groups, assistance in drafting and reviewing legislation, and study tours that included MPs. One of the reasons that USAID was perceived as legitimate and dependable in policy reform was because of the value of the analyses and data it provided for discussion in place of the partisan rhetoric that characterized most policy reforms in Bulgaria. USAID's LGI served as an objective source of information for all political parties. This role was greatly facilitated by the growing number of former municipal officials who were successful in running for Parliament. Approximately 25 percent of the members elected to Parliament in 2005 had prior local government experience. In the final years, USAID helped establish a Local Government Caucus in Parliament, a loosely structured group of MPs, most of whom had served previously in local government.

The “making noise” approach is effective in fomenting change and reform support

USAID's formal capacity-building strategy consisted primarily of conventional training organized on the effective principles of adult learning. The reform program was built on stakeholder forums and working groups, both lines of activity working with a variety of partner organizations. However, stepping back for a broader perspective made visible a more complex reality, in which a variety of channels and messages about innovation and performance excellence as the means to more effective and accountable local government were delivered through a variety of channels. These channels included:

- The growth of vibrant national and regional associations of municipalities that lead information sharing and mutual problem solving among their members and serve as critical forums for the discussion of municipal issues;
- The two Local Government Forums in which building strong and accountable local government was the rationale for reform;
- The development of the FLGR's Innovative Practices website and annual award program that has become highly competitive and well publicized;
- The growth of professional associations (city secretaries and municipal legal experts) that give identity to those positions, allowing peer-to-peer exchange and a focus on improving performance;
- The growth of the NAMRB's annual Day of the Municipality celebration and annual Day of Dialogue between local and national government, which has become the best attended showcase for the discussion of municipal issues and presentation of good practices.

The messages through these activities and organizations shared a vision of stronger, more responsive, and more modern local government and promoting a new ethos.

Improving the performance of municipal councils is critical, but difficult.

While USAID helped strengthen the role of municipal councils and introduce innovative practices, many stakeholders agreed that progress was fundamentally constrained by the mode of election—the party list—which built council member accountability more to the political party than to the local electorate. However, reforming the mode of election is a politically charged issue, because changing the election procedure could threaten party control at the local level and would introduce an alternative to the way in which the national assembly is selected.

Ensuring nation-wide replication of successful ethnic integration models

While earlier USAID efforts on minority issues focused mainly on giving ethnic minorities and the disadvantaged a voice in society, later efforts focused more on improving their integration into society with a more multi-faceted approach. However, the USAID approach to minority support programs remained fragmented in search for models and structures to sustain the effort. Simply put, it should have been given more strategic direction and thought at the outset to ensure nation-wide impact and sustainability of results.

Need to diversify the scope and impact of community foundations

Notwithstanding their growth, community foundations (CF) continue to raise money for specific projects rather than for broader causes. They often operate as intermediaries between the donors and the beneficiaries, matching specific donor interests with specific projects, and thus activating local philanthropy for specific preliminary identified objectives. There are some limitations to this approach. The main limitation is that unrestricted donations are rare, which gives little freedom to the CF to respond to pressing community issues, or to support creative and innovative projects that do not correspond to their current donors' interests. Financial sustainability of the CFs through relying primarily on local sources of funding does not seem a foreseeable goal yet. Local fundraising is insufficient for covering the administrative costs of the CFs. At the same time, the most abundant external sources of funding in the next few years will be coming from the EU, but as a rule they cannot be used for grant making purposes. Thus, all CFs will be challenged to find a balance between local fundraising and applying for EU grants in reinforcing their identity as local grant makers.

Social contracting is naturally linked to social enterprises.

Including both components in a civil society program from the start may lead to greater results. The way that social services are funded in Bulgaria gives financial incentives for the municipalities to continue providing social services through institutions for which they get state funding, rather than by contracting out to NGO social service providers which they would have to pay for from their own municipal budgets. Thus, attention should be paid to the status of the decentralization of social services before embarking on a social enterprise/social contracting activity in a country. Experience with Counterpart's social enterprise program suggests that the legality of making loans should be determined before implementing a loan activity. Newly-formed social enterprises are not likely to be able to service such loans, so consideration should be given to capacity of the likely recipients as well.

Prospects for Long-Term Sustainability of Impact and Principal Threats to Sustainability

The prospects for long-term sustainability of impact of USAID-promoted local government reforms are very good in view of the substantial progress made under the SO, especially in the area of local government administration. **The LGSOs (NAMRB, FLGR, RAMs) are on a sustainable path towards continuing USAID agenda – to advocate for further local government and decentralization reforms and to ably assist Bulgarian municipalities to perform effectively and accountably.**

However, the stronger and more independent NAMRB becomes, the greater the attempts of key political parties to interfere during the election process for NAMRB's managing board and to

make the association a hostage of the parties' short-term political interests. In this regard, 2008 proves another challenging year for the association given the significant BSP-GERB rivalry at national level after the last local elections.

A key challenge for all stakeholders will be to continue building adequate local government capacity to absorb EU structural funds. Notwithstanding the positive results achieved so far, the lack of transparency in delivering public services and corruption in public procurement at local level remains a key challenge, especially in the larger municipalities where vested economic interests are at stake. The EU structural funds, worth several billion euros, afford a tempting target. In the case of Bulgaria, the local government elections in the fall of 2007 were marred by vote buying and other election irregularities on a scale not seen in recent years. Reportedly, shady business interests are now represented on many Municipal Councils and positioned to influence public procurement as significant amounts of EU structural funds start to flow to the regions in the fall of 2008. The Bulgarian public has become increasingly cynical about the election process, mainstream political parties and government officials, opening the door for powerful, corrupt local oligarchs.

The last decade was a time of wide-ranging donor support to *stimulate and support change at the local level with a focus on minorities and ethnic diversity*. Many have tested various approaches to empowering minorities and embracing diversity, or influencing one or more aspects of community development and local self-governance in ethnically diverse communities. However, most of the lessons about what works remain fragmented at the local and central levels, without a central body of knowledge guiding or demonstrating inclusive community development. With EU accession most bilateral donors have ended their funding. Thus, a new phase starts for civil society and local development with a different type of support to local initiatives. With very limited local philanthropy and few private donors, especially for minority issues, most of the funding will be within the framework of the European structural funds. This requires capacity development linked with cross-sector partnerships and regional and local development, requiring consultative processes with various stakeholders as projects are developed, funded, and implemented.

Replicability of the CF concept in new communities around Bulgaria is currently not foreseeable without external financial support. Some potential replication could be expected with the gradual growth of local philanthropy, when a sufficient number of donors recognize the need of intermediaries in giving. The dissemination of the existing knowledge and skills of the community foundations by their Association strongly depends on the availability of external grants that will allow the Association to liaise with new communities. The Association has the potential (people with knowledge and skills) to play the role of a mentor of new community foundations but it lacks the financial resources for undertaking this task. The main legacy of the community foundation program remains the endowment of people with knowledge, skills and commitment to develop further their community foundations as trustworthy local grant makers. These people have contributed to the success of the existing community foundations and will eventually assist the creation of new ones when favorable conditions exist for doing so.

SO Level Performance Indicators

Indicator 1: **Index of Local Government Effectiveness and Accountability**

This is a composite index measuring the overall effectiveness and accountability of local governance in Bulgaria. The Local Government Index (LG Index) is a numerical value integrating the results of a survey for the presence of objective indicators (introduced practices and mechanisms in local government) and subjective perception (of representatives of the local authorities, citizens, the media, businesses, NGOs) on various local government issues. The LG Index is an average of two sub-indexes. The effectiveness sub-index measures administrative effectiveness, effectiveness in public service delivery and economic development at local level. The accountability sub-index measures information dissemination from municipalities to citizens, citizens' participation in decision-making, and the municipal decision-making process.

USAID used a primary data source for this indicator - a Local Government Effectiveness and Accountability Survey commissioned annually. Alpha Research conducted four consecutive surveys in the period 2004-2007.

The surveys demonstrated that the index of local government effectiveness and accountability **increased progressively and stably over the years.** (minimum value - 0, maximum value -1).

	2004	2005	2006	2007
LG Index	0.561	0.591	0.621	0.643

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